

DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

JUVENILE LAW CENTER

FINANCIAL STATEMENTS

August 31, 2017

**JUVENILE LAW CENTER
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For the year ended August 31, 2017
(with comparative totals for the year ended August 31, 2016)**

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DAVID G. FAW
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Juvenile Law Center
Philadelphia, Pennsylvania

Report on the Financial Statements

I have audited the accompanying financial statements of Juvenile Law Center (a nonprofit corporation), which comprise the statement of financial position as of August 31, 2017 and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Juvenile Law Center as of August 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited Juvenile Law Center 2016 financial statements, and my report dated January 27, 2017, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountant
Wayne, Pennsylvania

December 18, 2017

JUVENILE LAW CENTER
STATEMENT OF FINANCIAL POSITION
August 31, 2017
(with comparative totals as of August 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash	\$ 179,761	\$ 350,720
Grants and contributions receivable	1,407,971	222,700
Prepaid expenses	61,779	96,158
Property and equipment, net	86,799	5,110
Investments	5,649,398	5,404,257
Security deposit	<u>11,667</u>	<u>11,667</u>
Total assets	<u>\$ 7,397,375</u>	<u>\$ 6,090,612</u>
 <u>Liabilities</u>		
Accounts payable	\$ 146,919	\$ 30,632
Accrued expenses	268,138	39,509
Accrued payroll and vacation	<u>125,244</u>	<u>101,089</u>
Total liabilities	<u>540,301</u>	<u>171,230</u>
 <u>Net assets</u>		
Unrestricted	2,610,236	2,036,504
Unrestricted, board designated	<u>-</u>	<u>536,022</u>
Total unrestricted net assets	2,610,236	2,572,526
Temporarily restricted	3,246,838	2,346,856
Permanently restricted	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>6,857,074</u>	<u>5,919,382</u>
Total liabilities and net assets	<u>\$ 7,397,375</u>	<u>\$ 6,090,612</u>

The accompanying notes are an integral part of these financial statements.

JUVENILE LAW CENTER
STATEMENT OF ACTIVITIES
For the year ended August 31, 2017
(with comparative totals for the year ended August 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<u>Support and revenue</u>					
Foundations and other grants	\$ 420,206	\$ 2,988,771	\$ -	\$ 3,408,977	\$ 2,175,194
Individual and corporation contributions	360,181	-	-	360,181	164,217
Special events	255,512	-	-	255,512	309,464
Less: cost of direct donor benefits	(71,106)	-	-	(71,106)	(189,561)
Attorney's fees	1,635	-	-	1,635	348,401
Honoraria, fees and other	-	-	-	-	4,100
Contributed services	-	-	-	-	25,226
Interest and dividends	84,069	41,134	-	125,203	114,386
Realized and unrealized gains on investments	318,818	158,596	-	477,414	335,915
Net assets released from restrictions:					
Satisfaction of program restrictions	1,497,019	(1,497,019)	-	-	-
Expiration of time restrictions	<u>791,500</u>	<u>(791,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,657,834</u>	<u>899,982</u>	<u>-</u>	<u>4,557,816</u>	<u>3,287,342</u>
<u>Expenses</u>					
Program	2,645,299	-	-	2,645,299	2,585,066
Management and general	492,869	-	-	492,869	345,152
Fundraising	<u>481,956</u>	<u>-</u>	<u>-</u>	<u>481,956</u>	<u>488,500</u>
Total expenses	<u>3,620,124</u>	<u>-</u>	<u>-</u>	<u>3,620,124</u>	<u>3,418,718</u>
Change in net assets	37,710	899,982	-	937,692	(131,376)
Net assets at beginning of year	<u>2,572,526</u>	<u>2,346,856</u>	<u>1,000,000</u>	<u>5,919,382</u>	<u>6,050,758</u>
Net assets at end of year	<u>\$ 2,610,236</u>	<u>\$ 3,246,838</u>	<u>\$ 1,000,000</u>	<u>\$ 6,857,074</u>	<u>\$ 5,919,382</u>

The accompanying notes are an integral part of these financial statements.

JUVENILE LAW CENTER
STATEMENT OF CASH FLOWS
For the year ended August 31, 2017
(with comparative totals for the year ended August 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 937,692	\$ (131,376)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,859	1,749
Realized and unrealized gains on investments	(477,414)	(335,915)
Changes in assets and liabilities:		
Grants and contributions receivable	(1,185,271)	595,400
Prepaid expenses	34,379	(13,613)
Accounts payable	116,286	(6,229)
Accrued expenses	228,628	(59,197)
Accrued payroll and vacation	24,155	24,395
Deferred revenue	-	(66,000)
Net cash (used in) provided by operating activities	<u>(317,686)</u>	<u>9,214</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale of investment securities	374,419	214,062
Purchase of investment securities	(142,146)	(103,986)
Purchase of property and equipment	<u>(85,546)</u>	<u>(4,666)</u>
Net cash provided by investing activities	<u>146,727</u>	<u>105,410</u>
Net (decrease) increase in cash	(170,959)	114,624
Cash at beginning of year	<u>350,720</u>	<u>236,096</u>
Cash at end of year	<u><u>\$ 179,761</u></u>	<u><u>\$ 350,720</u></u>

The accompanying notes are an integral part of these financial statements.

JUVENILE LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2017
(with comparative totals for the year ended August 31, 2016)

	Program	Management and General	Fund Raising	Total 2017	Total 2016
Salaries	\$ 1,463,163	\$ 200,999	\$ 288,484	\$ 1,952,646	\$ 1,475,102
Payroll tax expense	119,665	16,439	23,593	159,697	117,886
Employee benefits	261,068	35,864	51,473	348,405	285,624
Retirement plan	39,528	5,430	7,794	52,752	59,136
Total salaries and related expenses	1,883,424	258,732	371,344	2,513,500	1,937,748
Audit and accounting	-	121,203	-	121,203	33,469
Bank charges	1,618	222	319	2,159	2,497
Computer expense	17,067	2,344	3,365	22,776	20,742
Consultant - grant programs	365,145	-	-	365,145	695,579
Consultant - other	49,873	73,124	8,904	131,901	180,467
Contributed services	-	-	-	-	25,226
Depreciation	2,891	397	571	3,859	1,749
Fundraising supplies and expense	-	-	44,570	44,570	67,704
Insurance	22,048	3,029	4,347	29,424	27,674
Library	16,568	-	-	16,568	17,151
Litigation	4,974	-	-	4,974	5,586
Miscellaneous	11,937	1,640	2,353	15,930	18,396
Occupancy	103,330	14,195	20,373	137,898	157,128
Office supplies and expense	23,356	3,208	4,605	31,169	22,527
Postage	4,021	552	794	5,367	3,113
Printing and reproduction	14,327	1,968	2,824	19,119	23,757
Staff development	35,515	-	-	35,515	14,827
Telephone	5,668	779	1,117	7,564	7,154
Travel, conferences and meetings	83,537	11,476	16,470	111,483	156,224
Total expenses	<u>\$ 2,645,299</u>	<u>\$ 492,869</u>	<u>\$ 481,956</u>	<u>\$ 3,620,124</u>	<u>\$ 3,418,718</u>

The accompanying notes are an integral part of these financial statements.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
August 31, 2017

Note 1 - Organization and Nature of Activities and Significant Accounting Policies

Organization and Nature of Activities

Juvenile Law Center ("the Center"), founded in 1975, is a not-for-profit public-interest organization based in Philadelphia, Pennsylvania. The Center assists children and youth through a program of legal representation, public policy formation and community education throughout the United States. The Center is funded through foundation grants, as well as, individual and corporate contributions.

A summary of the Center's significant accounting policies is as follows:

Basis of Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Credit and Financial Risk

Substantially all of the contributions receivable are derived from grant and foundation donors, all of which are made on an unsecured basis.

The Center maintains its cash in bank deposit and money market accounts, which at times exceed federally insured limits. The Center believes it is not exposed to any significant credit risk on cash.

The Center's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Grants and Contributions Receivable

The Center uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific amounts due. All grants and contributions receivable are due within approximately one year and are expected to be fully realizable.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value as described in Note 4. Dividend income is recognized when earned. Any unrealized and realized gains or losses are reported in the statement of activities as change in unrestricted net assets, unless explicit donor intent or law restricts their use, in which case unrealized gains or losses are reported in the statement of activities as a change in temporarily restricted assets.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
August 31, 2017

Note 1 - Organization and Nature of Activities and Significant Accounting Policies (Continued)

Net Asset Classification

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets - Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets - Temporarily restricted net assets contain donor-imposed restrictions that permit the Center to use or expand the assets as specified. The restrictions are satisfied either by the passage of time or actions of the Center pursuant to those stipulations.

Permanently restricted net assets - Permanently restricted net assets contain donor-imposed restrictions that neither expire with the passage of time nor are otherwise removed by the Center's actions.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as increase in unrestricted net assets if the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, within the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

All acquisitions of property and equipment over \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Contributed Services

The Center recognizes contributions of services received if such services: (a) increase or enhance non-financial assets, (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and these differences could be material.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
August 31, 2017

Note 1 - Organization and Nature of Activities and Significant Accounting Policies (Continued)

Statement of Cash Flows

The Center utilizes the indirect method for reporting the increase or decrease in cash and equivalents. Cash equivalents, when applicable, are defined as short term, highly liquid investments with an initial maturity of three months or less.

Income Taxes

The Center is a not-for-profit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for Federal or state income taxes is included in these financial statements. The Center follows the income tax standard for uncertain tax positions. Should the tax-exempt status be challenged in the future, the Center's last three tax years are open for examination by the IRS.

Accrued Vacation

The liability for vacations earned but not taken has been charged to operations. Accrued vacation totaled \$59,213 as of August 31, 2017.

The Center has established a Sabbatical Leave Policy covering all full time employees who meet certain service requirements. The Policy is structured in such a way that no liability for compensated absences is required to be recorded under United States generally accepted accounting principles, as employees are required to work a year following the sabbatical leave, or it must be repaid in its entirety.

Note 2 - Property and Equipment

Furniture and fixtures	\$ 11,360
Computer equipment	19,686
Software/website	<u>77,569</u>
	108,615
Less accumulated depreciation	<u>21,816</u>
	<u>\$ 86,799</u>

Depreciation expense was \$3,859 for the year ended August 31, 2017.

The estimated useful lives were as follows:

Furniture and fixtures	5 years
Computer equipment	3 years
Software/website	3 years

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
August 31, 2017

Note 3 - Pass Through Grant Agreements

The Center does a significant amount of collaboration. On occasion it serves as the fiscal agent for foundations, passing through dollars to individual subcontractors identified by those foundations. On other occasions the Center has programmatic partners – other non-profits who were identified in Juvenile Law Center foundation grant applications as key partners in the Center's efforts. The financial statements reflect such transactions as both revenues and expenses; the Center's core operating budget does not include such items. During the year ended August 31, 2017, expenses associated with these collaborative efforts were \$365,145.

Note 4 - Fair Value Measurements

The table below presents the balances of assets measured at fair value on a recurring basis as of August 31, 2017.

		<u>Fair Value Measurements at August 31, 2017 Using</u>		
		<u>Quoted Prices in</u>	<u>Significant</u>	<u>Significant</u>
		<u>Active Markets for</u>	<u>Other</u>	<u>Other</u>
		<u>Identical</u>	<u>Observable</u>	<u>Unobservable</u>
		<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
		<u>Assets</u>		
		<u>Measured at Fair</u>		
		<u>Value</u>		
		<u>August 31, 2017</u>		
Assets:				
Mutual funds:				
Fixed income	\$ 1,581,086	\$ 1,581,086	\$ -	\$ -
Equities	<u>4,068,312</u>	<u>4,068,312</u>	<u>-</u>	<u>-</u>
Total assets measured				
at fair value	<u>\$ 5,649,398</u>	<u>\$ 5,649,398</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at August 31, 2017:

Time restricted	\$ 436,586
Purpose restricted, program	<u>2,810,252</u>
	<u>\$ 3,246,838</u>

Note 6 - Retirement Plan

The Center has a 403(b) retirement plan for the benefit of all eligible employees who meet one year of continuous service. Annual contributions to the plan are discretionary and approved by the Board of Directors when it adopts the Center's fiscal year budget. The plan also allows employees to contribute in the form of salary reduction and benefits are to be paid to eligible employees at retirement. Retirement plan expense for the year August 31, 2017 was \$52,752.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
August 31, 2017**

Note 7 - Endowment Fund

The Center's endowment consists of two donor-restricted funds (Barry Zubrow endowment) that were established to support fellowships and certain other programs. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and are reported as restricted or unrestricted.

Interpretation of Relevant Law

The Commonwealth of Pennsylvania has not adopted UPMIFA. State law allows non-profit organizations to make an election to adopt a total return investment policy as provided by Act 141 (1988) of Pennsylvania legislature 15 Pa. C.S.A Section 5548 ("total return election").

The Center did not make a "total return election," and as such, the Center is free to adopt any prudent investment policy and to make withdrawals consistent with its goals of preserving the Barry Zubrow endowment fund while making funds available to fund the Zubrow fellowship in absence of donor restrictions to limit withdrawals from the funds to income or any other explicit restrictions.

Return Objective, Spending Policy and Risk Parameters

The Center's objective is to earn a reasonable, long-term, risk-adjusted total rate of return to support its fellowship and other programs. The spending amount for the program each year is at the Board's sole discretion. The endowment fund is invested in a diversified mix of high quality fixed income securities and equities mutual funds, which are projected to produce above average real returns without exposing the portfolio to excess risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center utilizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends). The Center established the investment allocation guideline, which allocates 30% to fixed income securities mutual funds and 70% to equities mutual funds for all of the Center's investments. The Center closely monitors its investment allocation to determine their continued applicability based on the performance of the portfolio and market strategies. The allocation is reviewed quarterly and adjusted based on the recommendation from the advisor and circumstances of market conditions.

Corpus of the Barry Zubrow endowment asset is held in perpetuity based on the donor-restriction. The Barry Zubrow endowment asset is invested in mutual funds. Dividend and earnings earned on the account are appropriated to fund the Zubrow Fellowship when enough dividend and earnings are accumulated to support a Zubrow fellow.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
August 31, 2017

Note 8 - Endowment Fund (continued)

Funds designated by the Board of Directors to function as endowment are primarily invested in mutual funds.

Endowment funds consist of the following as of August 2017:

	<u>Zubrow Temporarily Restricted</u>	<u>Zubrow Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ 903,853	\$ 1,000,000	\$ 1,903,853

Changes in endowment funds for the year ended August 31, 2017 are as follows:

	<u>Unrestricted (Board Designated)</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets balance at September 1, 2016	\$ 536,022	\$ 797,561	\$ 1,000,000	\$ 2,333,583
Investment return:				
Investment income	-	41,134	-	41,134
Net realized and unrealized gains	-	158,596	-	158,596
Appropriation of endowment assets:				
Expenditure	-	(93,438)	-	(93,438)
Transfer to unrestricted fund	<u>(536,022)</u>	<u>-</u>	<u>-</u>	<u>(536,022)</u>
Endowment net assets, balance at August 31, 2017	<u>\$ -</u>	<u>\$ 903,853</u>	<u>\$ 1,000,000</u>	<u>\$ 1,903,853</u>

Note 9 - Lease

The Center shares office space with the Education Law Center with a lease term through August 14, 2019. Under the lease, the Center is responsible for minimum rental amounts to be paid plus all use and occupancy taxes and electricity imposed upon the lease space. The Center pays electricity imposed upon the lease space plus a sum equal to 3.34% of all increases in the real estate taxes and operating expenses of the building in the base year 2015 as additional rent. As of August 31, 2017, the Center has a security deposit with the landlord of \$11,667 which will be applied at the end of the lease term provided that the lease is not in default.

The lease is cancelable subject to the conditions that the Center has at no time been in default under the terms of the lease, the Center must give the landlord written notice 270 days prior to termination, and the Center must provide reasonable documentation that the Center, due to diminished funding and resources, can no longer afford the rent. In addition to the notice an early termination fee will be assessed.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
August 31, 2017

Note 9 - Lease (continued)

The fee will be equal to the unamortized portion (based on a ten year amortization schedule beginning on the commencement date and ending on the termination date) of: (i) twenty percent of the aggregate build-out cost and expenses, (ii) moving expenses related to the build-out reimbursed to the Center by the landlord, (iii) twenty five percent of the broker's commissions paid by the landlord in connection with the amending and extending the terms of the original lease and (iv) the Center shall also reimburse the landlord up to \$7,500 for the landlord's reasonable actual out-of-pocket costs to physically separate the vacated space to create two separate offices.

Future minimum payments under the lease at August 31, 2017 are:

Year Ending August 31, 2018	\$ 133,300
2019	<u>136,400</u>
	<u>\$ 269,700</u>

Occupancy expense was \$137,898 for the year ended August 31, 2017.

Note 10 - Prior Year Information

Certain financial statements contained herein include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended August 31, 2016 from which the summarized information was derived.

Note 11 - New Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14 to Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends several requirements for financial statements and notes, including net asset classifications in the statements of financial position and statements of activities and enhanced disclosures in numerous areas. This standard is effective for the fiscal years beginning after December 15, 2017, with early adoption permitted. The Center is evaluating the impact this ASU will have on the financial statement presentation.

Note 12 - Evaluation of Subsequent Events

The Center has evaluated subsequent events through December 18, 2017, the date which the financial statements were available to be issued. No items were noted which require disclosure in the financial statements.