

DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

JUVENILE LAW CENTER

FINANCIAL STATEMENTS

AUGUST 31, 2019

**JUVENILE LAW CENTER
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FOR THE YEAR ENDED AUGUST 31, 2019
(with comparative totals for the year ended August 31, 2018)**

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DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

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, 2019 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.

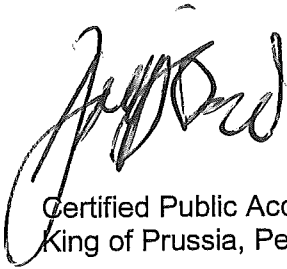
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2019, 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 2018 financial statements, and my report dated February 7, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountant
King of Prussia, Pennsylvania

January 8, 2020

JUVENILE LAW CENTER
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019
(with comparative totals as of August 31, 2018)

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash	\$ 250,982	\$ 67,624
Grants and contributions receivable	713,551	1,151,587
Prepaid expenses	67,396	69,830
Property and equipment, net	64,449	114,477
Investments	4,888,751	5,016,038
Security deposit	<u>33,467</u>	<u>11,667</u>
Total assets	<u>\$ 6,018,596</u>	<u>\$ 6,431,223</u>
 <u>Liabilities</u>		
Accounts payable	\$ 18,033	\$ 119,710
Accrued expenses	25,564	27,074
Accrued vacation	55,582	51,177
Refundable advance	36,500	-
Agency funds	<u>205,000</u>	<u>260,000</u>
Total liabilities	<u>340,679</u>	<u>457,961</u>
 <u>Net assets</u>		
Without donor restrictions	2,257,582	2,280,757
With donor restrictions	<u>3,420,335</u>	<u>3,692,505</u>
Total net assets	<u>5,677,917</u>	<u>5,973,262</u>
Total liabilities and net assets	<u>\$ 6,018,596</u>	<u>\$ 6,431,223</u>

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

**JUVENILE LAW CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019
(with comparative totals for the year ended August 31, 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
<u>Support and revenue</u>				
Foundations and other grants	\$ 632,222	\$ 1,596,037	\$ 2,228,259	\$ 1,330,381
Individual and corporation contributions	329,836	-	329,836	497,282
Special events	129,625	-	129,625	217,230
Less: cost of direct donor benefits	(100,807)	-	(100,807)	(93,078)
Attorney fees	393,968	-	393,968	-
Honoraria, fees and other	2,658	-	2,658	6,397
Interest and dividends	59,982	45,490	105,472	109,690
Realized and unrealized gains on investments	8,477	2,164	10,641	408,578
Net assets released from restrictions	<u>1,915,861</u>	<u>(1,915,861)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,371,822</u>	<u>(272,170)</u>	<u>3,099,652</u>	<u>2,476,480</u>
<u>Expenses</u>				
Program	2,402,187	-	2,402,187	2,490,270
Management and general	486,437	-	486,437	459,081
Fundraising	<u>506,373</u>	<u>-</u>	<u>506,373</u>	<u>410,941</u>
Total expenses	<u>3,394,997</u>	<u>-</u>	<u>3,394,997</u>	<u>3,360,292</u>
Change in net assets	(23,175)	(272,170)	(295,345)	(883,812)
Net assets at beginning of year	<u>2,280,757</u>	<u>3,692,505</u>	<u>5,973,262</u>	<u>6,857,074</u>
Net assets at end of year	<u>\$ 2,257,582</u>	<u>\$ 3,420,335</u>	<u>\$ 5,677,917</u>	<u>\$ 5,973,262</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, 2019
(with comparative totals for the year ended August 31, 2018)**

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (295,345)	\$ (883,812)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	50,028	34,384
Realized and unrealized gains on investments	(10,641)	(408,578)
Changes in assets and liabilities:		
Grants and contributions receivable	438,036	256,384
Prepaid expenses	2,434	(8,050)
Security deposit	(21,800)	-
Accounts payable	(101,677)	(27,209)
Accrued expenses	(1,511)	(241,064)
Accrued vacation	4,405	(74,067)
Refundable advance	36,500	-
Agency funds	<u>(55,000)</u>	<u>260,000</u>
Net cash provided by (used in) operating activities	<u>45,429</u>	<u>(1,092,012)</u>
 <u>Cash flows from investing activities</u>		
Proceeds from sale of investment securities	270,547	1,173,050
Purchase of investment securities	(132,618)	(131,112)
Purchase of property and equipment	<u>-</u>	<u>(62,063)</u>
Net cash provided by investing activities	<u>137,929</u>	<u>979,875</u>
 Net increase (decrease) in cash	183,358	(112,137)
 Cash at beginning of year	<u>67,624</u>	<u>179,761</u>
 Cash at end of year	<u>\$ 250,982</u>	<u>\$ 67,624</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, 2019
(with comparative totals for the year ended August 31, 2018)**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total 2019</u>	<u>Total 2018</u>
Salaries	\$ 1,356,202	\$ 250,749	\$ 265,661	\$ 1,872,612	\$ 1,884,330
Payroll tax expense	103,187	19,078	20,213	142,478	146,005
Employee benefits	221,657	40,982	43,419	306,058	326,585
Retirement plan	60,853	11,251	11,920	84,024	84,389
Total salaries and related expenses	1,741,899	322,060	341,213	2,405,172	2,441,309
Audit and accounting	-	42,096	-	42,096	68,080
Bank charges	2,173	402	426	3,001	2,585
Computer expense	27,016	4,995	5,292	37,303	35,605
Consultant - grant programs	148,814	-	-	148,814	134,401
Consultant - other	139,828	62,179	74,626	276,633	177,029
Depreciation	36,232	6,699	7,097	50,028	34,384
Fundraising supplies and expense	-	-	26,858	26,858	24,088
Insurance	19,738	3,649	3,867	27,254	28,558
Library	20,254	-	-	20,254	17,148
Litigation	4,920	-	-	4,920	47,007
Miscellaneous	9,175	1,696	1,799	12,670	5,704
Occupancy	110,894	20,503	21,722	153,119	149,481
Office supplies and expense	11,832	2,188	2,317	16,337	12,957
Postage	5,601	1,036	1,096	7,733	6,908
Printing and reproduction	14,434	2,669	2,828	19,931	14,803
Staff development	21,407	-	-	21,407	35,415
Telephone	5,473	1,012	1,072	7,557	7,400
Travel, conferences and meetings	82,497	15,253	16,160	113,910	117,430
Total expenses	<u>\$ 2,402,187</u>	<u>\$ 486,437</u>	<u>\$ 506,373</u>	<u>\$ 3,394,997</u>	<u>\$ 3,360,292</u>

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

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019**

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 advocates for rights, dignity, equity and opportunity for youth in the child welfare and justice systems. 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 financial statements of the Center have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Center to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Grants and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019**

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

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.

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 5. 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 net assets with donor restrictions.

Agency Funds

The Center records a liability for funds it holds as agent for multi-grantee award programs. Those funds will be released to the other named beneficiaries on a periodic basis throughout the term of the grants.

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, 2019**

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 \$55,582 as of August 31, 2019.

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.

Refundable Advances

Transfers of assets under conditional promises, which are received by the Center prior to fulfilling these conditions, are recorded as a liability until the conditions are substantially met.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 - Property and Equipment

Furniture and fixtures	\$ 11,360
Computer equipment	19,686
Software/website	<u>139,631</u>
	170,677
Less accumulated depreciation	<u>(106,228)</u>
	<u>\$ 64,449</u>

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019**

Note 3 - Property and Equipment (continued)

The estimated useful lives were as follows:

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

Note 4 - 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, 2019, expenses associated with these collaborative efforts were \$148,814.

Note 5 - Fair Value Measurements

The table below presents the balances of assets measured at fair value on a recurring basis as of August 31, 2019.

	Assets Measured at Fair Value <u>August 31, 2019</u>	<u>Fair Value Measurements at August 31, 2019 Using</u>		
		Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Other Unobservable Inputs <u>(Level 3)</u>
Assets:				
Mutual funds:				
Fixed income	\$ 1,469,325	\$ 1,469,325	\$ -	\$ -
Equities	<u>3,419,426</u>	<u>3,419,426</u>	<u>-</u>	<u>-</u>
Total assets measured at fair value	<u>\$ 4,888,751</u>	<u>\$ 4,888,751</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6 - Net Assets with Donor Restrictions

Expendable net assets	\$ 2,420,335
Unexpendable net assets	<u>1,000,000</u>
	<u>\$ 3,420,335</u>

Note 7 - 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. Pension expense was \$84,024 in 2019.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019**

Note 8 - 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 net assets with or without donor restrictions.

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.

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 31, 2019:

	<u>Zubrow Endowment Expendable</u>	<u>Zubrow Endowment Unexpendable</u>	<u>Total</u>
Donor-restricted endowment fund	<u>\$ 950,263</u>	<u>\$ 1,000,000</u>	<u>\$ 1,950,263</u>

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019**

Note 8 - Endowment Fund (continued)

Changes in endowment funds for the year ended August 31, 2019 are as follows:

	<u>Expendable</u>	<u>Unexpendable</u>	<u>Total</u>
Endowment net assets balance at September 1, 2018	\$ 1,000,184	\$ 1,000,000	\$ 2,000,184
Investment return:			
Investment income	45,490	-	45,490
Net realized and unrealized gains	2,164	-	2,164
Appropriation of endowment assets:			
Expenditure	<u>(97,575)</u>	<u>-</u>	<u>(97,575)</u>
Endowment net assets, balance at August 31, 2019	<u>\$ 950,263</u>	<u>\$ 1,000,000</u>	<u>\$ 1,950,263</u>

Note 9 - Lease

Effective beginning July 22, 2019, the Center entered into a 10.5 year lease agreement at its new location at 1800 JFK Boulevard. Occupancy began in October 2019. The lease agreement provides an option for early termination at any time between the dates August 1, 2022 and December 31, 2024 provided that the Center give the landlord no less than nine (9) months prior written notice and pay a termination fee equal to the unamortized transaction costs including commissions, improvements, and free rent, at a 6% interest rate. Assuming no such option is exercised, future minimum lease payments are as follows:

Year Ended: August 31, 2020	\$ 108,700
August 31, 2021	133,157
August 31, 2022	150,959
August 31, 2023	177,843
August 31, 2024	188,396
Thereafter	<u>1,099,583</u>
Total	<u>\$ 1,858,638</u>

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, 2018 from which the summarized information was derived.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019**

Note 11 - Availability and Liquidity

The following represents the Center's current financial assets at August 31, 2019:

Cash	\$ 250,982
Grants and contributions receivable	<u>713,551</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 964,533</u>

The Center has been able to maintain financial assets to meet approximately 3 months of operating expenses. As part of its liquidity plan, excess cash may in the future be invested in short-term investments, including money market accounts.

Note 12 - Reclassifications

Certain amounts for 2018 have been reclassified to conform with the 2019 presentations.

Note 13 - Evaluation of Subsequent Events

The Center has evaluated subsequent events through January 8, 2020, the date which the financial statements were available to be issued.