

JUVENILE LAW CENTER
FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)



**JUVENILE LAW CENTER
TABLE OF CONTENTS
YEAR ENDED AUGUST 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Juvenile Law Center
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Juvenile Law Center (a nonprofit organization) which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses and cash flows 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Juvenile Law Center as of August 31, 2020, 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

The prior year summarized comparative information was derived from Juvenile Law Center's 2019 financial statements that were audited by another auditor and, in his report dated January 8, 2020, he expressed an unmodified opinion on the financial statements.

J. Miller & Associates, LLC

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
July 15, 2021

JUVENILE LAW CENTER
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF AUGUST 31, 2019)

	2020	2019
<u>Assets</u>		
Cash and equivalents	\$ 1,346,939	\$ 250,982
Grants and contributions receivable	1,339,310	713,551
Prepaid expenses	104,284	67,396
Investments	5,496,779	4,888,751
Security deposit	21,800	33,467
Property and equipment, net	182,701	64,449
Total assets	\$ 8,491,813	\$ 6,018,596
<u>Liabilities</u>		
Accounts payable	\$ 135,581	\$ 18,033
Accrued expenses	62,203	25,564
Accrued vacation	71,663	55,582
Refundable advances	2,500	36,500
Deferred revenue	250,000	-
Agency funds	75,000	205,000
Deferred rent	60,551	-
Loan payable	437,750	-
Total liabilities	1,095,248	340,679
<u>Net assets</u>		
Without donor restrictions	2,378,503	2,257,582
With donor restrictions	5,018,062	3,420,335
Total net assets	7,396,565	5,677,917
Total liabilities and net assets	\$ 8,491,813	\$ 6,018,596

See accompanying notes to the financial statements.

**JUVENILE LAW CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
<u>Support and revenue</u>				
Foundations and other grants	\$ -	\$ 4,265,469	\$ 4,265,469	\$ 2,228,259
Individual and corporate contributions	399,991	-	399,991	329,836
Special events	-	-	-	129,625
Less: cost of direct donor benefits	-	-	-	(100,807)
Attorney fees	25,782	-	25,782	393,968
Honoraria and fees	11,398	-	11,398	2,658
Miscellaneous income	4,695	-	4,695	-
Interest and dividends	65,501	44,648	110,149	105,472
Realized and unrealized gains	363,230	234,295	597,525	10,641
Net assets released from restrictions	2,946,685	(2,946,685)	-	-
	<u>3,817,282</u>	<u>1,597,727</u>	<u>5,415,009</u>	<u>3,099,652</u>
<u>Expenses</u>				
Program expense	2,910,391	-	2,910,391	2,402,187
Management and general	324,766	-	324,766	486,437
Fundraising	461,204	-	461,204	506,373
	<u>3,696,361</u>	<u>-</u>	<u>3,696,361</u>	<u>3,394,997</u>
Change in net assets	120,921	1,597,727	1,718,648	(295,345)
Net assets at beginning of year	<u>2,257,582</u>	<u>3,420,335</u>	<u>5,677,917</u>	<u>5,973,262</u>
Net assets at end of year	<u>\$ 2,378,503</u>	<u>\$ 5,018,062</u>	<u>\$ 7,396,565</u>	<u>\$ 5,677,917</u>

See accompanying notes to the financial statements.

JUVENILE LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)

	Program	Management and General	Fundraising	Total 2020	Total 2019
Salaries	\$ 1,810,787	\$ 136,052	\$ 255,907	\$ 2,202,746	\$ 1,872,612
Payroll taxes	136,700	10,271	19,319	166,290	142,478
Employee benefits	263,010	19,761	37,170	319,941	306,058
Retirement plan	78,918	5,929	11,153	96,000	84,024
Total salaries and related expenses	2,289,415	172,013	323,549	2,784,977	2,405,172
Accounting and audit	-	40,072	-	40,072	42,096
Bank charges	2,443	184	345	2,972	3,001
Computer expense	27,289	2,050	3,857	33,196	37,303
Consultant - grant programs	29,813	-	-	29,813	148,814
Consultant - other	127,006	83,155	54,638	264,799	276,633
Depreciation	53,987	4,056	7,630	65,673	50,028
Fundraising supplies and expense	-	-	13,114	13,114	26,858
Insurance	23,333	1,753	3,298	28,384	27,254
Library	20,460	-	-	20,460	20,254
Litigation	3,061	-	-	3,061	4,920
Miscellaneous	8,848	665	1,250	10,763	12,670
Occupancy	149,447	11,223	21,122	181,792	153,119
Office expense and supplies	21,169	1,591	2,992	25,752	16,337
Postage	4,031	303	570	4,904	7,733
Printing and publications	16,525	-	2,335	18,860	19,931
Shared event cost	-	-	12,019	12,019	-
Staff development	27,110	-	-	27,110	21,407
Telephone	3,521	265	498	4,284	7,557
Travel and training	102,933	7,436	13,987	124,356	113,910
Total expenses	\$ 2,910,391	\$ 324,766	\$ 461,204	\$ 3,696,361	\$ 3,394,997

See accompanying notes to the financial statements.

**JUVENILE LAW CENTER
STATEMENT OF CASH FLOW
YEAR ENDED AUGUST 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)**

	2020	2019
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,718,648	\$ (295,345)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	65,673	50,028
Realized and unrealized gains	(597,525)	(10,641)
<u>Change in assets and liabilities</u>		
Grants and contributions receivable	(625,759)	438,036
Prepaid expenses	(36,888)	2,434
Security deposit	11,667	(21,800)
Accounts payable	117,548	(101,677)
Accrued expenses	36,639	(1,511)
Accrued vacation	16,081	4,405
Refundable advances	(34,000)	36,500
Deferred revenue	250,000	-
Agency funds	(130,000)	(55,000)
Deferred rent	60,551	-
Net cash provided by operating activities	852,635	45,429
<u>Cash flows from investment activities</u>		
Proceeds from sale of investments	135,671	270,547
Purchase of investments	(146,174)	(132,618)
Purchase of property and equipment	(183,925)	-
Net cash (used in) provided by investing activities	(194,428)	137,929
<u>Cash flows from Financing activities</u>		
Drawdowns on loan payable	437,750	-
Net cash provided by financing activities	437,750	-
Net increase in cash and equivalents	1,095,957	183,358
Cash and equivalents at beginning of year	250,982	67,624
Cash and equivalents at end of year	\$ 1,346,939	\$ 250,982

See accompanying notes to the financial statements.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 1 NATURE OF OPERATIONS

Nature of Operations

Juvenile Law Center ("the Center"), founded in 1975, is a nonprofit 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. Through litigation, appellate advocacy, and submission of amicus (friend-of-the-court) briefs, policy reform, public education, training, consulting, and strategic communications, the Center fights for children who come into contact with the child welfare and justice systems. The Center strives to ensure that laws, policies, and practices affecting youth advance racial and economic equity and are rooted in research, consistent with children's unique developmental characteristics, and reflective of international human rights values. The Center is funded through foundation grants, as well as individual and corporate contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") which involves the application of the accrual basis of accounting; consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Summarized Comparative Information

The summarized comparative information presents amounts in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

Recent Accounting Pronouncements Implemented

The Center has adopted Accounting Standards Update ("ASU") No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The new guidance helps distinguish if grants and contracts from resource providers are exchange transactions or contributions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among nonprofit corporations. The adoption of this standard for the year ended August 31, 2020, did not result in a change in accounting for the Center's revenue.

JUVENILE LAW CENTER
FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)



**JUVENILE LAW CENTER
TABLE OF CONTENTS
YEAR ENDED AUGUST 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Juvenile Law Center
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Juvenile Law Center (a nonprofit organization) which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses and cash flows 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Juvenile Law Center as of August 31, 2020, 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

The prior year summarized comparative information was derived from Juvenile Law Center's 2019 financial statements that were audited by another auditor and, in his report dated January 8, 2020, he expressed an unmodified opinion on the financial statements.

J. Miller & Associates, LLC

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
July 15, 2021

JUVENILE LAW CENTER
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF AUGUST 31, 2019)

	2020	2019
<u>Assets</u>		
Cash and equivalents	\$ 1,346,939	\$ 250,982
Grants and contributions receivable	1,339,310	713,551
Prepaid expenses	104,284	67,396
Investments	5,496,779	4,888,751
Security deposit	21,800	33,467
Property and equipment, net	182,701	64,449
Total assets	\$ 8,491,813	\$ 6,018,596
<u>Liabilities</u>		
Accounts payable	\$ 135,581	\$ 18,033
Accrued expenses	62,203	25,564
Accrued vacation	71,663	55,582
Refundable advances	2,500	36,500
Deferred revenue	250,000	-
Agency funds	75,000	205,000
Deferred rent	60,551	-
Loan payable	437,750	-
Total liabilities	1,095,248	340,679
<u>Net assets</u>		
Without donor restrictions	2,378,503	2,257,582
With donor restrictions	5,018,062	3,420,335
Total net assets	7,396,565	5,677,917
Total liabilities and net assets	\$ 8,491,813	\$ 6,018,596

See accompanying notes to the financial statements.

**JUVENILE LAW CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
<u>Support and revenue</u>				
Foundations and other grants	\$ -	\$ 4,265,469	\$ 4,265,469	\$ 2,228,259
Individual and corporate contributions	399,991	-	399,991	329,836
Special events	-	-	-	129,625
Less: cost of direct donor benefits	-	-	-	(100,807)
Attorney fees	25,782	-	25,782	393,968
Honoraria and fees	11,398	-	11,398	2,658
Miscellaneous income	4,695	-	4,695	-
Interest and dividends	65,501	44,648	110,149	105,472
Realized and unrealized gains	363,230	234,295	597,525	10,641
Net assets released from restrictions	2,946,685	(2,946,685)	-	-
	<u>3,817,282</u>	<u>1,597,727</u>	<u>5,415,009</u>	<u>3,099,652</u>
<u>Expenses</u>				
Program expense	2,910,391	-	2,910,391	2,402,187
Management and general	324,766	-	324,766	486,437
Fundraising	461,204	-	461,204	506,373
	<u>3,696,361</u>	<u>-</u>	<u>3,696,361</u>	<u>3,394,997</u>
Change in net assets	120,921	1,597,727	1,718,648	(295,345)
Net assets at beginning of year	<u>2,257,582</u>	<u>3,420,335</u>	<u>5,677,917</u>	<u>5,973,262</u>
Net assets at end of year	<u>\$ 2,378,503</u>	<u>\$ 5,018,062</u>	<u>\$ 7,396,565</u>	<u>\$ 5,677,917</u>

See accompanying notes to the financial statements.

JUVENILE LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)

	Program	Management and General	Fundraising	Total 2020	Total 2019
Salaries	\$ 1,810,787	\$ 136,052	\$ 255,907	\$ 2,202,746	\$ 1,872,612
Payroll taxes	136,700	10,271	19,319	166,290	142,478
Employee benefits	263,010	19,761	37,170	319,941	306,058
Retirement plan	78,918	5,929	11,153	96,000	84,024
Total salaries and related expenses	2,289,415	172,013	323,549	2,784,977	2,405,172
Accounting and audit	-	40,072	-	40,072	42,096
Bank charges	2,443	184	345	2,972	3,001
Computer expense	27,289	2,050	3,857	33,196	37,303
Consultant - grant programs	29,813	-	-	29,813	148,814
Consultant - other	127,006	83,155	54,638	264,799	276,633
Depreciation	53,987	4,056	7,630	65,673	50,028
Fundraising supplies and expense	-	-	13,114	13,114	26,858
Insurance	23,333	1,753	3,298	28,384	27,254
Library	20,460	-	-	20,460	20,254
Litigation	3,061	-	-	3,061	4,920
Miscellaneous	8,848	665	1,250	10,763	12,670
Occupancy	149,447	11,223	21,122	181,792	153,119
Office expense and supplies	21,169	1,591	2,992	25,752	16,337
Postage	4,031	303	570	4,904	7,733
Printing and publications	16,525	-	2,335	18,860	19,931
Shared event cost	-	-	12,019	12,019	-
Staff development	27,110	-	-	27,110	21,407
Telephone	3,521	265	498	4,284	7,557
Travel and training	102,933	7,436	13,987	124,356	113,910
Total expenses	\$ 2,910,391	\$ 324,766	\$ 461,204	\$ 3,696,361	\$ 3,394,997

See accompanying notes to the financial statements.

**JUVENILE LAW CENTER
STATEMENT OF CASH FLOW
YEAR ENDED AUGUST 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)**

	2020	2019
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,718,648	\$ (295,345)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	65,673	50,028
Realized and unrealized gains	(597,525)	(10,641)
 <u>Change in assets and liabilities</u>		
Grants and contributions receivable	(625,759)	438,036
Prepaid expenses	(36,888)	2,434
Security deposit	11,667	(21,800)
Accounts payable	117,548	(101,677)
Accrued expenses	36,639	(1,511)
Accrued vacation	16,081	4,405
Refundable advances	(34,000)	36,500
Deferred revenue	250,000	-
Agency funds	(130,000)	(55,000)
Deferred rent	60,551	-
Net cash provided by operating activities	852,635	45,429
 <u>Cash flows from investment activities</u>		
Proceeds from sale of investments	135,671	270,547
Purchase of investments	(146,174)	(132,618)
Purchase of property and equipment	(183,925)	-
Net cash (used in) provided by investing activities	(194,428)	137,929
 <u>Cash flows from Financing activities</u>		
Drawdowns on loan payable	437,750	-
Net cash provided by financing activities	437,750	-
 Net increase in cash and equivalents	1,095,957	183,358
 Cash and equivalents at beginning of year	250,982	67,624
 Cash and equivalents at end of year	\$ 1,346,939	\$ 250,982

See accompanying notes to the financial statements.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 1 **NATURE OF OPERATIONS**

Nature of Operations

Juvenile Law Center ("the Center"), founded in 1975, is a nonprofit 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. Through litigation, appellate advocacy, and submission of amicus (friend-of-the-court) briefs, policy reform, public education, training, consulting, and strategic communications, the Center fights for children who come into contact with the child welfare and justice systems. The Center strives to ensure that laws, policies, and practices affecting youth advance racial and economic equity and are rooted in research, consistent with children's unique developmental characteristics, and reflective of international human rights values. The Center is funded through foundation grants, as well as individual and corporate contributions.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") which involves the application of the accrual basis of accounting; consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Summarized Comparative Information

The summarized comparative information presents amounts in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

Recent Accounting Pronouncements Implemented

The Center has adopted Accounting Standards Update ("ASU") No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The new guidance helps distinguish if grants and contracts from resource providers are exchange transactions or contributions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among nonprofit corporations. The adoption of this standard for the year ended August 31, 2020, did not result in a change in accounting for the Center's revenue.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Adopted

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which outlined a single comprehensive model to use for accounting for revenue arising from customers and superseded nearly all existing GAAP revenue recognition guidance, including industry-specific guidance. The core principle of the standard is that revenue is recognized when the transfer of goods or services to customers occurs in an amount that reflects the consideration to which the Center expects to be entitled in exchange for those good or services. The standard is effective for fiscal years beginning after December 15, 2019. The Center is currently evaluating the standard and its impact on the financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)." The primary objective of the standard is to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset. The standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Center is currently evaluating the standard and its impact on the financial statements.

Financial Statement Presentation

Currently, there are two classes of net assets for nonprofit organizations: net assets with donor restrictions and net assets without donor restrictions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These net assets may be used at the discretion of the Center's management and board.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 13 **CONCENTRATIONS OF RISKS**

The Center maintains its cash in bank deposit and money market accounts, which at times exceed federally insured limits. The amount that exceeded federally insured limits was approximately \$979,000 at August 31, 2020. The Center has not experienced any losses and believes it is not exposed to any significant credit risk.

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

The Center's endowment 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.

In March 2020, in response to the emerging COVID-19 pandemic, all client services are being done remotely to help reduce the rate of 'community spread' and the systemic impact on public health. As a result of the COVID-19 pandemic, economic uncertainties have arisen which may negatively impact the fair value of investments and net interest/dividend income. Other financial impacts could occur though such potential impact is unknown at this time. The Center's management will continue to make ongoing strategic decisions to manage programs and operations and monitor cash flow.

NOTE 14 **SUBSEQUENT EVENTS**

The Center has evaluated subsequent events through July 15, 2021, which is the date the financial statements were available to be issued.

On April 5, 2021, The Center obtained a second PPP loan in the amount of \$481,647 at a rate of 1%.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Adopted

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which outlined a single comprehensive model to use for accounting for revenue arising from customers and superseded nearly all existing GAAP revenue recognition guidance, including industry-specific guidance. The core principle of the standard is that revenue is recognized when the transfer of goods or services to customers occurs in an amount that reflects the consideration to which the Center expects to be entitled in exchange for those good or services. The standard is effective for fiscal years beginning after December 15, 2019. The Center is currently evaluating the standard and its impact on the financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)." The primary objective of the standard is to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset. The standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Center is currently evaluating the standard and its impact on the financial statements.

Financial Statement Presentation

Currently, there are two classes of net assets for nonprofit organizations: net assets with donor restrictions and net assets without donor restrictions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These net assets may be used at the discretion of the Center's management and board.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to give under grants. 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. Conditional promises to give are not included as support until the conditions are met. Amounts not expected to be collected are written off when deemed uncollectable. As of August 31, 2020, management has determined that amounts are fully collectible.

Investments

Investments with readily determinable fair values are measured and reported at fair value, as described in Note 5, in the statement of financial position. Purchases and sales of securities are recorded on a trade-date basis. Any realized and unrealized gains and losses are reported in the statement of activities as a change in net assets without donor restrictions or net assets with donor restrictions depending on the existence of restrictions by the donor or law on the use. Interest and dividend income are recognized when earned.

Property and Equipment

Property and equipment additions over \$5,000 is recorded at cost, or if donated, at fair value on the date of donation. The cost of repairs and maintenance that improve or extend the useful lives of the respective assets are recorded at cost. Repairs and maintenance that do not improve or extend the useful life are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets which range from 3-5 years, or in the case of leasehold improvements, the lessor of the useful life or lease term.

Accrued Vacation

The liability for vacations earned but not taken has been charged to operations.

The Center has established a Sabbatical Leave Policy (the "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 as employees are required to work a year following the sabbatical leave, or it must be repaid in its entirety.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Funds

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

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.

Deferred revenue

Deferred revenue reflects amounts received in advance of special events being held.

Deferred rent

Deferred rent represents the rent expense incurred in excess of annual cash payments. Rental expense on the office lease is recorded by amortizing the total minimum rental payments over the life of the lease on a straight-line basis. The deferred rent balance is reduced in future years, as the rental payment exceeds the amount of recorded rent expense.

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.

Contributed Services

Contributions of donated services are only recognized if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Any donated services that meet these criteria are recorded at their fair values in the period received. However, no amount is reflected in the financial statements related to individuals that volunteer their time to support the Center.

Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program, management and general, and fundraising categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Center is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code of 1986. Accordingly, there is no provision for income taxes. The Center's informational returns are subject to review and examination by Federal and State tax authorities. The Center is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income taxes.

NOTE 3 LIQUIDITY AND AVAILABILITY

The following represents the Center's current financial assets August 31, 2020:

Cash and equivalents	\$	1,346,939
Grants and contributions receivable		1,269,310
Financial assets available to meet general expenditures over the next twelve months		\$ 2,616,249

The Center manages its liquidity by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near term operating needs. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. The Center's investment policy allows for an annual spending policy of 5% of the preceding three-year average of its investment portfolio.

NOTE 4 GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are estimated to be collected as follows at August 31, 2020:

Amounts due within one year	\$	1,269,310
Amounts due in two years		70,000
		\$ 1,339,310

NOTE 5 FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTIINUED)

A three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management’s judgment about the assumptions that market participants would use in pricing the asset or liability.

The table below presents the assets measured at fair value on a recurring basis at August 31, 2020:

	Assets Measured at Fair Value (Level 1)
Investments -Consolidated Fund:	
Fixed income	\$ 812,532
Equities	2,458,987
	3,271,519
Investments - Zubrow Fund:	
Fixed income	577,505
Equities	1,647,755
	2,225,260
Total assets measured at fair value	\$ 5,496,779

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2020:

Furniture and fixtures	\$ 94,338
Computer equipment	25,620
Software/website	177,450
Leasehold improvements	57,192
	354,600
Less: accumulated depreciation	(171,899)
Total property and equipment, net	\$ 182,701

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, at August 31, 2020, are restricted for the following purposes:

Expendable net assets	\$	4,018,062
Nonexpendable net assets		1,000,000
		\$ 5,018,062
		\$ 5,018,062

Net assets were released from donor restrictions during the year ended August 31, 2020, as follows:

Satisfaction of purpose restrictions	\$	1,600,747
Expiration of time restrictions		1,341,992
Release of Zubrow funds - fees		3,946
		\$ 2,946,685
		\$ 2,946,685

NOTE 8 ENDOWMENT FUNDS

The Center's endowment consists of donor restricted funds (Barry Zubrow endowment) that were established to support fellowships and certain other programs. As required GAAP, 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 nonprofit 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.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

Strategies Employer 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.

Endowment funds consist of the following as of August 31, 2020:

	<u>Zubrow Endowment Expendable</u>	<u>Zubrow Endowment Unexpendable</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 1,225,260</u>	<u>\$ 1,000,000</u>	<u>\$ 2,225,260</u>

Changes in endowment funds for the year ended August 31, 2020 are as follows:

Endowment net assets at September 1, 2019	\$ 950,263	\$ 1,000,000	\$ 1,950,263
Investment return:			
Investment income, net of fees	40,702	-	40,702
Net realized and unrealized gains	<u>234,295</u>	<u>-</u>	<u>234,295</u>
Endowment net assets at August 31, 2020	<u>\$ 1,225,260</u>	<u>\$ 1,000,000</u>	<u>\$ 2,225,260</u>

NOTE 9 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 nonprofits who were identified in the Center's 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, 2020, expenses associated with these collaborative efforts were \$29,813.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

NOTE 10 LOAN PAYABLE

In May 2020, the Center obtained a Paycheck Protection Program (PPP) loan in the amount of \$437,750 from the U.S. Small Business Administration. These loans were authorized by Congress in an effort to aid organizations during the pandemic. The loan is subject to forgiveness if the Center has sufficient payroll, utilities, and other specified expenses. Any balance of the loan that is not forgiven will be subject to 1% interest. The Center anticipates that a substantial amount of the loan will be forgiven, in accordance with the guidelines in the Cares Act. The \$437,750 is recorded as a loan payable at August 31, 2020 and upon notification of the amount forgiven, the Center will recognize that amount as income (extinguishment of debt).

NOTE 11 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 a salary reduction, and benefits are to be paid to eligible employees at retirement. Pension expense was \$96,000 for the year ended August 31, 2020.

NOTE 12 COMMITMENT

Effective beginning July 22, 2019, the Center entered into a 10.5-year lease agreement at its new location at 1800 JFK Boulevard, Philadelphia, PA. Occupancy began in November 2019 and the lease agreement allows for free rent for the first two months and periodic increase to the monthly base rent throughout the lease term. The lease agreement also 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,		
2021	\$	132,705
2022		147,490
2023		172,711
2024		187,792
2025		191,415
thereafter		939,565
	\$	<u>1,771,677</u>

Rent expense was \$170,274 for the year ended August 31, 2020 and is included in occupancy in the statement of functional expenses.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 13 **CONCENTRATIONS OF RISKS**

The Center maintains its cash in bank deposit and money market accounts, which at times exceed federally insured limits. The amount that exceeded federally insured limits was approximately \$979,000 at August 31, 2020. The Center has not experienced any losses and believes it is not exposed to any significant credit risk.

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

The Center's endowment 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.

In March 2020, in response to the emerging COVID-19 pandemic, all client services are being done remotely to help reduce the rate of 'community spread' and the systemic impact on public health. As a result of the COVID-19 pandemic, economic uncertainties have arisen which may negatively impact the fair value of investments and net interest/dividend income. Other financial impacts could occur though such potential impact is unknown at this time. The Center's management will continue to make ongoing strategic decisions to manage programs and operations and monitor cash flow.

NOTE 14 **SUBSEQUENT EVENTS**

The Center has evaluated subsequent events through July 15, 2021, which is the date the financial statements were available to be issued.

On April 5, 2021, The Center obtained a second PPP loan in the amount of \$481,647 at a rate of 1%.