

JUVENILE LAW CENTER

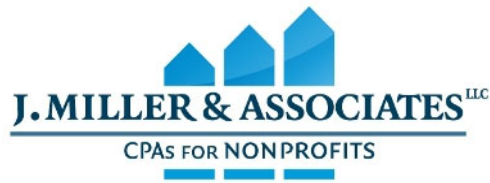
FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED AUGUST 31, 2020)



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

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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, 2021, 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, 2021, 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

We have previously audited the financial statements of Juvenile Law Center as of and for the year ended August 31, 2020 and in our report dated July 15, 2021, we expressed an unmodified opinion on the financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

J. Miller & Associates, LLC

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
July 15, 2022

JUVENILE LAW CENTER
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF AUGUST 31, 2020)

| | 2021 | 2020 |
|-------------------------------------|--------------|--------------|
| <u>Assets</u> | | |
| Cash and equivalents | \$ 642,381 | \$ 1,346,939 |
| Grants and contributions receivable | 1,312,189 | 1,339,310 |
| Prepaid expenses | 81,891 | 104,284 |
| Investments | 3,992,264 | 3,271,519 |
| Investments - Endowment funds | 2,709,794 | 2,225,260 |
| Security deposit | 21,800 | 21,800 |
| Property and equipment, net | 104,090 | 182,701 |
| Total assets | \$ 8,864,409 | \$ 8,491,813 |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 92,420 | \$ 135,581 |
| Accrued expenses | 79,977 | 62,203 |
| Accrued vacation | 69,115 | 71,663 |
| Refundable advances | 14,438 | 2,500 |
| Deferred revenue | - | 250,000 |
| Agency funds | - | 75,000 |
| Deferred rent | 104,850 | 60,551 |
| Loans payable | 919,397 | 437,750 |
| Total liabilities | 1,280,197 | 1,095,248 |
| <u>Net assets</u> | | |
| Without donor restrictions | 2,609,708 | 2,378,503 |
| With donor restrictions | 4,974,504 | 5,018,062 |
| Total net assets | 7,584,212 | 7,396,565 |
| Total liabilities and net assets | \$ 8,864,409 | \$ 8,491,813 |

See accompanying notes to the financial statements.

**JUVENILE LAW CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2020)**

| | Without Donor Restrictions | With Donor Restrictions | Total 2021 | Total 2020 |
|--|----------------------------------|-------------------------------|---------------------|---------------------|
| <u>Support and revenue</u> | | | | |
| Foundations and other grants | \$ - | \$ 2,034,765 | \$ 2,034,765 | \$ 4,265,469 |
| Individual and corporate contributions | 359,374 | - | 359,374 | 399,991 |
| Special events | 478,284 | - | 478,284 | - |
| Attorney fees | - | - | - | 25,782 |
| Honoraria and fees | 19,520 | - | 19,520 | 11,398 |
| Miscellaneous income | 5,033 | - | 5,033 | 4,696 |
| Interest and dividends | 71,924 | 48,536 | 120,460 | 110,148 |
| Realized and unrealized gains | 653,923 | 440,864 | 1,094,787 | 597,525 |
| Net assets released from restrictions | 2,567,723 | (2,567,723) | - | - |
| Total support and revenue | <u>4,155,781</u> | <u>(43,558)</u> | <u>4,112,223</u> | <u>5,415,009</u> |
| <u>Expenses</u> | | | | |
| Program expense | 3,085,009 | - | 3,085,009 | 2,910,391 |
| Management and general | 351,708 | - | 351,708 | 324,766 |
| Fundraising | 487,859 | - | 487,859 | 461,204 |
| Total expenses | <u>3,924,576</u> | <u>-</u> | <u>3,924,576</u> | <u>3,696,361</u> |
| Change in net assets | 231,205 | (43,558) | 187,647 | 1,718,648 |
| Net assets at beginning of year | <u>2,378,503</u> | <u>5,018,062</u> | <u>7,396,565</u> | <u>5,677,917</u> |
| Net assets at end of year | <u>\$ 2,609,708</u> | <u>\$ 4,974,504</u> | <u>\$ 7,584,212</u> | <u>\$ 7,396,565</u> |

See accompanying notes to the financial statements.

JUVENILE LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2020)

| | Program Expense | Management and General | Fundraising | Total 2021 | Total 2020 |
|---------------------------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|
| Salaries | \$ 1,935,851 | \$ 150,846 | \$ 283,733 | \$ 2,370,430 | \$ 2,202,746 |
| Payroll taxes | 147,274 | 11,476 | 21,586 | 180,336 | 166,290 |
| Health insurance | 312,281 | 24,334 | 45,770 | 382,385 | 319,941 |
| Retirement plan expense | 78,400 | 6,109 | 11,491 | 96,000 | 96,000 |
| Total salaries and related expenses | 2,473,806 | 192,765 | 362,580 | 3,029,151 | 2,784,977 |
| Accounting and audit | - | 42,344 | - | 42,344 | 40,072 |
| Bank charges | 6,323 | 493 | 927 | 7,743 | 2,972 |
| Computer expense | 30,767 | 2,397 | 4,509 | 37,673 | 33,196 |
| Consultant - pass thru grant programs | 46,785 | - | - | 46,785 | 29,813 |
| Consultant - other | 218,189 | 92,851 | - | 311,040 | 264,799 |
| Depreciation | 33,312 | 2,596 | 4,883 | 40,791 | 65,673 |
| Fundraising supplies and expense | - | - | 23,259 | 23,259 | 13,114 |
| Insurance | 26,303 | 2,050 | 3,855 | 32,208 | 28,384 |
| Library | 20,277 | - | - | 20,277 | 20,460 |
| Litigation | 5,189 | - | - | 5,189 | 3,061 |
| Miscellaneous | 4,883 | 380 | 716 | 5,979 | 10,763 |
| Occupancy | 153,883 | 11,991 | 22,554 | 188,428 | 181,792 |
| Office expense and supplies | 13,554 | 1,056 | 1,987 | 16,597 | 25,752 |
| Postage | 470 | 37 | 69 | 576 | 4,904 |
| Printing and publications | 20,403 | 1,590 | 2,990 | 24,983 | 18,860 |
| Shared event costs | - | - | 57,351 | 57,351 | 12,019 |
| Staff development | 15,999 | - | - | 15,999 | 27,110 |
| Telephone | 4,876 | 380 | 715 | 5,971 | 4,284 |
| Travel and training | 9,990 | 778 | 1,464 | 12,232 | 124,356 |
| Total expenses | <u>\$ 3,085,009</u> | <u>\$ 351,708</u> | <u>\$ 487,859</u> | <u>\$ 3,924,576</u> | <u>\$ 3,696,361</u> |

See accompanying notes to the financial statements.

**JUVENILE LAW CENTER
STATEMENT OF CASH FLOW
YEAR ENDED AUGUST 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2020)**

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|---------------------|
| <u>Cash flows from operating activities</u> | | |
| Change in net assets | \$ 187,647 | \$ 1,718,648 |
| Adjustments to reconcile change in net assets to cash (used in) provided by operating activities: | | |
| Depreciation | 40,791 | 65,673 |
| Realized and unrealized gains | (1,094,787) | (597,525) |
| <u>Change in assets and liabilities</u> | | |
| Grants and contributions receivable | 27,121 | (625,759) |
| Prepaid expenses | 22,393 | (36,888) |
| Security deposit | - | 11,667 |
| Accounts payable | (43,161) | 117,548 |
| Accrued expenses | 17,774 | 36,639 |
| Accrued vacation | (2,548) | 16,081 |
| Refundable advances | 11,938 | (34,000) |
| Deferred revenue | (250,000) | 250,000 |
| Agency funds | (75,000) | (130,000) |
| Deferred rent | 44,299 | 60,551 |
| Net cash (used in) provided by operating activities | <u>(1,113,533)</u> | <u>852,635</u> |
| <u>Cash flows from investment activities</u> | | |
| Proceeds from sale of investments | 144,808 | 135,671 |
| Purchase of investments | (255,299) | (146,174) |
| Purchase of property and equipment | 37,819 | (183,925) |
| Net cash used in investing activities | <u>(72,672)</u> | <u>(194,428)</u> |
| <u>Cash flows from Financing activities</u> | | |
| Drawdowns on loans payable | 481,647 | 437,750 |
| Net cash provided by financing activities | <u>481,647</u> | <u>437,750</u> |
| Net (decrease) increase in cash and equivalents | (704,558) | 1,095,957 |
| Cash and equivalents at beginning of year | <u>1,346,939</u> | <u>250,982</u> |
| Cash and equivalents at end of year | <u>\$ 642,381</u> | <u>\$ 1,346,939</u> |

See accompanying notes to the financial statements.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

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.

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, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020, from which the summarized information was derived.

Recent Accounting Pronouncements Implemented

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 adopted this standard beginning September 1, 2020. The adoption of this standard had no impact on the Center's revenue recognition.

Recent Accounting Pronouncements Not Yet Adopted

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.

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.

Reclassification

A certain 2020 amount has been reclassified to conform with 2021 presentation. Such reclassification had no impact on previously reported net assets.

Cash and Cash Equivalents

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

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, management has determined that amounts are fully collectible.

Investments

Investments with readily determinable fair values are measured and reported at fair value. 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 lesser of the useful life or lease term.

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.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Payroll and related expenses are charged to program, management and general and fundraising based on time and effort. Indirect expenses have been allocated based on salary expenditures.

Income Taxes

The Center is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. 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 GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are estimated to be collected as follows:

| | |
|-----------------------------|---------------------|
| Amounts due within one year | \$ 1,162,189 |
| Amounts due in two years | 150,000 |
| | <u>\$ 1,312,189</u> |

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021**

NOTE 4 LIQUIDITY AND AVAILABILITY

The following represents the Center's current financial assets:

| | |
|---|---------------------|
| Cash and equivalents | \$ 642,381 |
| Grants and contributions receivable | 1,312,189 |
| Investments | 3,992,264 |
| Investments - Endowment funds | 2,709,794 |
| | <u>8,656,628</u> |
| Less: Nonexpendable portion | 1,000,000 |
| Less: Amount with purpose restrictions | 2,816,310 |
| | <u>3,816,310</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 4,840,318</u> |

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 rate of 5% of the preceding three-year average of its investment portfolio. The Center has not taken a distribution during August 31, 2021.

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.

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.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The table below presents the assets measured at fair value on a recurring basis as follows:

| | Fair Value (Level 1) |
|-------------------------------------|----------------------------|
| Investments - Consolidated Fund: | |
| Fixed income | \$ 1,061,369 |
| Equities | 2,930,895 |
| | <u>3,992,264</u> |
| Investments - Zubrow Fund: | |
| Fixed income | 720,628 |
| Equities | 1,989,166 |
| | <u>2,709,794</u> |
| Total assets measured at fair value | <u><u>\$ 6,702,058</u></u> |

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment are as follows:

| | |
|-----------------------------------|--------------------------|
| Furniture and fixtures | \$ 94,338 |
| Computer equipment | 25,620 |
| Software/website | 139,631 |
| Leasehold improvements | 57,192 |
| | <u>316,781</u> |
| Less: accumulated depreciation | (212,691) |
| Total property and equipment, net | <u><u>\$ 104,090</u></u> |

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

| | |
|--|----------------------------|
| Time restrictions | <u>\$ 1,158,194</u> |
| Purpose restrictions: | |
| Zubrow Fellowships | 1,709,794 |
| Child welfare and justice system advocacy | 894,977 |
| Economic Justice Project | 211,539 |
| | <u>2,816,310</u> |
| Nonexpendable net assets | 1,000,000 |
| | <u><u>\$ 4,974,504</u></u> |

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions as follows:

| | |
|--|---------------------|
| Expiration of time restrictions | \$ 868,808 |
| Satisfaction of purpose restrictions: | |
| Zubrow Fellowships | 4,866 |
| Child welfare and justice system advocacy | 1,307,447 |
| Economic Justice Project | 230,769 |
| Strategic sessions | 45,833 |
| Fellowships | 75,000 |
| Summer internships | 25,000 |
| DEI training | 10,000 |
| | <u>1,698,915</u> |
| | <u>\$ 2,567,723</u> |

NOTE 8 INVESTMENTS - 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 by 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, 2021**

NOTE 8 INVESTMENTS - 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.

Changes in endowment funds are as follows:

| | Zubrow Endowment Expendable | Zubrow Endowment Unexpendable | Total |
|---|-----------------------------------|-------------------------------------|---------------------|
| Endowment net assets at September 1, 2020 | \$ 1,225,260 | \$ 1,000,000 | \$ 2,225,260 |
| Release from restrictions | (4,866) | | (4,866) |
| Investment return: | | | |
| Investment income | 48,536 | - | 48,536 |
| Net realized and unrealized gains | 440,864 | - | 440,864 |
| Endowment net assets at August 31, 2021 | <u>\$ 1,709,794</u> | <u>\$ 1,000,000</u> | <u>\$ 2,709,794</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, 2021, expenses associated with these collaborative efforts were \$46,785 and is reported as consultant – pass-thru grant programs on the statement of functional expenses.

JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021

NOTE 10 LOANS 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. PPP loans were authorized by Congress in an effort to aid organizations during the pandemic and are subject to forgiveness. In May 2021, the Center obtained a second PPP loan in the amount of \$481,647. At August 31, 2021, the Center's loan balance totaled \$919,397. In September 2021, the Center received notification that both loans were forgiven and will be recognized as income (extinguishment of debt) during the year ended August 31, 2022.

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. Retirement plan expense was \$96,000 for the year ended August 31, 2021.

NOTE 12 COMMITMENT

The Center has a 10.5-year lease agreement for office space at 1800 JFK Boulevard, Philadelphia, PA which expires in April 2030. Occupancy began in November 2019 and the lease agreement allows for free rent for the first two months, and an initial monthly base rent of \$10,870 with periodic increases 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 gives the landlord no less than nine (9) months prior written notice and pays 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, | | |
| 2022 | \$ | 147,489 |
| 2023 | | 172,711 |
| 2024 | | 187,792 |
| 2025 | | 191,415 |
| 2026 | | 195,038 |
| thereafter | | <u>744,525</u> |
| | | <u>\$ 1,638,971</u> |

Rent expense was \$177,014 for the year ended August 31, 2021 and is included in occupancy in the statement of functional expenses.

**JUVENILE LAW CENTER
NOTES TO FINANCIAL STATEMENTS
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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 \$455,584 at August 31, 2021. 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.

Due to the COVID-19 pandemic, all client services have been conducted remotely when feasible to help reduce the rate of 'community spread' and the systemic impact on public health. The Center's management continues 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, 2022, which is the date the financial statements were available to be issued. Except as disclosed in Note 10, there were no subsequent events that require recognition or disclosure.