DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

JUVENILE LAW CENTER

FINANCIAL STATEMENTS

August 31, 2014

JUVENILE LAW CENTER
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(with comparative totals for the year ended August 31, 2013)

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DAVID G. FAW
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Juvenile Law Center
Philadelphia, Pennsylvania

Report on the Financial Statements

I have audited the accompanying financial statements of Juvenile Law Center (a nonprofit corporation), which comprise the statement of financial position as of August 31, 2014, 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, 2014, 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 2013 financial statements, and my report dated December 11, 2013, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Certified Public Accountant
Wayne, Pennsylvania

December 12, 2014

JUVENILE LAW CENTER
STATEMENT OF FINANCIAL POSITION
August 31, 2014
(with comparative totals as of August 31, 2013)

	2014	2013
Assets		
Cash	$ 157,117	$ 162,682
Grants and contributions receivable	244,020	715,916
Prepaid expenses	87,448	73,406
Furniture and equipment, net	3,109	6,649
Investments	5,531,944	5,097,380
Security deposit	11,667	11,667
Total assets	$ 6,035,305	$ 6,067,700
Liabilities		
Accounts payable	$ 48,624	$ 17,035
Accrued expenses	78,836	73,819
Accrued payroll and vacation	74,493	66,804
Total liabilities	201,953	157,658
Net assets		
Unrestricted	1,213,454	951,611
Unrestricted, board designated	498,478	423,118
Total unrestricted net assets	1,711,932	1,374,729
Temporarily restricted	3,121,420	3,535,313
Permanently restricted	1,000,000	1,000,000
Total net assets	5,833,352	5,910,042
Total liabilities and net assets	$ 6,035,305	$ 6,067,700

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

JUVENILE LAW CENTER
STATEMENT OF ACTIVITIES
For the year ended August 31, 2014
(with comparative totals for the year ended August 31, 2013)

	Unrestricted						
	Unrestricted	Board Designated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Support and revenue							
Foundations and other grants	$ 63,627	$ -	63,627	$ 1,174,071	$ -	$ 1,237,698	$ 2,483,523
Individual and corporation contributions	216,121	-	216,121	-	-	216,121	200,397
Special events	165,733	-	165,733	-	-	165,733	116,906
Less: cost of direct donor benefits	(39,093)	-	(39,093)	-	-	(39,093)	(32,173)
Honoraria, fees and other	240,034	-	240,034	-	-	240,034	806,884
Contributed services	19,298	-	19,298	-	-	19,298	19,341
Interest and dividends	73,362	10,710	84,072	38,255	-	122,327	170,973
Realized and unrealized gains on investments	453,644	65,875	519,519	234,302	-	753,821	297,323
Net assets released from restrictions:							
Satisfaction of program restrictions	1,390,438	-	1,390,438	(1,390,438)	-	-	-
Expiration of time restrictions	470,083	-	470,083	(470,083)	-	-	-
Total support and revenue	3,053,247	76,585	3,129,832	(413,893)	-	2,715,939	4,063,174
Expenses							
Program	2,044,231	-	2,044,231	-	-	2,044,231	2,139,465
Management and general	302,741	1,225	303,966	-	-	303,966	275,746
Fundraising	444,432	-	444,432	-	-	444,432	410,992
Total expenses	2,791,404	1,225	2,792,629	-	-	2,792,629	2,826,203
Change in net assets	261,843	75,360	337,203	(413,893)	-	(76,690)	1,236,971
Net assets at beginning of year	951,611	423,118	1,374,729	3,535,313	1,000,000	5,910,042	4,673,071
Net assets at end of year	$ 1,213,454	$ 498,478	$ 1,711,932	$ 3,121,420	$ 1,000,000	$ 5,833,352	$ 5,910,042

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

JUVENILE LAW CENTER
STATEMENT OF CASH FLOWS
For the year ended August 31, 2014
(with comparative totals for the year ended August 31, 2013)

	2014	2013
Cash flows from operating activities		
Change in net assets	$ (76,690)	$ 1,236,971
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,541	8,477
Realized and unrealized gains on investments	(753,821)	(297,323)
Changes in assets and liabilities:		
Grants and contributions receivable	471,894	(477,415)
Prepaid expenses	(14,042)	(2,118)
Accounts payable	31,590	(49,892)
Accrued expenses	5,017	21,392
Accrued payroll and vacation	7,688	4,865
Net cash (used in) provided by operating activities	(324,823)	444,957
Cash flows from investing activities		
Proceeds from sale of investment securities	492,808	5,538,467
Purchase of investment securities	(173,550)	(6,467,152)
Purchase of equipment	-	(3,411)
Net cash provided by (used in) investing activities	319,258	(932,096)
Net decrease in cash	(5,565)	(487,139)
Cash at beginning of year	162,682	649,821
Cash at end of year	$ 157,117	$ 162,682

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

JUVENILE LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2014
(with comparative totals for the year ended August 31, 2013)

	Program	Management and General	Fund Raising	Total 2014	Total 2013
Salaries	$ 1,044,549	$ 138,614	$ 254,286	$ 1,437,449	$ 1,381,961
Payroll tax expense	79,083	10,494	19,253	108,830	105,959
Employee benefits	217,220	28,826	52,880	298,926	244,149
Pension expense	46,862	6,219	11,407	64,488	65,365
Total salaries and related expenses	1,387,714	184,153	337,826	1,909,693	1,797,434
Audit and accounting	-	26,625	-	26,625	26,700
Bank charges	2,935	391	714	4,040	4,234
Computer expense	11,465	1,521	2,792	15,778	16,234
Consultant - grant programs	100,443	-	-	100,443	363,128
Consultant - other	213,274	53,717	-	266,991	157,793
Contributed services	18,398	900	-	19,298	19,341
Depreciation	2,573	341	627	3,541	8,477
Fundraising supplies and expense	-	-	35,847	35,847	34,554
Insurance	17,840	2,367	4,344	24,551	21,750
Library	16,005	-	-	16,005	9,923
Litigation	10,541	-	-	10,541	38,128
Miscellaneous	5,794	769	1,410	7,973	8,950
Occupancy	94,911	12,595	23,105	130,611	129,801
Office supplies and expense	16,732	2,220	4,074	23,026	15,793
Postage	5,009	665	1,219	6,893	7,137
Printing and reproduction	10,778	1,430	2,624	14,832	18,412
Staff development	7,198	-	-	7,198	7,454
Telephone	12,447	1,652	3,030	17,129	15,402
Travel, conferences and meetings	110,174	14,620	26,820	151,614	125,558
Total expenses	$ 2,044,231	$ 303,966	$ 444,432	$ 2,792,629	$ 2,826,203

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

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

Organization and Nature of Activities

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

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

Basis of Presentation

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

Credit and Financial Risk

Substantially all the contributions receivable are derived from grant and foundation donors. All of these receivables are made on an unsecured basis.

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

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

Grants and Contributions Receivable

All grants and contributions, including unconditional promises, are reported as revenue in the net asset class (unrestricted, temporarily restricted or permanently restricted) appropriate to any donor restrictions on the gift at the time of receipt. The Center uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific amounts due. All grants and contributions receivable are due within approximately one year and are expected to be fully realizable.

Investments

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

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

Net Asset Classification

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

Unrestricted net assets - Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Included in the unrestricted net assets as of August 31, 2014 is $221,696 of unrestricted gifts received along with cumulative earnings of $278,007 and expenditures of $1,225 for the year ended August 31, 2014, that have been designated by the Board to function as endowment (Note 8).

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

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

Contributions

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

Furniture and Equipment

The Center follows the practice of capitalizing, at cost, all expenditures for furniture and equipment in excess of $5,000. Furniture and equipment are recorded at cost for purchased items, or if donated, at the estimated fair value at the date of donation. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets, ranging from three to ten years.

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.

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

Income Taxes

The Center is a not-for-profit corporation and has been recognized as exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and accordingly does not record a provision for income taxes on its related earnings. Management regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based upon the technical merits of such positions. Therefore, management has concluded that no tax benefits or liabilities are required to be recognized.

The Center's Forms 990, Return of Organization Exempt from Income Tax, for the years ended August 31, 2014, 2013 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Financial Instruments

The carrying amount of cash, grants and contributions receivable, prepaid expenses, payables and accruals approximate fair value due to their short-term nature.

Accrued Vacation

The liability for vacations earned but not taken has been charged to operations. Accrued vacation totaled $43,578 as of August 31, 2014.

The Center has established a Sabbatical Leave Policy effective in 2013, covering all full time employees who meet certain service requirements. The Policy is structured in such a way that no liability for compensated absences is required to be recorded under United States generally accepted accounting principles, as employees are required to work a year following the sabbatical leave, or it must be repaid in its entirety.

Note 2 – Furniture and Equipment

Furniture and fixtures	$ 11,360
Office and computer equipment	5,463
	16,823
Less accumulated depreciation and amortization	13,714
	$ 3,109

Note 3 – Pass Through Grant Agreements

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

Note 3 – Pass Through Grant Agreements (continued)

For the year ended August 31, 2014, the Center received $297,700 under pass through grant agreements (included as temporarily restricted revenues and other support), of which $92,600 will be performed using the Center's own resources and $205,100, have or will be performed with the use of subcontractors either required by the grantor, or at the discretion of the Center. As of August 31, 2014, $516,332 has not been spent under current and prior pass through grant agreements (and are included in cash, investments or grants receivable).

Note 4 - Fair Value Measurements

The table below presents the balances of assets measured at fair value on a recurring basis as of August 31, 2014.

		Fair Value Measurements at August 31, 2014 Using		
	Assets Measured at Fair Value August 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Mutual funds:				
Fixed income	$ 1,517,218	$ 1,517,218	$ -	$ -
Equity	4,014,726	4,014,726	-	-
Total assets measured at fair value	$ 5,531,944	$ 5,531,944	$ -	$ -

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at August 31, 2014:

Time restricted	$ 168,335
Purpose restricted, program	2,953,085
	$ 3,121,420

Note 6 - Permanently Restricted Net Assets

Permanently restricted net assets result from contributions whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center. Permanently restricted net assets consist of an endowment fund (see Note 8) whose donor has stipulated, as a condition of the gift that the principal is to be maintained as prescribed by the donor and invested.

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. Retirement plan expense for the year August 31, 2014 was $64,488.

Note 8 - Endowment Fund

The Center's endowment consists of a donor-restricted fund (Barry Zubrow endowment), and a board-designated fund that was established to support future use. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and are reported as restricted or unrestricted.

Interpretation of Relevant Law

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

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

Return Objective, Spending Policy and Risk Parameters

The Center's objective is to earn a reasonable, long-term, risk-adjusted total rate of return to support its specific fellowship program. 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. Appropriation of the endowment assets is determined by the Board of Directors based on the future operating needs of the Center.

Note 8 - Endowment Fund (continued)

Endowment funds consist of the following as of August 2014:

	Unrestricted	Zubrow Temporarily Restricted	Zubrow Permanently Restricted	Total
Donor-restricted endowment fund	$ -	$ 722,598	$ 1,000,000	$ 1,722,598
Board-designated endowment fund	498,478	-	-	498,478
	$ 498,478	$ 722,598	$ 1,000,000	$ 2,221,076

Changes in endowment funds for the year ended August 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets balance at September 1, 2013	$ 423,118	$ 504,394	$ 1,000,000	$ 1,927,512
Investment return:				
Investment income	10,710	38,255	-	48,965
Net realized and unrealized gain	65,875	234,302	-	300,177
Appropriation of endowment assets:				
Expenditure	(1,225)	(54,353)	-	(55,578)
Endowment net assets, balance at August 31, 2014	$ 498,478	$ 722,598	$ 1,000,000	$ 2,221,076

Note 9 - Lease

The Center shares office space with the Education Law Center with a lease term through August 14, 2019. Under the lease, the Center is responsible for minimum rental amounts to be paid plus all use and occupancy taxes and electricity imposed upon the lease space. Commencing on January 1, 2016, the Center will continue to pay electricity imposed upon the lease space plus a sum equal to 3.34% of all increases in the real estate taxes and operating expenses of the building in the base year 2015 as additional rent. As of August 31, 2014, the Center has a security deposit with the landlord of $11,667 which will be applied at the end of the lease term provided that the lease is not in default.

The lease is cancelable subject to the conditions that the Center has at no time been in default under the terms of the lease, the Center must give the landlord written notice 270 days prior to termination, and the Center must provide reasonable documentation that the Center, due to diminished funding and resources, can no longer afford the rent. In addition to the notice an early termination fee will be assessed. The fee will be equal to the unamortized portion (based on a ten year amortization schedule beginning on the commencement date and ending on the termination date) of: (i) twenty percent of the aggregate build-out cost and expenses, (ii) moving expenses related to the build-out reimbursed to the Center by the landlord, (iii) twenty five percent of the broker's commissions paid by the landlord in connection with the amending and extending the terms of the original lease and (iv) the Center shall also reimburse the landlord up to $7,500 for the landlord's reasonable actual out-of-pocket costs to physically separate the vacated space to create two separate offices.

Note 9 – Lease (continued)
Future minimum payments under the lease at August 31, 2014 are:

Years Ending August 31,	
2015	124,000
2016	127,100
2017	130,200
2018	133,300
Thereafter	136,400
	$ 651,000

Occupancy expense was $130,611 for the year ended August 31, 2014.

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, 2013 from which the summarized information was derived.

Note 11 - Evaluation of Subsequent Events

The Center has evaluated subsequent events through December 12, 2014, the date which the financial statements were available to be issued. No items were noted which require disclosure in the financial statements.