



GT REILLY
& COMPANY
CPAs and Advisors

Audited Financial Statements

**James D. St.Clair Court Public Education
Project d/b/a Discovering Justice**

June 30, 2017

James D. St.Clair Court Public Education Project d/b/a Discovering Justice

Audited Financial Statements

June 30, 2017

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Independent Auditors' Report

Board of Directors

James D. St.Clair Court Public Education Project d/b/a Discovering Justice

We have audited the accompanying financial statements of the James D. St.Clair Court Public Education Project d/b/a Discovering Justice, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, 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.

Auditors' 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 of 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 auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Discovering Justice as of June 30, 2017, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

G.T. Reilly & Company

Milton, Massachusetts

November 7, 2017

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

James D. St.Clair Court Public Education Project d/b/a Discovering Justice

Statement of Financial Position

June 30, 2017

Assets

CURRENT ASSETS

Cash and cash equivalents	\$ 213,895
Accounts receivable	75
Grants and contributions receivable	97,400
Investments (Notes 2 & 3)	953,720
Prepaid expenses	2,930

TOTAL CURRENT ASSETS 1,268,020

PROPERTY AND EQUIPMENT, NET (Notes 2 & 4) 7,009

TOTAL ASSETS \$ 1,275,029

Liabilities and Net Assets

LIABILITIES

Accounts payable	\$ 42,353
Accrued expenses	47,422

TOTAL LIABILITIES 89,775

NET ASSETS

Unrestricted (Notes 2 & 5)	1,017,605
Temporarily restricted (Notes 2 & 5)	167,649

TOTAL LIABILITIES AND NET ASSETS \$ 1,275,029

James D. St.Clair Court Public Education Project d/b/a Discovering Justice

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT			
Grants and contributions			
Grants	\$ 197,666	\$ 165,350	\$ 363,016
Individuals and corporations	120,951	-	120,951
In-kind contributed facilities and services	620,495	-	620,495
Total grants and contributions	<u>939,112</u>	<u>165,350</u>	<u>1,104,462</u>
Special events	609,811	-	609,811
Less: direct costs	<u>(176,347)</u>	<u>-</u>	<u>(176,347)</u>
Net special events	<u>433,464</u>	<u>-</u>	<u>433,464</u>
Fees for services	8,680	-	8,680
Net assets released from restrictions	<u>230,058</u>	<u>(230,058)</u>	<u>-</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>1,611,314</u>	<u>(64,708)</u>	<u>1,546,606</u>
OPERATING EXPENSES			
Program Services:			
Children Discovering Justice	469,517	-	469,517
Stand Up for Your Rights	350,383	-	350,383
Mock Trial	270,697	-	270,697
Discovering the Bill of Rights	66,606	-	66,606
Total program service expenses	<u>1,157,203</u>	<u>-</u>	<u>1,157,203</u>
Supporting Services:			
Management and general	208,019	-	208,019
Fundraising	203,843	-	203,843
Total supporting service expenses	<u>411,862</u>	<u>-</u>	<u>411,862</u>
TOTAL OPERATING EXPENSES	<u>1,569,065</u>	<u>-</u>	<u>1,569,065</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>42,249</u>	<u>(64,708)</u>	<u>(22,459)</u>
NON-OPERATING REVENUE & EXPENSES			
Interest and dividends	22,091	-	22,091
Net unrealized gain on investments (Notes 2 & 3)	57,676	-	57,676
Net realized gain on investments (Notes 2 & 3)	<u>11,240</u>	<u>-</u>	<u>11,240</u>
CHANGE IN NET ASSETS FROM NON-OPERATING REVENUE & EXPENSES	<u>91,007</u>	<u>-</u>	<u>91,007</u>
INCREASE (DECREASE) IN NET ASSETS	<u>133,256</u>	<u>(64,708)</u>	<u>68,548</u>
NET ASSETS AT BEGINNING OF YEAR	<u>884,349</u>	<u>232,357</u>	<u>1,116,706</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,017,605</u>	<u>\$ 167,649</u>	<u>\$ 1,185,254</u>

James D. St.Clair Court Public Education Project d/b/a Discovering Justice

Statement of Cash Flows

For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 68,548
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	5,780
Net realized and unrealized gain on investments	(68,916)
Changes in operating assets:	
Accounts receivable	7,370
Grants and contributions receivable	81,254
Prepaid expenses	(290)
Changes in operating liabilities:	
Accounts payable	26,668
Accrued expenses	13,780
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	134,194
CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchases of investments, net of sales	<hr/> (24,487)
NET INCREASE IN CASH AND CASH EQUIVALENTS	109,707
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<hr/> 104,188
CASH AND CASH EQUIVALENTS AT END OF YEAR	<hr/> <hr/> \$ 213,895

James D. St.Clair Court Public Education Project d/b/a Discovering Justice

Notes to Financial Statements

June 30, 2017

Note 1 – Nature of Organization

The James D. St.Clair Court Public Education Project, d/b/a Discovering Justice (the “Organization”), is a nonprofit leader in civic education located in the John Joseph Moakley U.S. Courthouse in Boston, Massachusetts. Discovering Justice's mission is to prepare young people to value the justice system, realize the power of their own voices, and embrace civic responsibility by connecting classrooms and courtrooms. Discovering Justice offers innovative in-school curriculum, afterschool mock trial and mock appellate programs, and courthouse field trips that teach elementary and middle school students about the justice system, the role of law in a democratic society, and the fundamental importance of good citizenship. Our programs reached more than 25,000 students in kindergarten through eighth grade in the 2016-2017 school year, primarily in Boston and Gateway Cities.

Discovering Justice operates the following major programs:

Children Discovering Justice – Children Discovering Justice is a K-8 literacy-based social studies curriculum that empowers children to see issues from different viewpoints, advocate for themselves and others, resolve differences constructively, engage in respectful discourse, build arguments based on evidence, and effectively participate in groups. Through the use of children’s literature, informational texts, primary source documents, and engaging projects and activities, including interactive mock trials at every grade level, Children Discovering Justice provides students the tools to explore the principles of our democracy and understand their role in participatory, constructive civic engagement.

Mock Trial Program – The Mock Trial Program, typically offered in the fall, is an 11-week afterschool experiential learning program during which middle school students become trial lawyers. With the support of volunteer attorneys, students tackle age-appropriate legal issues, engage in legal analysis, and ultimately try cases in real courtrooms before federal or state judges and juries made up of community members.

Stand Up for Your Rights – Stand Up for Your Rights, offered in the spring, transforms middle school students into appellate lawyers. Working afterschool with a team of volunteer attorneys for 11 weeks, students delve into the Bill of Rights, explore how constitutional protections apply in public schools, and argue their cases in real courtrooms before Appellate Panels composed of actual judges and experienced attorneys.

Discovering the Bill of Rights – Discovering the Bill of Rights draws middle school students into the midst of the judicial process. In real courtrooms, students learn about the Bill of Rights and the appellate process, then develop and present appellate arguments based on landmark Supreme Court cases before lawyers presiding as judges. This 90-minute field trip challenges students to think critically, advocate for their "client," and consider opposing arguments.

Courthouse Tours – Courthouse Tours of the John Joseph Moakley U.S. Courthouse afford the public the opportunity to learn about the court system and the history, art, and architecture of this magnificent building from volunteer docents. The tour demystifies the justice system and shows visitors that courthouses truly belong to the public.

Basis of Presentation – The accompanying financial statements of the Organization are prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Note 2 – Significant Accounting Policies

Accounting 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation – Under generally accepted accounting principles, the Organization reports information regarding its financial position and activities according to three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions and Donor Restrictions – Under generally accepted accounting principles, use-restricted contributions are reported as increases to temporarily or permanently restricted net assets when received. When a donor restriction expires either by use of the funds for the specified purpose or by the expiration of a time restriction, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Facilities and Services – The Organization operates free of rent in the John Joseph Moakley United States Courthouse located in Boston, Massachusetts. The estimated rental value of the facility is reported as rent expense and a corresponding amount is reported as support in the accompanying statement of activities. The Organization estimated and reported approximately \$266,000 in contributed facilities during 2017.

Donated services are recognized as contributions in accordance with generally accepted accounting principles if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. When applicable, the value of donated services is included in the accompanying financial statements as support, with corresponding amounts included as expenses, based upon values estimated by management or the donating organization. The Organization received approximately \$354,000 in contributed services during 2017.

Special Events – Special events revenue is recognized when the event occurs. Revenues received in advance of events are recorded as deferred revenue. Direct expenses from special events of \$176,347 have been netted against revenue of \$609,811 for the year ended June 30, 2017.

Fair Value Measurements – The Organization follows Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurements and Disclosures”, for assets and liabilities that are measured at fair value on a recurring basis. This standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The application of this standard is limited to the reporting of the Organization’s investments (see Note 3).

Cash and Cash Equivalents – The Organization considers highly liquid investments with maturities of three months or less at purchase, except cash held for investments, to be cash equivalents.

Accounts, Grants and Contributions Receivable – When considered necessary, accounts, grants and contributions receivable are stated net of an allowance for doubtful accounts, which would be reported on the face of the Organization's statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts and contributions receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectability of individual accounts, the Organization's history of prior loss experience and on current economic conditions. Accounts, grants and contributions are written off and charged against the allowance when management believes that the collectability of the specific account is unlikely. The accompanying statement of financial position does not include an allowance for doubtful accounts at June 30, 2017 as one was not considered necessary by management.

Note 2 - Summary of Significant Accounting Policies (Cont.)

Contributions receivable that are, in effect, “unconditional promises to give” are recorded at the present value of future cash flows. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. At June 30, 2017, all contributions receivable are due within one year.

Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. The Organization had one conditional promise to give of \$33,333 at June 30, 2017, which represents the last payment on a three-year, \$100,000 grant, and is expected to be received within one year if certain criteria is met by the Organization and certain reports are provided to the donor by a specified date.

Investments – Investments are recorded at fair value on the statement of financial position, with the corresponding realized and unrealized gains and losses included in the statement of activities and changes in net assets. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the value of investments could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Property and Equipment – Property and equipment are stated at cost. Donated equipment is reported at the estimated value at the time of donation. Maintenance and repairs are expensed as incurred, whereas major purchases are capitalized. Expenditures for renewals and improvements of more than \$1,000 that significantly extend the useful life of an asset are capitalized.

Depreciation is provided over the estimated useful lives of the assets by using straight-line methods. The estimated useful lives used in the computation are as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Computer software and website development	3 years
Office equipment and furniture	5-7 years

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax-Exempt Status – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from Massachusetts state income taxes and, therefore, has made no provision for federal or state income taxes in the accompanying financial statements.

Evaluation of Subsequent Events – Management evaluates subsequent events involving the Organization for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2017 through November 7, 2017, the date these financial statements were available to be issued.

Note 3 – Investments

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

Level 1 – Observable inputs such as quoted prices in active markets.

Level 2 – Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable markets for substantially the full term of the assets.

Level 3 – Unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions, which are significant to the fair measurement.

The following is a schedule of investments:

	Level 1	Level 2	Level 3	Total
Equity Securities				
Large cap	\$ 249,849	\$ -	\$ -	\$ 249,849
Mid cap	38,284	-	-	38,284
Small cap	28,701	-	-	28,701
International developed	181,089	-	-	181,089
International emerging	66,812	-	-	66,812
Fixed Income Securities				
Corporate / government	293,651	-	-	293,651
Other bonds	10,068	-	-	10,068
Real Estate				
Real estate funds	17,897	-	-	17,897
Commodities				
Commodities	54,011	-	-	54,011
Investments required to be disclosed in the fair value hierarchy	<u>\$ 940,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 940,362</u>
Cash for investment				<u>13,358</u>
Total Investments				<u>\$ 953,720</u>

The marketable securities are managed by one investment advisor on a fee-only basis. The investments are diversified but are still subject to normal market risks. In 2017, the investment advisor of the Organization sold investments for approximately \$122,020, recognizing a gain of \$11,240. During 2017, the market value of the investments increased by \$57,676, representing an unrealized gain for the fiscal year. Advisory fees paid by the Organization totaled \$7,604 for the year ended June 30, 2017.

Note 4 - Property and Equipment

The Organization's property and equipment consist of the following at June 30, 2017:

Office equipment	\$ 87,140
Computer software	17,375
Website development costs	<u>2,750</u>
	107,265
Accumulated depreciation and amortization	<u>(100,256)</u>
	<u>\$ 7,009</u>

Depreciation expense was \$5,780 for the year ended June 30, 2017.

Note 5 – Net Assets

There were no permanently restricted net assets at June 30, 2017.

Temporarily restricted net assets consist of the following at June 30, 2017:

Program support and expansion	\$ 92,649
Time restricted - general operations	<u>75,000</u>
	<u>\$ 167,649</u>

Temporarily restricted net assets were released for the following purposes during the year ended June 30, 2017:

Program support and expansion	\$ 150,058
Time restricted - general operations	<u>80,000</u>
	<u>\$ 230,058</u>

Note 6 – Related Party Transactions

Donations from board members and their affiliated companies totaled \$79,750 for the year ended June 30, 2017. A law firm affiliated with a board member provides pro bono legal services. The value of the pro bono services provided during 2017 could not be determined. Therefore, the donation has not been recorded as support or an expense in the financial statements.

Note 7 – Employee Benefits Plan

The Organization provides retirement benefits to its employees under a 403(b)-retirement plan. Under the plan, the Organization contributes 5% of an employee's annual salary. Employees can contribute up to the maximum allowable limit on a pre-tax basis via payroll deductions. New employees have a 90-day waiting period before receiving this benefit. For the year ended June 30, 2017, the Organization's contributions totaled \$24,383.

Note 8 – Financing Agreements

The Organization has a \$250,000 line of credit that matures in February of 2018. Borrowings bear interest at the greater of 2.5% or the prime rate plus one-half of one percent (4.75% at June 30, 2017) with interest payable monthly. Borrowings under the line of credit are collateralized by the Organization's investments. There were no outstanding borrowings at June 30, 2017.

Note 9 – Concentrations and Credit Risk

The Organization's financial instruments that potentially subject it to concentrations of credit risk consist of cash, accounts and contributions receivable and investments.

The Organization maintains its cash and brokerage accounts at a financial institution and a financial services company. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 per customer. Accounts at the financial services company are insured by the Securities Investor Protection Corporation (SIPC) up to a ceiling of \$500,000 per customer, including a maximum of \$250,000 for cash claims. At times, the amounts on deposit at the financial institution and the financial services company are in excess of insured limits. At June 30, 2017, there was approximately \$454,000 of deposits in excess of SIPC insured limits based on bank balances. There were no deposits in excess of FDIC insured limits based on bank balances at June 30, 2017.

The Organization receives its support and revenues primarily from foundations, law firms, corporations and the general public. The Organization receives the free use of office space and programming from the Joseph Moakley United States Courthouse valued at \$266,500 (16% of total revenue and support) for the year ended June 30, 2017. Additionally, the Organization uses legally trained volunteers to support the Discovering Justice Mock trial and Stand Up for Your Rights programs. Donations for these services totaled \$353,500 (22% of total revenue and support) for fiscal 2017.

Contributions receivable at June 30, 2017 are due from various individuals and organizations. At June 30, 2017, \$75,000 (77%) of total contributions receivable was due from one organization.