



Audited Financial Statements

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

June 30, 2021

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

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June 30, 2021

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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 statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits 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, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

G.T. Reilly & Company

Milton, Massachusetts
September 29, 2021

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

Statements of Financial Position

June 30

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 292,370	\$ 53,390
Accounts receivable, fees for service	2,340	222
Promises to give	135,748	166,000
Investments (Note 3)	1,279,733	1,009,982
Prepaid expenses	9,113	2,249
	<u>1,719,304</u>	<u>1,231,843</u>
TOTAL CURRENT ASSETS		
	<u>1,719,304</u>	<u>1,231,843</u>
PROPERTY AND EQUIPMENT, NET (Note 4)	141	988
	<u>141</u>	<u>988</u>
TOTAL ASSETS	<u>\$ 1,719,445</u>	<u>\$ 1,232,831</u>
<u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 14,335	\$ 2,722
Accrued expenses	73,509	53,807
Deferred special event revenue	-	48,750
	<u>87,844</u>	<u>105,279</u>
TOTAL CURRENT LIABILITIES		
	<u>87,844</u>	<u>105,279</u>
PAYCHECK PROTECTION PROGRAM LOAN, FORGIVEABLE (Note 9)	137,745	140,565
	<u>137,745</u>	<u>140,565</u>
NET ASSETS		
Without donor restrictions	1,468,716	824,126
With donor restrictions (Note 5)	25,140	162,861
	<u>1,493,856</u>	<u>986,987</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,719,445</u>	<u>\$ 1,232,831</u>

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

Statements of Activities and Changes in Net Assets

For the Year Ended June 30

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT						
Grants and contributions						
Grants	\$ 240,000	\$ 51,000	\$ 291,000	\$ 220,000	\$ 95,000	\$ 315,000
Individuals and corporations	95,071	-	95,071	96,045	-	96,045
In-kind contributed facilities and services (Note 2)	745,244	-	745,244	476,984	-	476,984
Total grants and contributions	<u>1,080,315</u>	<u>51,000</u>	<u>1,131,315</u>	<u>793,029</u>	<u>95,000</u>	<u>888,029</u>
Special events	567,082	-	567,082	290,250	-	290,250
Less: direct costs	(43,850)	-	(43,850)	(10,765)	-	(10,765)
Net special events	<u>523,232</u>	<u>-</u>	<u>523,232</u>	<u>279,485</u>	<u>-</u>	<u>279,485</u>
Fees for services	11,910	-	11,910	9,548	-	9,548
Net assets released from restrictions (Note 5)	188,721	(188,721)	-	175,362	(175,362)	-
TOTAL OPERATING REVENUE AND SUPPORT	<u>1,804,178</u>	<u>(137,721)</u>	<u>1,666,457</u>	<u>1,257,424</u>	<u>(80,362)</u>	<u>1,177,062</u>
OPERATING EXPENSES						
Program Services:						
In-School (including Children Discovering Justice)	118,110	-	118,110	383,558	-	383,558
Mock Appeal (formerly Stand Up for Your Rights)	396,771	-	396,771	93,282	-	93,282
Mock Trial	241,463	-	241,463	289,750	-	289,750
Topics	37,771	-	37,771	-	-	-
Tours	57,335	-	57,335	-	-	-
Total program service expenses	<u>851,450</u>	<u>-</u>	<u>851,450</u>	<u>766,590</u>	<u>-</u>	<u>766,590</u>
Supporting Services:						
General and Administrative	391,283	-	391,283	348,293	-	348,293
Fundraising	327,171	-	327,171	293,401	-	293,401
Total supporting service expenses	<u>718,454</u>	<u>-</u>	<u>718,454</u>	<u>641,694</u>	<u>-</u>	<u>641,694</u>
TOTAL OPERATING EXPENSES	<u>1,569,904</u>	<u>-</u>	<u>1,569,904</u>	<u>1,408,284</u>	<u>-</u>	<u>1,408,284</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>234,274</u>	<u>(137,721)</u>	<u>96,553</u>	<u>(150,860)</u>	<u>(80,362)</u>	<u>(231,222)</u>
NON-OPERATING REVENUE & EXPENSES						
Payroll protection program loan forgiveness	140,565	-	140,565	-	-	-
Interest and dividends	26,298	-	26,298	28,835	-	28,835
Net realized and unrealized gains (losses) on investments, net	243,453	-	243,453	(25,455)	-	(25,455)
CHANGE IN NET ASSETS FROM NON-OPERATING REVENUE & EXPENSES	<u>410,316</u>	<u>-</u>	<u>410,316</u>	<u>3,380</u>	<u>-</u>	<u>3,380</u>
CHANGE IN NET ASSETS	<u>644,590</u>	<u>(137,721)</u>	<u>506,869</u>	<u>(147,480)</u>	<u>(80,362)</u>	<u>(227,842)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>824,126</u>	<u>162,861</u>	<u>986,987</u>	<u>971,606</u>	<u>243,223</u>	<u>1,214,829</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,468,716</u>	<u>\$ 25,140</u>	<u>\$ 1,493,856</u>	<u>\$ 824,126</u>	<u>\$ 162,861</u>	<u>\$ 986,987</u>

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

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services					Supporting Services				
	In-School (including Children Discovering Justice)	Mock Appeal (formerly Stand Up for Your Rights)	Mock Trial	Topics	Tours	Total Program Services	General & Administrative	Fundraising	Total Support Services	Total Expenses
EXPENSES										
Salaries and wages	\$ 73,114	\$ 41,137	\$ 56,527	\$ 17,723	\$ 24,702	\$ 213,203	\$ 130,827	\$ 172,543	\$ 303,370	\$ 516,573
Payroll and related taxes	5,484	3,142	4,099	1,276	1,896	15,897	14,220	9,741	23,961	39,858
Employee benefits	8,307	3,927	6,490	1,945	2,845	23,514	20,355	14,354	34,709	58,223
Consultants	18,079	20,657	6,771	5,566	6,669	57,742	71,608	24,132	95,740	153,482
In-kind volunteers	-	295,980	134,060	-	-	430,040	-	-	-	430,040
Books and training	310	5,547	2,438	-	306	8,601	124	65	189	8,790
Events	-	25	1,194	-	-	1,219	-	-	-	1,219
Communications	605	246	643	77	523	2,094	2,828	2,153	4,981	7,075
Computer and office equipment	681	1,202	1,554	610	1,066	5,113	7,545	5,360	12,905	18,018
Travel and transportation	7	13	83	1	15	119	437	130	567	686
Membership and subscriptions	326	2,341	821	42	437	3,967	2,565	1,756	4,321	8,288
Insurance	226	448	558	219	380	1,831	2,859	1,941	4,800	6,631
Administrative expense	96	246	246	27	195	810	2,075	2,083	4,158	4,968
Rent	10,846	21,801	25,909	10,257	18,252	87,065	135,476	92,664	228,140	315,205
Depreciation and amortization	29	59	70	28	49	235	364	249	613	848
TOTAL EXPENSES	\$ 118,110	\$ 396,771	\$ 241,463	\$ 37,771	\$ 57,335	\$ 851,450	\$ 391,283	\$ 327,171	\$ 718,454	\$ 1,569,904

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

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services				Supporting Services			Total Expenses
	Children Discovering Justice	Stand Up for Your Rights	Mock Trial	Total Program Services	General & Administrative	Fundraising	Total Support Services	
EXPENSES								
Salaries and wages	\$ 213,155	\$ 17,529	\$ 95,510	\$ 326,194	\$ 135,802	\$ 148,736	\$ 284,538	\$ 610,732
Payroll and related taxes	15,965	7,634	1,650	25,249	11,264	12,304	23,568	48,817
Employee Benefits	22,841	1,965	10,235	35,041	14,638	16,095	30,733	65,774
Consultants	6,698	2,002	3,573	12,273	63,016	11,117	74,133	86,406
In-kind volunteers	-	53,650	113,230	166,880	-	-	-	166,880
Books and training	14,297	1,223	2,476	17,996	657	80	737	18,733
Events	-	-	7,960	7,960	-	-	-	7,960
Communications	5,659	235	2,744	8,638	3,844	5,063	8,907	17,545
Computer and office equipment	6,312	475	3,364	10,151	5,792	6,357	12,149	22,300
Travel and transportation	796	23	65	884	510	120	630	1,514
Membership and subscriptions	1,541	75	629	2,245	1,938	1,266	3,204	5,449
Insurance	2,037	182	1,046	3,265	1,843	1,972	3,815	7,080
Administrative expense	2,879	324	1,413	4,616	27,995	4,249	32,244	36,860
Rent	90,768	7,911	45,514	144,193	80,492	85,418	165,910	310,103
Depreciation and amortization	610	54	341	1,005	502	624	1,126	2,131
TOTAL EXPENSES	\$ 383,558	\$ 93,282	\$ 289,750	\$ 766,590	\$ 348,293	\$ 293,401	\$ 641,694	\$ 1,408,284

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

Statements of Cash Flows

For the Year Ended June 30

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 506,869	\$ (227,842)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	847	2,130
Paycheck Protection Program Loan forgiveness	(140,565)	
Net realized and unrealized (gain) loss on investments	(252,002)	17,616
Changes in operating assets:		
Accounts receivable, fees for service	(2,118)	7,362
Promises to give	30,252	20,774
Prepaid expenses	(6,864)	(658)
Changes in operating liabilities:		
Accounts payable	11,613	(35,722)
Accrued expenses	19,702	3,428
Deferred special event revenue	(48,750)	48,750
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>118,984</u>	<u>(164,162)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of investments, net of sales	<u>(17,749)</u>	<u>39,004</u>
CASH PROVIDED BY FINANCING ACTIVITIES		
SBA Paycheck Protection Program Loan, forgivable	<u>137,745</u>	<u>140,565</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	238,980	15,407
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>53,390</u>	<u>37,983</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 292,370</u>	<u>\$ 53,390</u>

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

Notes to Financial Statements

June 30, 2021

Note 1 – Nature of Organization

Discovering Justice 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 bring students and communities together to examine the workings of the justice system, explore the ideals of justice, and prepare them to engage in our democracy. Discovering Justice envisions a society in which everyone is well-equipped with the knowledge, skills, and desire to build and sustain an equitable democracy.

With the help of hundreds of volunteers and educators, Discovering Justice offers innovative in-school programs, after-school mock trial and mock appeal programs, a topics program, courthouse tours and events, and courthouse field trips that teach K-12 students about the justice system and provide them with opportunities to practice the skills necessary to navigate it while exploring pathways to engage effectively in civic life.

Discovering Justice operates the following major programs:

1. In-school Civics Programs – Discovering Justice offers two in-school civics programs for elementary classrooms.

The **Grades K-2 Children Discovering Justice Curriculum** provides educators with tools and resources to teach young students about fairness, community, rights and responsibilities, and other big ideas connected to justice. Through this standards-based curriculum, students deepen their understanding of justice both in their own lives and in the world around them. They learn through inquiry, case study examples, and discourse that the struggle for justice is ongoing, complex, and involves multiple perspectives.

In-school **Mock Trial Mini Units** help teachers in grades one through five bring teaching civic knowledge, skills, and dispositions to life in their classrooms. Utilizing these two-week long, standards aligned, interactive units, young student lawyers work to analyze, build, and argue a case. Freely accessible online, the units may be taught fully virtually, in-person, or a hybrid of the two.

2. Mock Trial Program – The Mock Trial Program, offered in the fall, is a semester-long, weekly, after-school experiential learning program which invites middle school students to become trial lawyers. With the support of legal mentors, students delve into the Bill of Rights, explore how constitutional protections apply in public schools, engage in legal analysis, and ultimately try cases in real courtrooms before federal or state judges and juries made up of community members.

3. Mock Appeal Program – The Mock Appeal Program (formerly Stand Up for Your Rights) transforms middle school students into appellate lawyers. Meeting weekly after school with a team of legal mentors during the spring semester, students continue to explore how constitutional protections apply in public schools as they prepare to deliver their oral arguments in real courtrooms before Appellate Panels composed of judges and experienced attorneys.

4. Courthouse Tours – Led by Discovering Justice staff and volunteer docents, Courthouse Tours welcome the public into John Joseph Moakley U.S. Courthouse and provide a unique look at the history and structure of this award-winning landmark central to the judicial landscape of Boston. In addition to in-person tours, the new virtual tour of the Moakley Courthouse explores the connections between the architectural designs of the Moakley Courthouse, and the civic ideals they represent. It features conversations held with members of the Courthouse community from judges to probation officers and attorneys to courthouse reporters.

Note 2 – Significant Accounting Policies

5. Topics Program – With community advocates and experts in law and the justice system as guest speakers, Discovering Justice’s Topics Program offers middle and high school students an opportunity to explore, debate, and actively confront current issues in the community. The Topics Program explores contemporary legal issues and themes of justice that are relevant to students and gives them the opportunity to develop a sense of their place and responsibilities in the larger community as well as a chance to practice civic skills in order to make an impact within or outside the current system.

6. Courthouse Field Trips – Due to COVID-19 and social distancing guidelines from the CDC, Discovering Justice only ran two in-person Courthouse Field Trips in FY21. The program staff took this time to revise and update the field trips which will be offered once again when restrictions due to COVID-19 are lifted. In the meantime, students and teachers can access mock trial and Courthouse resources through both the Mini Mock Trial Units and the virtual Courthouse Tour.

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 (GAAP) as they apply to not-for-profit organizations. The Organization presents in its statement of financial position and its statement of activities and changes in net assets two classes of net assets based on the existence or absence of donor-imposed restrictions as discussed below.

Net Assets Without Donor Restrictions – These are net assets available for use in general operations and not subject to donor restrictions. At its discretion, the Board of Directors may designate net assets without restrictions for specific purposes.

Net Assets With Donor Restrictions – These net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time, the occurrence of events or the use of the funds as specified by the donor. Other donor-imposed restrictions may be perpetual in nature where the donor stipulates that the funds be maintained in perpetuity, such as endowments.

Donor-restricted support and gains are recorded as "net assets with donor restrictions" when received or pledged. When a temporary donor-imposed restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, related amounts of "net assets with donor restrictions" are reclassified to "net assets without donor restrictions" and reported in the statement of activities as "net assets released from restrictions". Contributions are recorded as increases in "net assets without donor restrictions" if restrictions are met in the year that the contribution is made.

Contributions made with donor-imposed restrictions to maintain the principal in perpetuity, while allowing the use of income generated therefrom, are also classified as "net assets with donor restrictions". Income derived from the investment of these perpetual net assets is reported as an increase in "net assets without donor restrictions", or "net assets with donor restrictions", depending on the terms of the donor instrument. Unrealized gains or losses on perpetual net assets are reported as increases or decreases in "net assets with donor restrictions", unless the donor explicitly states otherwise.

See Note 5 regarding restrictions on net assets.

Contributions – The Organization follows Accounting Standards Update (ASU) 2018-08, *“Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”*. The ASU is intended to assist entities in evaluating whether transactions should be accounted for and reported as contributions or as exchange transactions, and in determining whether a contribution is conditional or unconditional.

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

The ASU clarifies that a contribution represents a nonreciprocal transaction where the grantor or donor does not receive a benefit of commensurate value in return for the assets or resources provided to the recipient.

In an exchange transaction, the resource provider receives some thing or benefit of commensurate value in return for the resources provided. Exchange transactions include instances where a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer receiving the benefit. However, where the benefit or potential benefit is received by the public or segments thereof, and the resource provider (such as an individual, foundation, government agency, corporation or other entity) only receives indirect or incidental benefit that is not of commensurate value, the transaction is treated as a contribution for accounting purposes.

Distinguishing between contributions and exchange transactions determines the appropriate accounting and reporting for a transaction. Transactions determined to be contributions are reported as revenue or support with or without donor restrictions as described above.

Promises to Give – Promises to give to the Organization that are, in effect, “unconditional promises to give” are recorded in the accompanying statement of financial position. When considered necessary, promises to give are stated net of an allowance for doubtful collection when management believes that the collectability of a specific promise to give is unlikely. The accompanying statements of financial position do not include an allowance for doubtful promises to give at June 30, 2021 and 2020, as one was not considered necessary by management. At June 30, 2021, all promises to give are due within one year.

Conditional promises to give to the Organization are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. The Organization has one conditional promise to give at June 30, 2021 and 2020, that is renewable for up to seven more years, for \$25,000 each year, if the Organization meets certain criteria outlined in the agreement.

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 state-ments of activities. The Organization estimated and reported approximately \$315,000 and \$312,000 in contributed facilities during 2021 and 2020, respectively.

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 \$430,000 and \$165,000 in contributed services during 2021 and 2020, respectively.

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 \$43,850 and \$10,765 have been netted against revenue of \$567,082 and \$290,250 for the years ended June 30, 2021 and 2020, respectively.

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.

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 solely to the reporting of the Organization’s investments (see Note 3).

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

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

Accounts Receivable – When considered necessary, accounts receivable for service fees 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 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 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, 2021 or 2020, as one was not considered necessary by management.

Investments – Investments are reported 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
Computer and office equipment & furniture	3-7 years

Expenses by Nature and Function – The statement of activities and changes in net assets reports a summary of the Organization's expenses by function, either program or supporting functions. The statement of functional expenses presents the natural classification of expenses by function. Certain expenses are charged directly to the programs or supporting functions to which they relate. Other expenses require allocation to programs or supporting functions, which is made on a reasonable basis that is consistently applied. The expenses that are generally allocated include salaries and wages, payroll taxes and benefits, which are allocated on the basis of estimated efforts.

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, 2021 through September 29, 2021, 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 value measurement.

The following is a summary of investments by type, industry segment and level within the fair value hierarchy:

June 30, 2021

	Level 1	Level 2	Level 3	Total
Equity Securities				
Large cap	\$ 379,802	\$ -	\$ -	\$ 379,802
Mid cap	46,107	-	-	46,107
Small cap	46,899	-	-	46,899
International developed	231,772	-	-	231,772
International emerging	66,655	-	-	66,655
Fixed Income Securities				
Corporate / government	362,162	-	-	362,162
Other bonds	16,768	-	-	16,768
Real Estate				
Real estate funds	57,367	-	-	57,367
Commodities				
Commodities	52,405	-	-	52,405
Investments required to be disclosed by fair value hierarchy	<u>\$ 1,259,937</u>	<u>\$ -</u>	<u>\$ -</u>	1,259,937
Cash held for investment				<u>19,796</u>
Total Investments				<u>\$ 1,279,733</u>

June 30, 2020

Equity Securities				
Large cap	\$ 273,922	\$ -	\$ -	\$ 273,922
Mid cap	30,503	-	-	30,503
Small cap	29,266	-	-	29,266
International developed	166,634	-	-	166,634
International emerging	48,857	-	-	48,857
Fixed Income Securities				
Corporate / government	355,412	-	-	355,412
Other bonds	16,002	-	-	16,002
Real Estate				
Real estate funds	47,248	-	-	47,248
Commodities				
Commodities	38,800	-	-	38,800
Investments required to be disclosed by fair value hierarchy	<u>\$ 1,006,644</u>	<u>\$ -</u>	<u>\$ -</u>	1,006,644
Cash held for investment				<u>3,338</u>
Total Investments				<u>\$ 1,009,982</u>

Note 3 – Investments (Cont.)

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 2021, the investment advisor of the Organization did not sell any investments and the Organization recognized capital gain distributions of \$5,186. \$260,510 of investments were sold during the year ended June 30, 2020 realizing gains of \$116,944. During 2021, the market value of the investments increased by \$246,816, representing an unrealized gain for the year (unrealized loss of \$134,560 for the year ended June 30, 2020). Advisory fees paid by the Organization totaled \$8,549 and \$7,839 for the years ended June 30, 2021 and 2020, respectively.

Note 4 – Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Office and computer equipment and furniture	\$ 89,680	\$ 89,680
Computer software	17,375	17,375
Website development costs	<u>2,750</u>	<u>2,750</u>
	109,805	109,805
Accumulated depreciation and amortization	<u>(109,664)</u>	<u>(108,817)</u>
	<u>\$ 141</u>	<u>\$ 988</u>

Depreciation expense was \$847 and \$2,130 for the years ended June 30, 2021 and 2020, respectively.

Note 5 – Net Assets with Donor Restrictions

The Organization does not have any net assets with donor restrictions which are perpetual in nature at June 30, 2021 or 2020.

Net assets with donor restrictions which are temporary in nature include the following at June 30:

	<u>2021</u>	<u>2020</u>
Program support and expansion	\$ 25,140	\$ 87,861
Time restricted - general operations	<u>-</u>	<u>75,000</u>
	<u>\$ 25,140</u>	<u>\$ 162,861</u>

During the year ended June 30, net assets were released from donor restrictions by incurring expenses or by the occurrence of other events satisfying the restricted purposes, as follows:

	<u>2021</u>	<u>2020</u>
Program support and expansion	\$ 113,721	\$ 100,362
Time restricted - general operations	<u>75,000</u>	<u>75,000</u>
	<u>\$ 188,721</u>	<u>\$ 175,362</u>

Note 6 – Related Party Transactions

Annual appeal donations from board members and their affiliated companies totaled approximately \$64,000 and \$63,000 for the years ended June 30, 2021 and 2020, respectively. A law firm affiliated with a board member occasionally provides pro bono legal services to the Organization itself. The dollar value of the pro bono services provided during 2021 and 2020 is not considered significant to the financial statements; therefore, an amount has not been recorded as support and as an expense in the statements of activities.

Note 7 – Employee Benefit 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. The Organization's contributions totaled \$24,500 and \$24,988 for the years ended June 30, 2021 and 2020, respectively.

Note 8 – Financing Agreements

The Organization has a \$250,000 line of credit that matures in February of 2022. Borrowings bear interest at the greater of 1.0% or the prime rate plus one-half of one percent (3.75% at June 30, 2021) 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, 2021 or 2020.

Note 9 – SBA Paycheck Protection Program Loan

In April of 2020, the Organization applied for and received a loan from a financial institution in the amount of \$140,565 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the note agreement, the loan's repayment was guaranteed by the Small Business Administration ("SBA"), it accrued interest at 1%, and it was forgivable and payable by the SBA if the Organization incurred and paid eligible expenses such as payroll and other specified costs as defined in the CARES Act. During fiscal year 2021, the Organization applied for the loan's forgiveness under the terms of the agreement and in May of 2021 it was notified that the loan and accrued interest had been repaid in full by the SBA and the Organization was released from obligation under the debt instrument. The amount of the loan forgiveness is reflected as non-operating income in the accompanying consolidated statement of activities and changes in net assets for the year ended June 30, 2021.

Additionally, in March of 2021, the Organization applied for and received a second Paycheck Protection Program loan in the amount of \$137,745 under terms similar to the first loan. Management believes that the Organization will meet the criteria and receive full forgiveness of the second loan in the next fiscal year; however, there can be no guarantee at this time that this will occur or in what amount. The full amount of the second loan has been deferred from recognition as support and presented as debt in the accompanying statement of financial position at June 30, 2021 until such time as some, or all, of the amount is repaid or forgiven by the SBA and the Organization is legally released from the debt instrument.

Note 10 – 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. A summary of financial instrument and other concentrations follows.

Cash – The Organization maintains its cash accounts at a high-quality financial institution where accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per customer. At times, the amounts on deposit at the financial institution are in excess of insured limits. There were no deposits in excess of FDIC insured limits based on bank balances at June 30, 2021.

Note 10 – Concentrations and Credit Risk (Cont.)

Investments – The composition of the Organization’s investments in marketable securities, which are held and managed by one financial services company, is summarized in Note 3. Securities and cash 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 June 30, 2021, the Organization has approximately \$780,000 of securities and deposits in excess of SIPC insured limits.

Promises to Give – Promises to give to the Organization at June 30, 2021 and 2020 are due from various individuals and organizations. At June 30, 2021 there was one promise to give from an organization in the amount of \$100,000, representing 74% of the total promises to give. At June 30, 2020, \$75,000 (45%) of total promises to give was made from a different organization .

Support and Revenues – 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 from the Joseph Moakley United States Courthouse valued at \$315,206, 19% of total operating revenue and support for the year ended June 30, 2021 (\$310,104, 26% for the year ended June 30, 2020). Additionally, the Organization uses legally trained volunteers to support the Discovering Justice Mock Trial and Mock Appeal programs. In-kind donations recorded for these services totaled \$430,040, 26% of total operating revenue and support for fiscal 2021, and \$166,880 (14%) for the year ended June 30, 2020 (see Note 1 on “Contributed Facilities and Services”).

Note 11 – Liquidity and Availability of Resources

The Organization's financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 292,370	\$ 53,390
Accounts receivable	2,340	222
Promises to give, net	135,748	166,000
Investments	<u>1,279,733</u>	<u>1,009,982</u>
	1,710,191	1,229,594
Less amount of donor restricted net assets	<u>(25,140)</u>	<u>(162,861)</u>
Total financial assets available within one year for general expenditure	<u>\$ 1,685,051</u>	<u>\$ 1,066,733</u>

The Organization has a policy to structure its financial assets to be available and liquid as obligations come due. The Organization’s management anticipates receiving sufficient revenue and support over the next twelve months to cover general expenditures over that same period. In addition to the available financial assets noted above, the Organization has a line of credit in the amount of \$250,000 available for use if necessary.

Note 12 – Uncertainties Surrounding Coronavirus Pandemic

During March of 2020, the novel coronavirus outbreak became a national and worldwide pandemic affecting the global population. State mandates forcing the closure or significant restrictions on “non-essential” businesses, schools and other organizations contributed to record levels of unemployment.

Note 12 – Uncertainties Surrounding Coronavirus Pandemic (Cont.)

This health crisis and related reactive mandates by governments around the world adversely affected global economies, including here in the United States. In addition to the health risks and the livelihood of people in general, the situation posed potentially serious risks to commerce including material supply, product demand, foreign trade and employment, among other things. After shifting to a work from home policy during the shutdown, Discovering Justice has been able to continue its operations. Management feels that, fortunately, Discovering Justice's financial results and position were not adversely affected by this situation in any significant way.

As of the date of the issuance of these financial statements, Massachusetts and most other states have lifted their significant restrictions and a significant amount of the U.S. population has been vaccinated against the virus. However, there remains uncertainties relative to the pandemic, including the continued progress of vaccinations, the surge of the Delta variant of the virus, the efficacy and longevity of vaccinations, and the potential for future economic disruptions. Therefore, it is uncertain at this time what adverse effects the situation may have, if any, on the Organization's future revenues and support, and on its operating results and financial position.