

STREET LAW, INC.

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2018 AND 2017

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Independent Auditor's Report

To the Board of Directors
Street Law, Inc.
Silver Spring, MD

We have audited the accompanying financial statements of Street Law, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, 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.

Auditor's 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 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.

Independent Auditor's Report
Street Law, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Street Law, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jane Marissa v. M^aQuade PA

Columbia, MD
October 4, 2018

STREET LAW, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 621,114	\$ 430,968
Board designated - cash	791,000	748,317
Sub-total cash and cash equivalents	1,412,114	1,179,285
Accounts receivable	114,724	242,121
Grants receivable	137,745	8,451
Prepaid expenses	47,453	33,945
Total Current Assets	1,712,036	1,463,802
 PROPERTY AND EQUIPMENT, NET	 45,381	 37,433
 OTHER ASSETS		
Investments	1,388,778	1,332,746
Security deposit	8,840	8,840
Total Other Assets	1,397,618	1,341,586
 TOTAL ASSETS	 \$ 3,155,035	 \$ 2,842,821
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 94,137	\$ 71,573
Accrued expenses	125,410	115,585
Deferred revenue	17,721	7,064
Deferred rent	34,665	42,369
Total Liabilities	271,933	236,591
 NET ASSETS		
Unrestricted	1,768,007	1,597,287
Board designated	791,000	748,317
Total Unrestricted Net Assets	2,559,007	2,345,604
Temporarily restricted	324,095	260,626
Total Net Assets	2,883,102	2,606,230
 TOTAL LIABILITIES AND NET ASSETS	 \$ 3,155,035	 \$ 2,842,821

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

STREET LAW, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 123,171	\$ 916,658	\$ 1,039,829
Contracts revenue	199,624	-	199,624
Fundraising events	687,530	-	687,530
In-kind services/contributions	23,570	-	23,570
Royalties and publication sales	317,147	-	317,147
Interest and dividend income	38,312	-	38,312
Net assets released from restrictions	853,189	(853,189)	-
Total Revenue and Support	<u>2,242,543</u>	<u>63,469</u>	<u>2,306,012</u>
EXPENSES			
Program Services:			
National programs	1,008,996	-	1,008,996
International programs	322,293	-	322,293
Communications	193,679	-	193,679
Total Program Services	<u>1,524,968</u>	<u>-</u>	<u>1,524,968</u>
Supporting Services:			
General and administrative	172,031	-	172,031
Program development	358,288	-	358,288
Total Supporting Services	<u>530,319</u>	<u>-</u>	<u>530,319</u>
Total Expenses	<u>2,055,287</u>	<u>-</u>	<u>2,055,287</u>
CHANGE IN NET ASSETS FROM OPERATIONS	187,256	63,469	250,725
OTHER CHANGES			
Net appreciation in fair value of investments	26,147	-	26,147
CHANGE IN NET ASSETS	213,403	63,469	276,872
NET ASSETS, beginning of year	<u>2,345,604</u>	<u>260,626</u>	<u>2,606,230</u>
NET ASSETS, end of year	<u>\$ 2,559,007</u>	<u>\$ 324,095</u>	<u>\$ 2,883,102</u>

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

STREET LAW, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 100,597	\$ 810,273	\$ 910,870
Contracts revenue	63,391	-	63,391
Fundraising events	690,003	-	690,003
In-kind services	34,500	-	34,500
Royalties and publication sales	329,932	-	329,932
Interest and dividend income	36,140	-	36,140
Net assets released from restrictions	737,487	(737,487)	-
Total Revenue and Support	1,992,050	72,786	2,064,836
EXPENSES			
Program Services:			
National programs	978,921	-	978,921
International programs	153,394	-	153,394
Communications	202,813	-	202,813
Total Program Services	1,335,128	-	1,335,128
Supporting Services:			
General and administrative	171,209	-	171,209
Program development	435,759	-	435,759
Total Supporting Services	606,968	-	606,968
Total Expenses	1,942,096	-	1,942,096
CHANGE IN NET ASSETS FROM OPERATIONS	49,954	72,786	122,740
OTHER CHANGES			
Net depreciation in fair value of investments	58,697	-	58,697
CHANGE IN NET ASSETS	108,651	72,786	181,437
NET ASSETS, beginning of year	2,236,953	187,840	2,424,793
NET ASSETS, end of year	\$ 2,345,604	\$ 260,626	\$ 2,606,230

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

STREET LAW, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	PROGRAM SERVICES				SUPPORT SERVICES			Total Expenses
	National Programs	International Programs	Communications	Total Program Services	General and Administrative	Program Development	Total Support Services	
Personnel Costs:								
Salaries	\$ 520,713	\$ 155,822	\$ 95,844	\$ 772,379	\$ 89,917	\$ 142,360	\$ 232,277	\$ 1,004,656
Payroll taxes	38,049	11,386	7,004	56,439	6,571	10,402	16,973	73,412
Employee benefits	76,734	22,963	14,124	113,821	13,250	20,979	34,229	148,050
Retirement benefit	57,125	17,095	10,515	84,735	9,864	15,618	25,482	110,217
Subtotal Personnel Costs	692,621	207,266	127,487	1,027,374	119,602	189,359	308,961	1,336,335
Accounting and audit fees	-	-	-	-	14,000	-	14,000	14,000
Bank charges	1,560	51	272	1,883	415	6,155	6,570	8,453
Board/staff expenses	161	206	-	367	5,612	1,528	7,140	7,507
Computer and website	12,911	3,864	2,377	19,152	2,230	3,530	5,760	24,912
Consultants	42,721	30,007	21,471	94,199	3,046	21,350	24,396	118,595
Depreciation	2,935	878	540	4,353	507	802	1,309	5,662
Dues and subscriptions	824	-	5,934	6,758	661	537	1,198	7,956
Insurance	10,646	3,186	1,960	15,792	1,837	2,911	4,748	20,540
Legal services	-	-	-	-	4,326	-	4,326	4,326
Meetings, food and beverages	97,883	6,539	250	104,672	152	97,496	97,648	202,320
Miscellaneous	180	791	-	971	787	-	787	1,758
Office expenses	311	85	6,874	7,270	653	4,219	4,872	12,142
Office supplies and equipment rental	44,808	7,650	4,705	57,163	4,414	6,989	11,403	68,566
Postage and delivery	4,328	27	891	5,246	1,005	839	1,844	7,090
Printing and copying	3,584	68	9,716	13,368	2,286	3,720	6,006	19,374
Rent	55,098	16,488	10,142	81,728	9,513	15,064	24,577	106,305
Sub-awards	3,000	-	-	3,000	-	-	-	3,000
Telephone	5,699	1,705	1,049	8,453	985	1,558	2,543	10,996
Travel	29,726	43,482	11	73,219	-	2,231	2,231	75,450
Total Expenses	\$ 1,008,996	\$ 322,293	\$ 193,679	\$ 1,524,968	\$ 172,031	\$ 358,288	\$ 530,319	\$ 2,055,287

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

STREET LAW, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	PROGRAM SERVICES				SUPPORT SERVICES			Total Expenses
	National Programs	International Programs	Communications	Total Program Services	General and Administrative	Program Development	Total Support Services	
Personnel Costs:								
Salaries	\$ 497,762	\$ 71,178	\$ 109,870	\$ 678,810	\$ 95,519	\$ 195,400	\$ 290,919	\$ 969,729
Payroll taxes	38,360	5,485	8,467	52,312	7,360	15,058	22,418	74,730
Employee benefits	62,980	9,006	13,901	85,887	12,086	24,723	36,809	122,696
Retirement benefit	51,185	7,319	11,298	69,802	9,823	20,093	29,916	99,718
Subtotal Personnel Costs	650,287	92,988	143,536	886,811	124,788	255,274	380,062	1,266,873
Accounting and audit fees	-	-	-	-	14,300	-	14,300	14,300
Bank charges	3,502	-	623	4,125	929	4,113	5,042	9,167
Board/staff expenses	19	213	10	242	5,092	351	5,443	5,685
Computer and website	18,881	2,700	4,168	25,749	3,622	7,412	11,034	36,783
Consultants	90,124	18,609	30,226	138,959	3,229	22,745	25,974	164,933
Depreciation	2,129	304	470	2,903	408	836	1,244	4,147
Dues and subscriptions	1,566	224	346	2,136	300	615	915	3,051
Insurance	6,701	958	1,479	9,138	1,286	2,631	3,917	13,055
Meetings, food and beverages	61,381	11,952	1,775	75,108	224	101,423	101,647	176,755
Miscellaneous	-	-	-	-	138	-	138	138
Office expenses	106	33	1,269	1,408	237	3,118	3,355	4,763
Office supplies and equipment rental	14,422	2,062	3,183	19,667	2,768	5,662	8,430	28,097
Postage and delivery	3,251	465	718	4,434	624	1,276	1,900	6,334
Printing and copying	8,852	1,266	1,954	12,072	1,699	3,475	5,174	17,246
Rent	53,027	7,583	11,705	72,315	10,175	20,816	30,991	103,306
Sub-awards	15,000	-	-	15,000	-	-	-	15,000
Telephone	5,507	788	1,216	7,511	1,056	2,162	3,218	10,729
Travel	44,166	13,249	135	57,550	334	3,850	4,184	61,734
Total Expenses	\$ 978,921	\$ 153,394	\$ 202,813	\$ 1,335,128	\$ 171,209	\$ 435,759	\$ 606,968	\$ 1,942,096

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

STREET LAW, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 276,872	\$ 181,437
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	5,662	4,147
Net appreciation in fair value of investments	(26,147)	(58,697)
Decrease (increase) in assets:		
Accounts receivable	127,397	(146,638)
Grants receivable	(129,294)	3,796
Prepaid expenses	(13,508)	9,906
Increase (decrease) in liabilities:		
Accounts payable	22,564	(4,961)
Accrued expenses	9,825	(7,650)
Deferred revenue	10,657	5,044
Deferred rent	(7,704)	(7,061)
Net Cash Provided by (Use for) Operating Activities	276,324	(20,677)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(13,610)	(32,589)
Proceeds from sale of investments	64,000	31,089
Purchases of investments	(93,885)	(60,437)
Net Cash Used for Investing Activities	(43,495)	(61,937)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	232,829	(82,614)
 CASH AND CASH EQUIVALENTS, beginning of year	1,179,285	1,261,899
 CASH AND CASH EQUIVALENTS, end of year	\$ 1,412,114	\$ 1,179,285

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

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 – NATURE OF ORGANIZATION

Street Law, Inc. (“Street Law”) is a global, nonpartisan, nonprofit organization with more than 45 years of experience developing classroom and community programs that educate young people about law and government. The corporation was established in 1996, under the laws of the District of Columbia. Formerly a program of the Consortium of Universities of the Washington Metropolitan Area, Street Law commenced operations as an independent entity on July 1, 1997. Street Law programs and materials help advance justice by empowering people with the legal and civic knowledge, skills, and confidence to bring about positive change for themselves and others.

Street Law offers the following program services:

National Programs

- 1) **Teacher Professional Development Programs** – Street Law works with secondary school teachers to equip them with the knowledge, skills, and resources needed to teach about a variety of practical legal topics using teaching strategies that positively impact educational achievement and foster civic engagement.

The **Supreme Court Summer Institute** is a professional development seminar for social studies teachers from across the country designed to strengthen and expand instruction about the U.S. Supreme Court. Street Law further supports classroom instruction by operating an educational website, www.landmarkcases.org, covering 17 pivotal Supreme Court cases.

The **Teaching for Civic Engagement Seminar** guides social studies teachers through an exploration of current issues in civics and government while learning instructional strategies that build students’ civic skills and increase educational achievement.

- 2) **Legal Community Partnership Programs** – Street Law trains lawyers, legal professionals, law students, and police officers to teach young people about the law.

Through **Legal Diversity Pipeline Programs**, Street Law partners with corporate law departments and law firms to tackle the dearth of diversity in the legal profession. The Pipeline Programs encourage young people of color to pursue legal careers by providing them with law-related lessons and activities, role models, career education, and hands-on experiences in the field of law. Street Law’s staff trains volunteer legal professionals to teach high school students about topics in civil law and pathways to the legal profession.

The **Police & Teens Program** equips school resource officers and community police officers with the curriculum, teaching strategies, and confidence to teach young people lessons on law, crime, public policy, police procedures, community policing, personal safety, and health. The program’s collaborative, dialogue-based approach helps build awareness, respect, empathy, and understanding between police officers and youth.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE 1 – NATURE OF ORGANIZATION – continued

National Programs - continued

Through **Law School Programs**, Street Law supports a network of law school-based programs, in which law students teach practical law to young people using Street Law strategies and curricular materials.

Street Law’s **Summer Bridge Program** supports law-themed high schools to provide young people entering high school with a foundational understanding of law and justice to help ensure a successful academic transition.

- 3) **Legal Life Skills Programs** – Street Law conducts several programs across the U.S. that empower society’s most vulnerable people with the legal knowledge, civic skills, and confidence they need to thrive and succeed as informed, civically active community members. The Legal Life Skills Programs work with survivors of intimate partner violence, youth in (or at risk of entering) the juvenile justice system, youth aging out of foster care, and youth who are homeless, pregnant and/or parenting, or LGBTQ+. The programs are implemented in partnership with community-based providers and government agencies that serve these populations.

Under **Making Positive Choices**, Street Law leads an employee volunteer program on behalf of the Merck Foundation that brings law-related education lessons to vulnerable youth in New Jersey and Pennsylvania. Street Law recruits, trains, and places Merck employees in classroom and community-based settings to teach lessons on conflict resolution, law, safety, advocacy, and career exploration.

- 4) **Curricula and Teaching Materials** – Street Law equips educators with the textbooks, lesson plans, and teaching activities they need to be effective educators of law, government, democracy, and rule of law. Street Law’s online store and free resource library includes hundreds of resources, including Supreme Court case summaries, lesson plans, and mock trials.

Street Law authors *Street Law: A Course in Practical Law* (2016). The high school text supports the teaching of practical law in classrooms across the country.

Street Law co-authors a high school government text titled *United States Government: Our Democracy* (2018). The text helps educators teach students about government and how to “do democracy.” In every chapter students are asked to deliberate with peers, advocate for or against a position, evaluate policy alternatives, analyze claims and arguments, negotiate a compromise, or make collaborative decisions. The text centers debate and discussion on current, public, and controversial issues—a proven method for increasing student engagement.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE 1 – NATURE OF ORGANIZATION – continued

International Programs

Street Law’s global law and democracy programs help cultivate a rule of law culture around the world. Street Law collaborates with law schools, civil society organizations, and government agencies around the globe to build public legal education programs, train educators, and develop teaching materials. These programs have empowered people and strengthened civil society in more than 40 countries throughout Africa, the Americas, Asia, Europe, and the Middle East.

Communications

The communications program strengthens Street Law’s programs through web-based promotions and technologies. Additionally, it disseminates program information, resources, and curricula to program participants around the globe.

Program Development

Program Development includes expenses beyond fundraising. This is notably different than most nonprofit organizations, where expenses directly related to fundraising typically comprise the bulk of an organization’s development expenses. Street Law’s expanded view of this category includes program expenses incurred in research and development of new programs, as well as expenses incurred in the development and implementation of new programs for which there is no outside funding. The amount that can most accurately be attributed to fundraising activities is approximately 17% of the total expenses captured under Program Development.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Street Law are prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit Entities*. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Street Law and changes therein, are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES – continued

Financial Statement Presentation (continue)

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met by either actions of Street Law and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Street Law. There were no permanently restricted net assets for the years ended June 30, 2018 and 2017.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Street Law considers all highly liquid funds including funds in interest bearing savings accounts to be cash equivalents. Cash and cash equivalents in non-interest bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the accounts may exceed this limit; however, Street Law believes it is not exposed to any significant credit risk on cash or cash equivalents.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection of information, and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of June 30, 2018 and 2017, management believes all receivables are fully collectible within one year or less; and therefore, no provision for allowance for doubtful accounts is deemed necessary.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Expenditures that extend the life of an asset and are greater than \$1,000 are capitalized while repairs and maintenance are charged to expense as incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives (ranging from five to seven years) of the related assets.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES - continued

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Net appreciation or depreciation in fair value of investments includes gains and losses on investments bought and sold as well as held during the year. Interest is recognized on the accrual basis. Dividends are recorded at the ex-dividend date. Donated investments are recorded at fair value on the date of donation.

Deferred Revenue

Deferred revenue represents unearned income received from contracts entered into during the year.

Deferred Rent

Deferred rent represents the difference between rent paid and the amount expensed on a straight-line basis over the lease term, which includes the abatement of rent granted by the landlord for six months.

Revenue Recognition

Grants and contributions, including unconditional promises to give, are recognized as revenue in the period in which they are received. Grants are recognized as revenue in the period in which such promises or agreements are made. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions received with donor restrictions are recorded as temporarily or permanently restricted revenue based on the donor's intent. Expirations of temporary restrictions are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

Contracts revenue is treated as exchange transactions, in which revenue is earned when eligible expenditures, as defined in each contract, are incurred. Funds received but not yet earned are recorded as deferred revenue. Allowable expenditures incurred for which reimbursements have not yet been received are recorded as accounts receivable.

Fundraising event revenue is recognized in the year in which the event is held.

Royalties and publications revenue is recognized in the year in which the publications are sold. Amounts received in advance are recorded as deferred revenue.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES - continued

In-Kind Services and Donations

Street Law recognizes in-kind services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of goods, such as text books, are recognized as in-kind donations if the goods would ordinarily be purchased. In-kind contributions are recorded at fair value.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – INCOME TAXES

Street Law is a 501(c)(3) organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the “Code”), and is not a private foundation. Under the provisions of the Code, Street Law is, however, subject to tax on business income unrelated to its exempt purpose. As of June 30, 2018 and 2017, Street Law had no liability for tax on unrelated business income. Street Law files information returns and other tax returns as required.

Street Law believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Street Law’s information returns are subject to examination by the Internal Revenue Service (“IRS”) for a period of three years from the date they were filed, except under certain circumstances. The Form 990 information returns for the fiscal years ending June 30, 2015 through 2017, are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2018 and 2017:

	2018	2017
Office equipment	\$ 31,791	\$ 19,383
Website development costs	27,912	27,912
	59,703	47,295
Less: accumulated depreciation	(14,322)	(9,862)
Net Property and Equipment	\$ 45,381	\$ 37,433

During the years ended June 30, 2018 and 2017, Street Law disposed of assets that were fully depreciated totaling \$1,200 and \$20,467, respectively. Depreciation expense totaled \$5,662 and \$4,147 for the years ended June 30, 2018 and 2017, respectively.

NOTE 5 – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 of the fair value hierarchy under FASB ASC 820 is described as inputs to the valuation methodology that are unadjusted quoted prices for identical assets or liabilities in active markets that Street Law has the ability to access.

- Level 1* Inputs are based on unadjusted quoted prices for identical assets traded in active markets that Street Law has the ability to access.
- Level 2* Inputs are based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.
- Level 3* Inputs are unobservable and significant to the fair value measurement.

The following valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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NOTE 5 – FAIR VALUE MEASUREMENTS – continued

The following is a description of the valuation methodologies used to measure investments at fair value: money market funds are valued by carrying amount, which approximates fair value; and mutual funds and exchange traded funds are valued at the observable closing price reported in the active market in which the individual securities are traded.

The following tables present Street Law’s fair value hierarchy for investments measured at fair value on a recurring basis as of June 30, 2018 and 2017:

	Assets at Fair Value as of June 30, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money markets	\$ 2,393	\$ -	\$ -	\$ 2,393
Mutual funds:				
Equity	526,850	-	-	526,850
Fixed income	315,030	-	-	315,030
Exchange traded funds	544,505			544,505
Total	\$ 1,388,778	\$ -	\$ -	\$ 1,388,778

	Assets at Fair Value as of June 30, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money markets	\$ 4,139	\$ -	\$ -	\$ 4,139
Mutual funds:				
Equity	529,584	-	-	529,584
Fixed income	287,096	-	-	287,096
Exchange traded funds	511,927			511,927
Total	\$ 1,332,746	\$ -	\$ -	\$ 1,332,746

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were designated by donors for the following purposes as of June 30, 2018 and 2017:

	2018	2017
Corporate Pipeline Program	\$ 21,667	\$ 5,000
Merck's Making Positive Choices	37,577	63,613
Supreme Court Summer Institute	33,248	52,270
International Programs	122,762	11,900
Street Law in Community Colleges	-	8,468
Teacher Development Program	95,508	58,875
Legal Life Skills Programs	13,333	43,400
Police and Teens Program	-	17,100
Total	\$ 324,095	\$ 260,626

NOTE 7– BOARD DESIGNATED NET ASSETS

Street Law’s Board of Directors adopted a policy that initially designated \$600,000 of its unrestricted net assets as future operating reserves to ensure fulfillment of its mission during harsh economic times. This designated amount cannot be used by Street Law for general operations unless the designation is removed by Board approval. The designated amount is based on one half of total annual operating expenses, excluding depreciation, in-kind donations, and other non-cash related expenses. For the years ended June 30, 2018 and 2017, the Board designated net assets totaled \$791,000 and \$748,317, respectively.

NOTE 8 – IN-KIND SERVICES AND DONATIONS

For the year ended June 30, 2018, Street Law received in-kind legal services totaling \$4,326 and donated books from McGraw-Hill Education totaling \$19,244. For the year ended June 30, 2017, Street Law received in-kind services for its police and teens program totaling \$34,500.

NOTE 9 – RETIREMENT PLAN

Street Law sponsors a defined contribution retirement plan (the “Plan”) in accordance with Section 403(b) of the Internal Revenue Code of 1986, as amended, for the benefit of its eligible employees. All Street Law employees scheduled to work 21 or more hours per week are eligible to participate in the Plan via pre-tax salary deferrals. For employees who have completed one year of employment, Street Law makes an annual discretionary contribution equal to 5% of the participant’s eligible compensation. Additionally, those employees who have completed one year of employment may elect to defer a portion of their eligible compensation on a pre-tax basis and have such amounts contributed to the Plan. Street Law matches these elective deferrals amounts

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NOTE 9 – RETIREMENT PLAN - continued

on a 1:1 ratio up to 5% of the participant’s eligible compensation on a payroll basis. For the years that ended June 30, 2018 and 2017, Street Law’s contribution to the Plan totaled \$110,217 and \$99,718, respectively.

NOTE 10 – LEASE COMMITMENTS

On August 12, 2015, Street Law amended the terms of its original lease agreement for an additional 78 months, commencing on July 1, 2016 through December 31, 2022.

The future minimum payments over the life of the lease are as follows:

June 30,	
2019	\$ 115,433
2020	118,615
2021	121,868
2022	125,210
2023	63,454
	<u>\$ 544,580</u>

Rent expense for the years ended June 30, 2018 and 2017 totaled \$106,305 and \$103,306, respectively.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, Street Law's management has evaluated events and transactions for potential recognition or disclosure through October 4, 2018, the date the financial statements were available to be issued. There were no additional events or transactions discovered during the evaluation that required further recognition or disclosure.