

**STREET LAW, INC.**

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

**JUNE 30, 2020 AND 2019**

## TABLE OF CONTENTS

	<u>Page No.</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statement of Activities, Year Ended June 30, 2020	4
Statement of Activities, Year Ended June 30, 2019	5
Statement of Functional Expenses, Year Ended June 30, 2020	6
Statement of Functional Expenses, Year Ended June 30, 2019	7
Statements of Cash Flows	8
Notes to the Financial Statements	9-20



## 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, 2020 and 2019, 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 audits 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.  
Page Two

### **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, 2020 and 2019, 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.

### **Emphasis of Matter**

As discussed in Note B to the financial statements, in fiscal year 2020 Street Law, Inc. adopted new accounting guidance, Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Jane Maruca & McQuade PA*

Columbia, MD  
October 8, 2020

**STREET LAW, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 324,814	\$ 304,932
Board designated - cash	944,059	956,031
Sub-total cash and cash equivalents	1,268,873	1,260,963
Accounts receivable	84,858	223,878
Grants and contributions receivable	572,424	169,157
Prepaid expenses	110,324	54,952
Total Current Assets	2,036,479	1,708,950
 <b>PROPERTY AND EQUIPMENT, NET</b>	 32,581	 39,037
 <b>OTHER ASSETS</b>		
Investments	1,379,640	1,386,326
Security deposit	8,840	8,840
Total Other Assets	1,388,480	1,395,166
 <b>TOTAL ASSETS</b>	 \$ 3,457,540	 \$ 3,143,153
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 31,364	\$ 33,461
Accrued expenses	168,005	136,924
Deferred revenue	-	1,655
Deferred rent	19,259	26,962
Total Liabilities	218,628	199,002
 <b>NET ASSETS</b>		
Without donor restrictions:		
Available for operations	1,499,804	1,762,228
Board designated	944,059	956,031
Total Without Donor Restrictions	2,443,863	2,718,259
With donor restrictions	795,049	225,892
Total Net Assets	3,238,912	2,944,151
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 \$ 3,457,540	 \$ 3,143,153

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

**STREET LAW, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 111,037	\$ 1,572,799	\$ 1,683,836
Program services	89,193	-	89,193
Fundraising events	616,333	-	616,333
In-kind services/contributions	100,454	-	100,454
Royalties and publication sales	258,567	-	258,567
Interest and dividend income	51,641	-	51,641
Net assets released from restrictions	1,003,642	(1,003,642)	-
Total Revenue and Support	<u>2,230,867</u>	<u>569,157</u>	<u>2,800,024</u>
<b>EXPENSES</b>			
Program Services:			
National programs	1,074,916	-	1,074,916
International programs	603,999	-	603,999
Communications	131,351	-	131,351
Total Program Services	<u>1,810,266</u>	<u>-</u>	<u>1,810,266</u>
Supporting Services:			
General and administrative	556,273	-	556,273
Program development and fundraising	152,444	-	152,444
Total Supporting Services	<u>708,717</u>	<u>-</u>	<u>708,717</u>
Total Expenses	<u>2,518,983</u>	<u>-</u>	<u>2,518,983</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(288,116)	569,157	281,041
<b>OTHER CHANGES</b>			
Net appreciation in fair value of investments	13,720	-	13,720
<b>CHANGE IN NET ASSETS</b>	(274,396)	569,157	294,761
<b>NET ASSETS, beginning of year</b>	<u>2,718,259</u>	<u>225,892</u>	<u>2,944,151</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 2,443,863</u></u>	<u><u>\$ 795,049</u></u>	<u><u>\$ 3,238,912</u></u>

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

**STREET LAW, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 179,937	\$ 735,154	\$ 915,091
Program services	190,147	-	190,147
Fundraising events	885,070	-	885,070
In-kind services	81,124	-	81,124
Royalties and publication sales	428,960	-	428,960
Other revenue	275	-	275
Interest and dividend income	46,510	-	46,510
Net assets released from restrictions	833,357	(833,357)	-
Total Revenue and Support	<u>2,645,380</u>	<u>(98,203)</u>	<u>2,547,177</u>
<b>EXPENSES</b>			
Program Services:			
National programs	1,149,725	-	1,149,725
International programs	417,855	-	417,855
Communications	160,014	-	160,014
Total Program Services	<u>1,727,594</u>	<u>-</u>	<u>1,727,594</u>
Supporting Services:			
General and administrative	478,819	-	478,819
Program development and fundraising	302,392	-	302,392
Total Supporting Services	<u>781,211</u>	<u>-</u>	<u>781,211</u>
Total Expenses	<u>2,508,805</u>	<u>-</u>	<u>2,508,805</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	136,575	(98,203)	38,372
<b>OTHER CHANGES</b>			
Net appreciation in fair value of investments	<u>22,677</u>	<u>-</u>	<u>22,677</u>
<b>CHANGE IN NET ASSETS</b>	159,252	(98,203)	61,049
<b>NET ASSETS</b> , beginning of year	<u>2,559,007</u>	<u>324,095</u>	<u>2,883,102</u>
<b>NET ASSETS</b> , end of year	<u>\$ 2,718,259</u>	<u>\$ 225,892</u>	<u>\$ 2,944,151</u>

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

**STREET LAW, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	PROGRAM SERVICES				SUPPORT SERVICES			Total Expenses
	National Programs	International Programs	Communications	Total Program Services	General and Administrative	Program Development and Fundraising	Total Support Services	
Personnel Costs:								
Salaries	\$ 619,434	\$ 180,746	\$ 74,972	\$ 875,152	\$ 338,087	\$ 82,273	\$ 420,360	\$ 1,295,512
Payroll taxes	12,304	3,590	1,489	17,383	6,715	1,634	8,349	25,732
Employee benefits	79,167	23,100	9,582	111,849	43,209	10,515	53,724	165,573
Retirement benefit	64,301	18,763	7,783	90,847	35,095	8,540	43,635	134,482
Subtotal Personnel Costs	775,206	226,199	93,826	1,095,231	423,106	102,962	526,068	1,621,299
Accounting and audit fees	-	-	-	-	15,289	-	15,289	15,289
Bank charges	66	8	410	484	100	2,422	2,522	3,006
Board/staff expenses	3,258	951	394	4,603	1,777	433	2,210	6,813
Computer and website	15,374	4,486	4,208	24,068	8,211	2,042	10,253	34,321
Consultants	59,956	262,497	7,175	329,628	32,353	15,732	48,085	377,713
Depreciation	5,581	1,628	675	7,884	3,046	741	3,787	11,671
Dues and subscriptions	6,624	1,933	802	9,359	879	3,615	4,494	13,853
Insurance	9,692	2,828	1,173	13,693	5,291	1,287	6,578	20,271
Legal services	38,086	11,113	4,610	53,809	20,786	5,059	25,845	79,654
Meetings, food and beverages	16,542	11,929	-	28,471	-	599	599	29,070
Miscellaneous	-	-	395	395	50	-	50	445
Office expenses	751	-	6,884	7,635	-	4,074	4,074	11,709
Office supplies and equipment rental	29,890	5,039	1,324	36,253	6,613	1,453	8,066	44,319
Postage and delivery	2,648	12	516	3,176	936	2,002	2,938	6,114
Printing and copying	7,691	2,244	931	10,866	4,197	1,022	5,219	16,085
Rent	54,454	15,889	6,591	76,934	29,721	7,232	36,953	113,887
Sub-awards	15,599	-	-	15,599	150	-	150	15,749
Telephone	4,730	1,380	572	6,682	1,507	1,769	3,276	9,958
Travel	28,768	55,863	865	85,496	2,261	-	2,261	87,757
Total Expenses	\$ 1,074,916	\$ 603,999	\$ 131,351	\$ 1,810,266	\$ 556,273	\$ 152,444	\$ 708,717	\$ 2,518,983

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



**STREET LAW, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	PROGRAM SERVICES			SUPPORT SERVICES			Total Expenses	
	National Programs	International Programs	Communications	Total Program Services	General and Administrative	Program Development and Fundraising		Total Support Services
Personnel Costs:								
Salaries	\$ 607,475	\$ 200,628	\$ 87,367	\$ 895,470	\$ 277,722	\$ 92,395	\$ 370,117	\$ 1,265,587
Payroll taxes	42,423	13,782	6,129	62,334	19,269	6,582	25,851	88,185
Employee benefits	99,189	32,759	14,265	146,213	45,347	15,086	60,433	206,646
Retirement benefit	52,858	17,457	7,602	77,917	24,166	8,040	32,206	110,123
Subtotal Personnel Costs	801,945	264,626	115,363	1,181,934	366,504	122,103	488,607	1,670,541
Accounting and audit fees	-	-	-	-	14,000	-	14,000	14,000
Bank charges	1,004	-	270	1,274	1,065	4,179	5,244	6,518
Board/staff expenses	4,151	1,384	605	6,140	1,903	605	2,508	8,648
Computer and website	16,385	5,462	2,389	24,236	7,510	2,389	9,899	34,135
Consultants	55,872	31,147	14,975	101,994	8,726	18,850	27,576	129,570
Depreciation	5,546	1,849	809	8,204	2,542	809	3,351	11,555
Dues and subscriptions	6,001	2,000	875	8,876	2,751	875	3,626	12,502
Insurance	8,505	4,145	1,240	13,890	6,733	1,240	7,973	21,863
Legal services	27,079	9,026	3,949	40,054	12,411	3,949	16,360	56,414
Meetings, food and beverages	34,920	204	1,495	36,619	959	121,226	122,185	158,804
Miscellaneous	25	-	95	120	116	-	116	236
Office expenses	7,359	2,453	1,073	10,885	3,374	1,073	4,447	15,332
Office supplies and equipment rental	27,368	9,123	3,991	40,482	12,543	3,991	16,534	57,016
Postage and delivery	4,210	1,355	593	6,158	1,720	593	2,313	8,471
Printing and copying	8,839	2,946	1,289	13,074	4,052	1,289	5,341	18,415
Rent	52,635	17,545	7,676	77,856	24,125	7,676	31,801	109,657
Sub-awards	3,000	-	-	3,000	25	-	25	3,025
Telephone	4,762	1,587	694	7,043	2,184	694	2,878	9,921
Travel	80,119	63,003	2,633	145,755	5,576	10,851	16,427	162,182
Total Expenses	<u>\$ 1,149,725</u>	<u>\$ 417,855</u>	<u>\$ 160,014</u>	<u>\$ 1,727,594</u>	<u>\$ 478,819</u>	<u>\$ 302,392</u>	<u>\$ 781,211</u>	<u>\$ 2,508,805</u>

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

**STREET LAW, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 294,761	\$ 61,049
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	11,671	11,555
Net appreciation in fair value of investments	(13,720)	(22,677)
Decrease (increase) in assets:		
Accounts receivable	139,020	(109,154)
Grants and contributions receivable	(403,267)	(31,412)
Prepaid expenses	(55,372)	(7,499)
Increase (decrease) in liabilities:		
Accounts payable	(2,097)	(60,676)
Accrued expenses	31,081	11,514
Deferred revenue	(1,655)	(16,066)
Deferred rent	(7,703)	(7,703)
Net Cash Used for Operating Activities	(7,281)	(171,069)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(5,215)	(5,211)
Proceeds from sale of investments	244,339	60,000
Purchases of investments	(223,933)	(34,871)
Net Cash Provided by Investing Activities	15,191	19,918
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,910	(151,151)
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	1,260,963	1,412,114
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 1,268,873	\$ 1,260,963

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

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE A – 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 national and international program services:

- 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 promote democracy, 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](http://www.landmarkcases.org), that provides free teaching materials about the Supreme Court cases most frequently required in state social studies content standards.

The **Teaching for Civic Engagement Seminars** guide teachers through an exploration of current issues in civics and government as they master instructional strategies that build students’ civic skills and increase educational achievement.

**Deliberation Training** prepares secondary school teachers to master the use of deliberative discussion in their classrooms in order to build positive relationships through discussion across differences.

- 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 law and pathways to the legal profession.

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE A – NATURE OF ORGANIZATION** – continued

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.

Through **Law School Programs**, Street Law supports 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 and human trafficking, 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 as well as legal professionals who volunteer their time to teach lessons.

Under **Making Positive Choices**, Street Law leads an employee volunteer program on behalf of the Merck Corporation 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) **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 world to build public legal education programs, train educators and youth-serving organizations, and develop teaching materials. These programs have empowered people and strengthened civil society in 45 countries throughout Africa, the Americas, Asia, Europe, and the Middle East since the organization’s founding.

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE A – NATURE OF ORGANIZATION** – continued

- 5) **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* (McGraw Hill Education, 2021, 10<sup>th</sup> edition). The high school text supports the teaching of practical law in classrooms across the United States.

Street Law co-authors a high school government text titled *United States Government: Our Democracy* (McGraw Hill Education, 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, and make collaborative decisions. The text centers debate and discussion on current, public, and controversial issues—a proven method for increasing student engagement.

- 6) **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.
- 7) **Program Development** – Program development at Street Law, Inc. 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 in FY2020 is approximately 52% of the total expenses captured under program development.

**NOTE B – 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.

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF ACCOUNTING POLICIES – continued**

Adoption of New Accounting Pronouncement

The Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. Street Law has implemented Topic 606.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Street Law has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

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:

*Net Assets without Donor Restrictions* - Net assets not subject to donor-imposed restrictions.

*Net Assets with Donor Restrictions* - 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, or that must be maintained permanently by Street Law. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF ACCOUNTING POLICIES - continued**

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 certain accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. 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, Grants and Contributions Receivable

Accounts, grants and contributions 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 a 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, 2020 and 2019, 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.

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 and Deferred Rent

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

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.

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – 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 textbooks, are recognized as in-kind donations if the goods would ordinarily be purchased. In-kind contributions are recorded at fair value.

Revenue Recognition

Street Law recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

Program services 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.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office expenses, and computer and website, which are allocated on a per headcount basis, as well as salaries and related costs, which are allocated on the basis of estimates of time and effort expended.



**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF ACCOUNTING POLICIES - continued**

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.

Reclassification

Certain transactions for the year ended June 30, 2019, have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

**NOTE C – 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, 2020 and 2019, 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 ended June 30, 2017 through 2019, are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY**

Street Law regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. Timing of revenue receipts also ensures the availability of necessary operational funds. Sources of liquidity available to Street Law include financial assets consisting of cash and cash equivalents, accounts receivable, grants receivable and its investment portfolio. Although Street Law does not intend to spend from its board designated reserves, other than amounts appropriated for expenditure, funds could be made available through board resolution, if necessary. Although Street Law had net

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY** - continued

assets with donor restrictions totaling \$795,049 and \$225,892 as of June 30, 2020 and 2019, respectively, these funds are expected to be available for spending over the next 12 months.

In determining the adequacy of liquidity sources to cover general operating expenditures over a 12-month period, Street Law considers all expenditures related to its national and international programs, communications, and program development, as well as services undertaken to support its programs, to be general operating expenditures.

As of June 30, 2020 and 2019, total financial assets held by Street Law and the amounts of those financial assets that could readily be made available within one year to meet general expenditures were as follows:

	2020	2019
Cash and cash equivalents	\$ 1,268,873	\$ 1,260,963
Accounts receivable	84,858	223,878
Grants and contributions receivable	572,424	169,157
Investments	1,379,640	1,386,326
Total Financial Assets	3,305,795	3,040,324
Less investments encumbered by board restrictions	(944,059)	(956,031)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 2,361,736	\$ 2,084,293

**NOTE E – 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.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Level 1*           Inputs are based on unadjusted quoted prices for identical assets traded in active markets that Street Law has the ability to access.

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE E – FAIR VALUE MEASUREMENTS – continued**

*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.

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, 2020 and 2019:

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Money markets	\$ 5,622	\$ -	\$ -	\$ 5,622
Mutual funds:				
Equity	634,166	-	-	634,166
Fixed income	182,319	-	-	182,319
Exchange traded	557,533			557,533
Total	\$ 1,379,640	\$ -	\$ -	\$ 1,379,640

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Money markets	\$ 5,618	\$ -	\$ -	\$ 5,618
Mutual funds:				
Equity	596,498	-	-	596,498
Fixed income	254,891	-	-	254,891
Exchange traded	529,319			529,319
Total	\$ 1,386,326	\$ -	\$ -	\$ 1,386,326

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 40,513	\$ 37,003
Website development costs	27,913	27,913
	68,426	64,916
Less: accumulated depreciation	(35,845)	(25,879)
Net Property and Equipment	<u>\$ 32,581</u>	<u>\$ 39,037</u>

During the year, Street Law disposed of fully depreciated office furniture totaling \$1,705. Depreciation expense totaled \$11,671 and \$11,555 for the years ended June 30, 2020 and 2019, respectively.

**NOTE G – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions represent contributions that are restricted by the donor as to either purpose or time. As of June 30, 2020 and 2019, net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
International Programs	\$ 317,187	\$ 122,509
Chicago Public Schools/McCormick Foundation	195,737	-
Other National Programs	166,385	-
Teacher Development Program	40,744	46,357
Diversity Pipeline Program	46,521	-
Making Positive Choices	18,189	19,249
Supreme Court Summer Institute	10,286	37,777
Total	<u>\$ 795,049</u>	<u>\$ 225,892</u>

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE H – BOARD DESIGNATED NET ASSETS**

Street Law’s Board of Directors adopted a policy that initially designated \$600,000 of net assets without restrictions 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, 2020 and 2019, the Board designated net assets totaled \$944,059 and \$956,031, respectively.

**NOTE I – IN-KIND SERVICES AND DONATIONS**

Street Law received in-kind legal services totaling \$79,654 and \$56,414 and donated books from McGraw-Hill Education totaling \$20,800 and \$24,710 for the years ended June 30, 2020 and 2019, respectively.

**NOTE J – 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 following the date of hire may elect to defer a portion of their eligible compensation on a pre-tax basis and have such amounts contributed to the Plan. Upon the completion of one year of service and the attainment of age 21, Plan participants will be eligible to receive an allocation of Safe Harbor matching contributions. Street Law matches these elective deferrals amounts on a 1:1 ratio up to 5% of the participant’s eligible compensation on a payroll basis. For the years ended June 30, 2020 and 2019, Street Law’s contribution to the Plan totaled \$134,482 and \$110,123, respectively.

**NOTE K – 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,		
2021	\$	121,868
2022		125,210
2023		63,454
	\$	<u>310,532</u>

Rent expense for the years ended June 30, 2020 and 2019 totaled \$113,887 and \$109,657, respectively.

**STREET LAW, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE L – SUBSEQUENT EVENTS**

In preparing these financial statements, Street Law's management has evaluated events and transactions for potential recognition or disclosure through October 8, 2020, 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.