

STREET LAW, INC.

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

JUNE 30, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Joan Maruca & M^A Quade PA

Columbia, MD
October 3, 2019

STREET LAW, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 304,932	\$ 621,114
Board designated - cash	956,031	791,000
Sub-total cash and cash equivalents	1,260,963	1,412,114
Accounts receivable	223,878	114,724
Grants and contributions receivable	169,157	137,745
Prepaid expenses	54,952	47,453
Total Current Assets	1,708,950	1,712,036
 PROPERTY AND EQUIPMENT, NET	39,037	45,381
 OTHER ASSETS		
Investments	1,386,326	1,388,778
Security deposit	8,840	8,840
Total Other Assets	1,395,166	1,397,618
 TOTAL ASSETS	\$ 3,143,153	\$ 3,155,035
 <u>LIABILITIES AND NET ASSETS</u>		
 CURRENT LIABILITIES		
Accounts payable	\$ 33,461	\$ 94,137
Accrued expenses	136,924	125,410
Deferred revenue	1,655	17,721
Deferred rent	26,962	34,665
Total Liabilities	199,002	271,933
 NET ASSETS		
Without donor restrictions:		
Unrestricted	1,762,228	1,768,007
Board designated	956,031	791,000
Total Net Assets Without Donor Restrictions	2,718,259	2,559,007
With donor restrictions	225,892	324,095
Total Net Assets	2,944,151	2,883,102
 TOTAL LIABILITIES AND NET ASSETS	\$ 3,143,153	\$ 3,155,035

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
REVENUE AND SUPPORT			
Grants and contributions	\$ 179,937	\$ 735,154	\$ 915,091
Contracts revenue	190,147	-	190,147
Fundraising events	885,070	-	885,070
In-kind services/contributions	81,124	-	81,124
Royalties and publication sales	429,235	-	429,235
Interest and dividend income	46,510	-	46,510
Net assets released from restrictions	833,357	(833,357)	-
Total Revenue and Support	2,645,380	(98,203)	2,547,177
EXPENSES			
Program Services:			
National programs	1,149,725	-	1,149,725
International programs	417,855	-	417,855
Communications	160,014	-	160,014
Total Program Services	1,727,594	-	1,727,594
Supporting Services:			
General and administrative	478,819	-	478,819
Program development and fundraising	302,392	-	302,392
Total Supporting Services	781,211	-	781,211
Total Expenses	2,508,805	-	2,508,805
CHANGE IN NET ASSETS FROM OPERATIONS	136,575	(98,203)	38,372
OTHER CHANGES			
Net appreciation in fair value of investments	22,677	-	22,677
CHANGE IN NET ASSETS	159,252	(98,203)	61,049
NET ASSETS, beginning of year	2,559,007	324,095	2,883,102
NET ASSETS, end of year	\$ 2,718,259	\$ 225,892	\$ 2,944,151

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

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

	Without Donor Restrictions	With Donor Restrictions	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	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	2,242,543	63,469	2,306,012
EXPENSES			
Program Services:			
National programs	942,742	-	942,742
International programs	291,187	-	291,187
Communications	152,800	-	152,800
Total Program Services	1,386,729	-	1,386,729
Supporting Services:			
General and administrative	415,833	-	415,833
Program development and fundraising	252,725	-	252,725
Total Supporting Services	668,558	-	668,558
Total Expenses	2,055,287	-	2,055,287
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	2,345,604	260,626	2,606,230
NET ASSETS, end of year	\$ 2,559,007	\$ 324,095	\$ 2,883,102

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	\$ 1,149,725	\$ 417,855	\$ 160,014	\$ 1,727,594	\$ 478,819	\$ 302,392	\$ 781,211	\$ 2,508,805

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 and Fundraising	Total Support Services	
Personnel Costs:								
Salaries	\$ 471,930	\$ 128,875	\$ 80,434	\$ 681,239	\$ 242,403	\$ 81,014	\$ 323,417	\$ 1,004,656
Payroll taxes	34,504	9,544	5,873	49,921	17,618	5,873	23,491	73,412
Employee benefits	69,584	19,247	11,844	100,675	35,531	11,844	47,375	148,050
Retirement benefit	51,802	14,328	8,817	74,947	26,453	8,817	35,270	110,217
Subtotal Personnel Costs	<u>627,820</u>	<u>171,994</u>	<u>106,968</u>	<u>906,782</u>	<u>322,005</u>	<u>107,548</u>	<u>429,553</u>	<u>1,336,335</u>
Accounting and audit fees	-	-	-	-	14,000	-	14,000	14,000
Bank charges	3,973	1,099	676	5,748	2,029	676	2,705	8,453
Board/staff expenses	3,528	976	601	5,105	1,801	601	2,402	7,507
Computer and website	11,709	3,239	1,993	16,941	5,978	1,993	7,971	24,912
Consultants	42,721	30,007	21,471	94,199	3,046	21,350	24,396	118,595
Depreciation	2,661	736	453	3,850	1,359	453	1,812	5,662
Dues and subscriptions	3,739	1,034	636	5,409	1,911	636	2,547	7,956
Insurance	9,654	2,670	1,643	13,967	4,930	1,643	6,573	20,540
Legal services	-	-	-	-	4,326	-	4,326	4,326
Meetings, food and beverages	41,026	583	250	41,859	152	95,752	95,904	137,763
Miscellaneous	826	229	141	1,196	421	141	562	1,758
Office expenses	5,707	1,578	971	8,256	2,915	971	3,886	12,142
Office supplies and equipment rental	32,226	8,914	5,485	46,625	16,456	5,485	21,941	68,566
Postage and delivery	3,332	922	567	4,821	1,702	567	2,269	7,090
Printing and copying	9,106	2,519	1,550	13,175	4,649	1,550	6,199	19,374
Rent	49,963	13,820	8,504	72,287	25,514	8,504	34,018	106,305
Sub-awards	3,000	-	-	3,000	-	-	-	3,000
Telephone	5,168	1,429	880	7,477	2,639	880	3,519	10,996
Travel	86,583	49,438	11	136,032	-	3,975	3,975	140,007
Total Expenses	<u>\$ 942,742</u>	<u>\$ 291,187</u>	<u>\$ 152,800</u>	<u>\$ 1,386,729</u>	<u>\$ 415,833</u>	<u>\$ 252,725</u>	<u>\$ 668,558</u>	<u>\$ 2,055,287</u>

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

STREET LAW, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 61,049	\$ 276,872
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	11,555	5,662
Net appreciation in fair value of investments	(22,677)	(26,147)
Decrease (increase) in assets:		
Accounts receivable	(109,154)	127,397
Grants and contributions receivable	(31,412)	(129,294)
Prepaid expenses	(7,499)	(13,508)
Increase (decrease) in liabilities:		
Accounts payable	(60,676)	22,564
Accrued expenses	11,514	9,825
Deferred revenue	(16,066)	10,657
Deferred rent	(7,703)	(7,704)
Net Cash (Used for) Provided by Operating Activities	(171,069)	276,324
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,211)	(13,610)
Proceeds from sale of investments	60,000	64,000
Purchases of investments	(34,871)	(93,885)
Net Cash Provided by (Used for) Investing Activities	19,918	(43,495)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(151,151)	232,829
 CASH AND CASH EQUIVALENTS, beginning of year	1,412,114	1,179,285
 CASH AND CASH EQUIVALENTS, end of year	\$ 1,260,963	\$ 1,412,114

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

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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:

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 teachers through an exploration of current issues in civics and government while learning instructional strategies that build students’ civic skills and increase educational achievement.

New Perspectives Deliberation Training prepares secondary school teachers to master the use of deliberative discussion in their classrooms in order to build positive relationships 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 civil law and pathways to the legal profession.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE A – NATURE OF ORGANIZATION – continued

National Programs - 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 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, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE A – NATURE OF ORGANIZATION – continued

4) Curricula and Teaching Materials (continued)

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.

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 and Fundraising

Program Development at Street law 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 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, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF ACCOUNTING POLICIES – continued

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, AFS adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities.

The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the change of the net assets classes used in these financial statements.

Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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.

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.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF ACCOUNTING POLICIES - continued

Accounts and Grants and Contributions Receivable

Accounts and 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 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, 2019 and 2018, 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.

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.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF ACCOUNTING POLICIES - continued

Revenue Recognition

Grants and contributions are recognized as revenue in the period in which such promises or agreements are made, generally when the agreement has been received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions received with donor restrictions are recorded as revenue with donor restrictions based on the donor's intent. When a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

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.

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.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF ACCOUNTING POLICIES - continued

Reclassifications

For comparative purposes, certain amounts for the year ended June 30, 2018, have been reclassified to conform to the current year presentation. Specifically, the percentage of allocation of expenses between program services and supporting services was updated for the year ended June 30, 2018, as a result of adopting the new accounting standards. 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, 2019 and 2018, 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, 2016 through 2018, 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 assets with donor restrictions totaling \$225,892 as of June 30, 2019, 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.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
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NOTE D – AVAILABLE RESOURCES AND LIQUIDITY - continued

As of June 30, 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:

Cash and cash equivalents	\$ 1,260,963
Accounts receivable	223,878
Grants and contributions receivable	169,157
Investments	1,386,326
Total Financial Assets	3,040,324
Less investments encumbered by board restrictions	(956,031)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 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.
- 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.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

NOTE E – FAIR VALUE MEASUREMENTS – continued

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, 2019 and 2018:

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

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

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
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NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Office equipment	\$ 37,003	\$ 31,791
Website development costs	27,913	27,913
	64,916	59,704
Less: accumulated depreciation	(25,879)	(14,323)
Net Property and Equipment	\$ 39,037	\$ 45,381

Depreciation expense totaled \$11,555 and \$5,662 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, net assets with donor restrictions consisted of the following:

	2019	2018
International Programs	\$ 122,509	122,762
Teacher Development Program	46,357	95,508
Supreme Court Summer Institute	37,777	33,248
Making Positive Choices	19,249	37,577
Corporate Pipeline Program	-	21,667
Legal Life Skills Programs	-	13,333
Total	\$ 225,892	\$ 324,095

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, 2019 and 2018, the Board designated net assets totaled \$956,031 and \$791,000, respectively.

STREET LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE I – IN-KIND SERVICES AND DONATIONS

Street Law received in-kind legal services totaling \$56,414 and \$4,326 and donated books from McGraw-Hill Education totaling \$24,710 and \$19,244 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, Street Law’s contribution to the Plan totaled \$110,123 and \$110,217, 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,	
2020	\$ 118,615
2021	121,868
2022	125,210
2023	63,454
	<u>\$ 429,147</u>

Rent expense for the years ended June 30, 2019 and 2018 totaled \$109,657 and \$106,305, respectively.

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 3, 2019, 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.