

James D. St.Clair Court Public Education Project

d/b/a **Discovering Justice**

Financial Statements
and
Auditors' Report

June 30, 2013



Daniel Dennis & Company LLP

Certified Public Accountants

Independent Auditors' Report

To the Board of Trustees of
The **James D. St.Clair Court Public Education Project**
d/b/a **Discovering Justice**

We have audited the accompanying financial statements of the James D. St.Clair Court Public Education Project d/b/a Discovering Justice, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Discovering Justice'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 Discovering Justice's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Discovering Justice as June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Paul Jones & Company LLP

November 4, 2013

James D. St.Clair Court Public Education Project
d/b/a
Discovering Justice
Statement of Financial Position
June 30, 2013

Assets

<i>Current Assets:</i>	
Cash and cash equivalents	\$ 29,622
Accounts receivable	8,991
Grants and contributions receivable	25,000
Investments	881,435
Prepaid expenses	<u>8,165</u>
Total current assets	<u>953,213</u>
 <i>Fixed Assets:</i>	
Office equipment	77,129
Less: accumulated depreciation	<u>(52,772)</u>
Net fixed assets	<u>24,357</u>
 <i>Intangible Assets:</i>	
Software	16,000
Less: accumulated amortization	<u>(12,444)</u>
Net intangible assets	<u>3,556</u>
Total assets	<u>\$ 981,126</u>

Liabilities and Net Assets

<i>Current Liabilities:</i>	
Accounts payable	\$ 6,762
Accrued expenses	28,149
Deferred revenue	<u>20,000</u>
Total liabilities	<u>54,911</u>
 <i>Net Assets:</i>	
Unrestricted	854,349
Temporarily restricted	<u>71,866</u>
Total net assets	<u>926,215</u>
Total liabilities and net assets	<u>\$ 981,126</u>

See accompanying notes to financial statements.

James D. St.Clair Court Public Education Project
d/b/a
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Statement of Activities
For the Year Ended June 30, 2013

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<i>Revenue and Support:</i>			
Grants and contributions			
Grants	\$ 88,669	\$ 140,900	\$ 229,569
Corporations	500	-	500
Law firms	67,090	-	67,090
Individuals	170,965	-	170,965
In-kind	187,883	-	187,883
Total grants and contributions	<u>515,107</u>	<u>140,900</u>	<u>656,007</u>
Special events			
Corporations	133,500	-	133,500
Law firms	133,750	-	133,750
Individuals	52,369	-	52,369
Total special events	<u>319,619</u>	<u>-</u>	<u>319,619</u>
Fees for services	66,652	-	66,652
Investment Income			
Interest and dividends	21,388	-	21,388
Unrealized gain or loss	1,368	-	1,368
Realized gain or loss	19,703	-	19,703
Total investment income	<u>42,459</u>	<u>-</u>	<u>42,459</u>
Net assets released from restrictions	<u>86,034</u>	<u>(86,034)</u>	<u>-</u>
Total revenue and support	<u>1,029,871</u>	<u>54,866</u>	<u>1,084,737</u>
<i>Expenses</i>			
Program services:			
Mock Trials	210,700	-	210,700
Children Discovering Justice	264,364	-	264,364
Courthouse Programs	122,862	-	122,862
Total program services	<u>597,926</u>	<u>-</u>	<u>597,926</u>
Supporting services:			
Management and general	137,656	-	137,656
Fundraising	432,391	-	432,391
Total supporting services	<u>570,047</u>	<u>-</u>	<u>570,047</u>
Total expenses	<u>1,167,973</u>	<u>-</u>	<u>1,167,973</u>
Change in net assets	(138,102)	54,866	(83,236)
Net assets, beginning of year	<u>992,451</u>	<u>17,000</u>	<u>1,009,451</u>
Net assets, end of year	<u>\$ 854,349</u>	<u>\$ 71,866</u>	<u>\$ 926,215</u>

See accompanying notes to financial statements.

James D. St.Clair Court Public Education Project
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Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows From Operating Activities:

Change in net assets	\$ (83,236)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	14,386
Net realized and unrealized gains on investments	(21,071)
(Increase)/decrease in operating assets:	
Accounts receivable	5,863
Grants and contributions receivable	(2,500)
Prepaid expenses	(674)
Increase/(decrease) in operating liabilities:	
Accounts payable	299
Accrued expenses	2,074
Deferred revenue	<u>(20,000)</u>
Net cash used in operating activities	<u>(104,859)</u>

Cash Flows From Investing Activities:

Proceeds from sale of investments	126,629
Investment purchases	(132,297)
Purchase of fixed assets	<u>5,455</u>
Net cash used in investing activities	<u>(213)</u>
Net decrease in cash and cash equivalents	<u>(105,072)</u>
Cash and cash equivalents, beginning of year	<u>134,694</u>
Cash and cash equivalents, end of year	<u><u>\$ 29,622</u></u>

See accompanying notes to financial statements.

James D. St.Clair Court Public Education Project
d/b/a
Discovering Justice
Notes to Financial Statements
June 30, 2013

1. Organization

The James D. St.Clair Court Public Education Project d/b/a Discovering Justice is located at the John Joseph Moakley U.S. Courthouse in Boston, Massachusetts. Discovering Justice's mission is to prepare young people to value the justice system, realize the power of their own voices, and embrace civic responsibility by connecting classrooms and courtrooms. Discovering Justice serves as a laboratory for democracy and reaches a diverse group of stakeholders including judges, attorneys, volunteers, educators, students, and the community at large, in Boston and beyond.

Discovering Justice operates the following major programs:

- *Children Discovering Justice*

Children Discovering Justice (CDJ) empowers young children to stand up for their beliefs, resolve differences in constructive ways, and develop creative solutions to problems. This literacy-based social studies curriculum for grades one through five provides students with the tools they need to understand sophisticated ideas such as democracy, tolerance, rights, responsibilities, and the connection between rules and the law. Through CDJ, students explore topics by reading a variety of viewpoints on a subject, writing about their opinions, and debating essential questions. By linking children's innate sense of fairness with the lessons they learn in the classroom, CDJ builds stronger school communities and inspires children to believe in their own potential for success.

- *Mock Trial Program*

The Mock Trial Program catapults middle school students into the role of trial lawyers. With the support of attorney volunteers who act as coaches, students tackle age-appropriate legal problems, engage in legal analysis, and ultimately, try a case before an actual judge in a real courtroom. During ten weekly afterschool sessions, students gain understanding of the justice system and discover career opportunities in the law. By overcoming fears of public speaking, students acquire self-confidence; by engaging in the adversarial process, students learn the art of persuasion and advocacy.

- *Stand Up for Your Rights*

Stand Up for Your Rights transforms middle school students into appellate lawyers. Working with a team of attorney volunteers, students delve into the Fourth Amendment, explore how constitutional protections apply in public schools, and grapple with the complexities of balancing the rights of individuals with the safety and welfare needs of communities. Stand Up for Your Rights culminates with a mock appellate argument in a real courtroom before a real judge. During eight weekly afterschool sessions, students become advocates and learn how to use precedent, apply law to facts, craft legal arguments, answer questions – on the spot – from the bench, and work as a team. Through an emphasis on critical thinking, Stand Up for Your Rights encourages adolescents to challenge their assumptions and justify their beliefs.

James D. St.Clair Court Public Education Project
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Notes to Financial Statements - *Continued*
June 30, 2013

1. *Organization - Continued*

- *Discovering the Bill of Rights*

Discovering the Bill of Rights (DBR) draws middle school students into the midst of the judicial process. In a real courtroom, students learn about the Bill of Rights and U.S. Supreme Court cases, then develop and present an appellate argument based on a landmark Supreme Court case before a lawyer presiding as judge. This ninety-minute field trip challenges students to think critically, advocate for their “client”, and consider opposing arguments. Through DBR, students learn how the protections in the Bill of Rights can be applied to real life situations.

- *Courthouse Tours*

Courthouse Tours open Boston’s courthouses and the justice system to the public. Visitors learn about the court system and the history, art, and architecture of the magnificent John Joseph Moakley U.S. Courthouse and the John Adams Courthouse from knowledgeable, engaging volunteer docents. Courthouse Tours welcome people into the courthouses and demonstrate how these buildings are centers of education and civic life. The program demystifies the justice system and shows visitors that courthouses truly belong to the public.

Discovering Justice's operations are funded primarily from foundation and corporate grants, law firms, and contributions from the general public.

2. *Summary of Significant Accounting Policies*

Basis of Accounting

Discovering Justice prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Net Assets

Discovering Justice's net assets are classified into three categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted Net Assets* - Net assets that are not subject to donor imposed stipulations.
- *Temporarily Restricted Net Assets* - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of Discovering Justice and/or the passage of time.

James D. St.Clair Court Public Education Project
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Notes to Financial Statements - *Continued*
June 30, 2013

2. Summary of Significant Accounting Policies - Continued

Net Assets - Continued

- *Permanently Restricted Net Assets* - Net assets subject to donor imposed stipulations that Discovering Justice permanently maintain certain contributed assets. Generally, donors of such assets permit Discovering Justice to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. Permanent restrictions do not pass with the expiration of time, nor can they be removed through Discovering Justice actions. At June 30, 2013 Discovering Justice had no permanently restricted net assets.

Grants and Contributions

Grants and contributions are recognized when the donor makes a promise to give to Discovering Justice that is, in substance, unconditional. Conditional promises to give are recognized as support when the conditions on which they depend are substantially met. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted grants and contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Discovering Justice uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

The unconditional grants and contributions receivable at year end were due within one year and were considered to be fully collectible.

Fixed Assets

Donations of fixed assets are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Discovering Justice reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Discovering Justice reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased fixed assets are carried at cost. Fixed assets are depreciated using the straight-line method over their estimated useful lives. Repairs and maintenance are charged to operations. Betterments, renewals, and purchases of more than \$1,000 are capitalized. Depreciation expense for the year ended June 30, 2013 was \$9,053.

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Notes to Financial Statements - *Continued*
June 30, 2013

2. Summary of Significant Accounting Policies - Continued

Intangible Assets

Computer software costs are being amortized on a straight-line basis over estimated useful lives of three years.

Amortization expense was \$5,333 for the year ended June 30, 2013.

Estimated amortization expense for the remaining life of the software is estimated to be \$3,556 for fiscal year 2014.

Income Taxes

Discovering Justice is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under Chapter 180 of the Massachusetts General Laws, except for income taxes on unrelated business income, if any, of which there was none in 2013.

Discovering Justice evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* to be sustained by the applicable federal and state authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. Discovering Justice has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2013 returns and believe they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. Discovering Justice's 2010 through 2012 tax years remain subject to examination by federal and state tax authorities.

Accounts Receivable

Accounts receivable are presented net of allowance for doubtful accounts. Discovering Justice's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are charged off when deemed uncollectible.

Donated Space and Services

Discovering Justice receives donated space and services in support of its administrative and programmatic functions. Donated space and services are recorded at fair value. Donated services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated are recorded as contributions in the financial statements. Donated services not requiring specialized skills are not recorded in the financial statements.

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Notes to Financial Statements - *Continued*
June 30, 2013

2. *Summary of Significant Accounting Policies - Continued*

Cash Equivalents

Discovering Justice considers all highly liquid investments with maturities of three months or less, when purchased, except cash held for investments, to be cash equivalents.

Investments and Investment Income

Investments are recorded at fair value based on quoted market prices, in accordance with the framework for fair value measurements established by the Financial Accounting Standards Board. 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Dividends, interest and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restrict their use. Dividends, interest and restricted gains whose restrictions are met in the same reporting period are reported as unrestricted revenue and support.

Functional Allocation of Expenses

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. *Donated Space and Services*

Discovering Justice receives the free use of office space, courtrooms for programming, and professional services, in support of its administrative and programmatic functions. For the year ended June 30, 2013, these contributions were valued at \$187,883. These contributions are recognized in the statement of activities.

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Notes to Financial Statements - *Continued*
June 30, 2013

4. Investments

Fair value measurements of investments valued at fair value on a recurring basis at June 30, 2013 were as follows:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Equity Securities				
Large cap	\$ 150,996	\$ -		\$ 150,996
Mid cap	19,043	-	-	19,043
Small cap	15,232	-	-	15,232
International developed	77,250	-	-	77,250
International emerging	61,030	-	-	61,030
Fixed income Securities				
Corporate/ government	290,020	-	-	290,020
Real Estate				-
Real estate funds	40,832	-	-	40,832
Commodities				
Commodities	<u>50,322</u>	<u>-</u>	<u>-</u>	<u>50,322</u>
Investments required to be disclosed in the fair value hierarchy	<u>\$ 704,725</u>	<u>\$ -</u>	<u>\$ -</u>	704,725
Cash				<u>176,710</u>
Total investments				<u>\$ 881,435</u>

5. Related Party Transactions

A law firm affiliated with a member of Discovering Justice's Board of Trustees provides pro bono legal services. The value of the pro bono services provided during 2013 could not be determined. Therefore, the donation has not been recorded in the financial statements.

6. Temporarily Restricted Net Assets

At June 30, 2013 temporarily restricted net assets were restricted for the following uses:

Children Discovering Justice - Lowell	\$ 16,866
Gateway Cities Initiative	35,000
Program support	<u>20,000</u>
	<u>\$ 71,866</u>

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Notes to Financial Statements - *Continued*
June 30, 2013

8. *Current Vulnerability Due to Certain Concentrations*

Credit Risk

Discovering Justice maintains its cash and brokerage accounts at a financial institution and a financial services company. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 per customer. Accounts at the financial services company are insured by the Securities Investor Protection Corporation (SIPC) up to a ceiling of \$500,000 per customer, including a maximum of \$250,000 for cash claims. At June 30, 2013, Discovering Justice's uninsured cash and brokerage accounts totaled \$381,435. Discovering Justice has not experienced any losses in the accounts. It is the opinion of management that the solvency of the financial institution and financial services company is not of particular concern at this time.

Market Risk

Discovering Justice's investments are subject to market fluctuations. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the financial statements.

Donated Space

Annually, Discovering Justice receives the free use of office space and courtrooms for programming from the John Joseph Moakley United States Courthouse and the John Adams Courthouse. These donations were valued at \$187,883 for the year ended June 30, 2013 and represented 17% of Discovering Justice's total revenue and support. The donation is expected to be received for the foreseeable future, but it can be rescinded at any time.

9. *Retirement Benefits*

Discovering Justice provides retirement benefits to its employees under a 403(b)-retirement plan. Under the plan, Discovering Justice contributes 5% of an employee's annual salary. Employees can contribute up to the maximum allowable limit, on a pre-tax basis via payroll deductions. For the year ended June 30, 2013, Discovering Justice's contributions totaled \$25,661.

10. *Subsequent Events*

Discovering Justice has evaluated subsequent events through November 4, 2013, which is the date the financial statements were available to be issued.