



# **NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES AND AFFILIATES**

## **Consolidated Financial Statements and Supplementary Information**

*For the Year Ended September 30, 2018  
(With Summarized Financial Information for the Year Ended September 30, 2017)*



**and  
Report Thereon**



**Reports Required in Accordance with  
Uniform Guidance**

*For the Year Ended September 30, 2018*



**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**TABLE OF CONTENTS  
For the Year Ended September 30, 2018**

---

	<i><b>Page</b></i>
Independent Auditors' Report.....	1-2
Consolidated Financial Statements	
Consolidated Statement of Financial Position .....	3
Consolidated Statement of Activities .....	4
Consolidated Statement of Cash Flows.....	5
Notes to Consolidated Financial Statements.....	6-19
Supplementary Information	
Consolidated Schedule of Functional Expenses .....	20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	21-22
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance .....	23-24
Schedule of Expenditures of Federal Awards.....	25-26
Notes to Schedule of Expenditures of Federal Awards .....	27
Schedule of Findings and Questioned Costs .....	28-30

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
National Council of Juvenile and Family Court Judges  
and Affiliates

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the National Council of Juvenile and Family Court Judges and Affiliates (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Continued

- 1 -

## **Opinion**

In our opinion, the 2018 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2018, 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.

## **Other Matters**

### *Report on Summarized Financial Information*

The Organization's 2017 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated March 29, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidated schedule of functional expenses and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Marcum LLP*

Washington, DC  
June 27, 2019

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
September 30, 2018  
(With Summarized Financial Information as of September 30, 2017)**

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 636,037	\$ 189,537
Grants and accounts receivable, net	1,376,496	1,341,308
Prepaid expenses and other assets	182,606	103,828
Investments	2,451,683	2,836,417
Note receivable, net	1,488,279	1,816,863
Property and equipment, net	228,272	266,378
Cash surrender value of life insurance policies	20,997	20,322
<b>TOTAL ASSETS</b>	<b>\$ 6,384,370</b>	<b>\$ 6,574,653</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 438,756	\$ 719,538
Cash overdraft	30,048	-
Accrued payroll and employee benefits	573,699	713,210
Line of credit	165,000	200,000
Health insurance claims	617,494	121,811
Deferred revenue	333,117	154,103
<b>TOTAL LIABILITIES</b>	<b>2,158,114</b>	<b>1,908,662</b>
<b>Net Assets</b>		
Unrestricted	1,787,360	1,870,942
Temporarily restricted	1,838,896	2,195,049
Permanently restricted	600,000	600,000
<b>TOTAL NET ASSETS</b>	<b>4,226,256</b>	<b>4,665,991</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,384,370</b>	<b>\$ 6,574,653</b>

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

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2018  
(With Summarized Financial Information for the Year Ended September 30, 2017)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
<b>REVENUE AND SUPPORT</b>					
Federal and state grants and contracts	\$ 9,986,460	\$ -	\$ -	\$ 9,986,460	\$ 10,943,962
Foundation grants and contracts	109,710	51,688	-	161,398	478,075
Other grants and contributions	466,644	2,756	-	469,400	643,571
Registration fees	597,667	-	-	597,667	606,580
Dues and subscriptions	280,012	-	-	280,012	252,118
Investment income, net	14,072	101,934	-	116,006	150,306
Other revenue and gains	149,800	-	-	149,800	153,639
Net assets released from restrictions:					
Satisfaction of program restrictions	512,531	(512,531)	-	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>12,116,896</b>	<b>(356,153)</b>	<b>-</b>	<b>11,760,743</b>	<b>13,228,251</b>
<b>EXPENSES</b>					
Program Services:					
Family Violence and Domestic Relations	4,216,693	-	-	4,216,693	4,424,641
Juvenile and Family Law	3,246,317	-	-	3,246,317	3,554,613
National Center for Juvenile Justice	1,466,646	-	-	1,466,646	2,285,990
Total Program Services	8,929,656	-	-	8,929,656	10,265,244
Supporting Services:					
Management and general	2,928,676	-	-	2,928,676	2,831,890
Fundraising and grant proposals	342,146	-	-	342,146	245,808
Total Supporting Services	3,270,822	-	-	3,270,822	3,077,398
<b>TOTAL EXPENSES</b>	<b>12,200,478</b>	<b>-</b>	<b>-</b>	<b>12,200,478</b>	<b>13,342,642</b>
<b>CHANGE IN NET ASSETS</b>	(83,582)	(356,153)	-	(439,735)	(114,391)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,870,942</b>	<b>2,195,049</b>	<b>600,000</b>	<b>4,665,991</b>	<b>4,780,382</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,787,360</b>	<b>\$ 1,838,896</b>	<b>\$ 600,000</b>	<b>\$ 4,226,256</b>	<b>\$ 4,665,991</b>

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

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2018  
(With Summarized Financial Information for the Year Ended September 30, 2017)**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (439,735)	\$ (114,391)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	38,106	39,575
Allowance for bad debts	65,000	-
Net realized and unrealized gains on investments	(19,613)	(127,088)
Changes in assets and liabilities:		
Grants and accounts receivable	(100,188)	701,711
Note receivable, net	(71,416)	(75,667)
Prepaid expenses and other assets	(78,778)	67,487
Accounts payable	(280,782)	(410,735)
Accrued payroll and employee benefits	(139,511)	(9,243)
Health insurance claims	495,683	(7,902)
Deferred revenue	179,014	(197,023)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(352,220)</b>	<b>(133,276)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(12,159)
Purchases of investments	(1,991,839)	(1,450,912)
Proceeds from note receivable	400,000	400,000
Proceeds from sales of investments	2,395,511	1,317,071
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>803,672</b>	<b>254,000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on line of credit	(35,000)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(35,000)</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>416,452</b>	<b>120,724</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>189,537</b>	<b>68,813</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 605,989</b>	<b>\$ 189,537</b>
Cash and cash equivalents	\$ 636,037	\$ 189,537
Cash overdraft	(30,048)	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 605,989</b>	<b>\$ 68,813</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<b>\$ 8,813</b>	<b>\$ 7,965</b>

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

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

1. Organization and Summary of Significant Accounting Policies

**Organization**

The National Council of Juvenile and Family Court Judges (the Council) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC), as a nonprofit charitable and educational organization. The Council is not a private foundation.

The charitable and educational purposes of the Council include: (a) improving the standards, practices and effectiveness of courts exercising jurisdiction over families and children; (b) informing or assisting those who deal with or affect these courts; (c) educating persons connected with these courts and other interested members of the public in developments and principles relating to such courts; and (d) engaging in educational and research activities in furtherance of the foregoing objectives.

The principal office of the Council is located in Reno, Nevada. The National Center for Juvenile Justice, the research division of the Council, is located in Pittsburgh, Pennsylvania.

The National Council of Juvenile and Family Court Judges Fund, Inc. (the Fund) is a tax-exempt organization under Section 501(c)(3) of the IRC that was organized to receive, manage and invest endowment funds and to apply the net income to support, benefit and assist the Council.

The National Juvenile Court Foundation, Inc. (the Foundation) is a tax-exempt organization under Sections 501(c)(3) and 509(a)(3) of the IRC that is organized, and at all times exclusively operated, to support the Council and to raise funds and accept dues, gifts, contributions, bequests and endowments in the furtherance of the charitable purposes of the Council.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Council, the Fund and the Foundation (collectively referred to as the Organization). The Council, the Fund and the Foundation have been consolidated due to the presence of common control and economic interest. All significant intercompany balances and transactions have been eliminated in consolidation.

**Basis of Accounting**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The consolidated financial statements are prepared using the accrual basis of accounting.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with initial maturities of three months or less. Cash and cash equivalents intended for investment purposes are included in investments in the accompanying consolidated statement of financial position. Cash overdrafts, whether caused by a timing difference or an actual bank overdraft, are shown as a liability in the accompanying consolidated statements of financial position.

Continued

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

1. Organization and Summary of Significant Accounting Policies (continued)

**Grants and Accounts Receivable**

The Organization uses the allowance method to record potentially uncollectible accounts receivable.

**Investments**

Investments are recorded in the accompanying consolidated financial statements at their estimated fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains or losses are determined by a comparison of fair value at the beginning and end of the reporting period.

**Fair Value Measurement**

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized on the basis of the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of September 30, 2018, only the Organization's investments and the cash surrender value of the life insurance policies, as described in Note 5 of these consolidated financial statements, were measured at fair value on a recurring basis.

Continued

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

1. Organization and Summary of Significant Accounting Policies (continued)

**Property and Equipment and Related Depreciation and Amortization**

Property and equipment with an expected useful life greater than a year and cost exceeding \$5,000 are capitalized and carried at cost. Depreciation and amortization are recorded using the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, with no salvage value. Furniture and equipment have estimated useful lives of three to 10 years. Maintenance and repairs are expensed as incurred. Significant renewals and betterments are capitalized. At the time assets are retired, or otherwise disposed of, the property and related accumulated depreciation and amortization accounts are relieved of the applicable amounts and any gain or loss is credited or charged to income.

All property purchased with federal funds may, in accordance with grantor agreements, be returned to the federal government. However, as day-to-day control lies with the grantee, such assets have been included in property and equipment in the Organization's consolidated statement of financial position.

**Net Assets**

The Organization's net assets are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Organization's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.
- Permanently restricted net assets represent amounts that include donor-imposed restrictions that stipulate that the resources be maintained in perpetuity and that only the investment earnings on such amounts be used in the manner specified by the donor.

**Support and Revenue Recognition**

Grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted revenue and support. Conditional promises to give are not included as revenue and support until such time as the conditions are substantially met. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying consolidated statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the accounting period in which the contribution is received, the Organization reports the support as unrestricted. Revenue recognized on grants and contributions that has been committed to the Organization, but has not been received, is reflected as grants and accounts receivable in the accompanying consolidated statement of financial position.

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

1. Organization and Summary of Significant Accounting Policies (continued)

**Support and Revenue Recognition (continued)**

The Organization has grants and contracts with U.S. federal government agencies and other entities in exchange for services. Revenue from these grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on grants and contracts for which payments have not been received is reflected as grants and accounts receivable in the accompanying consolidated statement of financial position. Funds received under grants and contracts, but not yet expended, are reflected as deferred revenue in the accompanying consolidated statement of financial position.

Registration fees and the related costs for conferences and meetings are recognized in the year in which the conferences or meetings are held. Accordingly, registration and exhibit fees received in advance of the conferences or meetings are recorded as deferred revenue, and expenses paid in advance of the conferences or meetings are recorded as prepaid expenses in the accompanying consolidated statement of financial position.

Dues and subscriptions are recognized as revenue in the period to which the dues or subscriptions relate. Accordingly, dues or subscriptions paid by members in advance of the membership period are reported as deferred revenue in the accompanying consolidated statement of financial position.

**Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, costs have been allocated based upon the functions they directly benefit or upon management's estimates of the proportion of these costs applicable to each function.

**Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants and Accounts Receivable

Grants and accounts receivable consisted of the following as of September 30, 2018:

Federal grants receivable	\$ 867,389
Other receivables, including stop-loss receivable	523,005
Other grants receivable	63,206
Employee advances	<u>4,683</u>
Total Grants and Accounts Receivable	1,458,283
Less: Allowance for Uncollectible Accounts	<u>(81,787)</u>
Grants and Accounts Receivable, Net	<u>\$ 1,376,496</u>

All amounts are due within one year.

Continued

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

3. Note Receivable

During the year ended September 30, 2016, the Organization and the Organization's former landlord agreed that the Organization would vacate its former office space. As part of this arrangement, the Organization received a note of \$3,100,000 which is being paid to the Organization in annual payments of \$400,000 through January 2022. The interest on the note was imputed using a 3.5% annual interest rate which represented the borrowing rate on the Organization's line of credit at the time the note was signed. During the year ended September 30, 2018, the Organization recognized \$71,416 in imputed interest income, which is included in other revenue and gains in the accompanying consolidated statement of activities.

Future minimum note receivable payments are due to the Organization as follows:

For the Year Ending September 30,		
2019	\$	400,000
2020		400,000
2021		400,000
2022		400,000
Total Note Receivable		1,600,000
Less: Amount Representing Interest		(111,721)
Note Receivable, Net		\$ 1,488,279

4. Investments

Investments are stated at fair value and consisted of the following as of September 30, 2018:

Common stocks	\$	1,179,518
Fixed-income obligations		882,656
Mutual funds		247,902
Exchange traded funds		110,323
Cash and cash equivalents		31,284
Total Investments		\$ 2,451,683

A summary of investment income is as follows for the year ended September 30, 2018:

Interest and dividends, net of investment fees of \$33,815	\$	94,612
Realized losses, net		(164,687)
Unrealized gains, net		184,975
Investment Income, Net		\$ 114,900

Continued

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

4. Investments (continued)

Included in investment income in the accompanying consolidated statement of activities is \$431 of interest income earned on cash and cash equivalents and \$675 of unrealized gain related to the cash surrender value of its insurance policies.

5. Fair Value Measurement

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of September 30, 2018, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Common stocks:				
Domestic	\$ 1,101,749	\$ 1,101,749	\$ -	\$ -
International	74,905	74,905	-	-
Emerging markets	<u>2,864</u>	<u>2,864</u>	<u>-</u>	<u>-</u>
Total Common Stocks	<u>1,179,518</u>	<u>1,179,518</u>	<u>-</u>	<u>-</u>
Fixed-income obligations:				
Corporate bonds – domestic	432,126	-	432,126	-
Government agency issues	171,167	171,167	-	-
Mortgage-backed securities	145,590	-	145,590	-
Corporate bonds – foreign	86,128	-	86,128	-
Government obligations	<u>47,645</u>	<u>47,645</u>	<u>-</u>	<u>-</u>
Total Fixed-Income Obligations	<u>882,656</u>	<u>218,812</u>	<u>663,844</u>	<u>-</u>
Mutual funds:				
Growth and income	156,720	156,720	-	-
International	44,244	44,244	-	-
Dividend growth	38,505	38,505	-	-
Diversified	<u>8,433</u>	<u>8,433</u>	<u>-</u>	<u>-</u>
Total Mutual Funds	<u>247,902</u>	<u>247,902</u>	<u>-</u>	<u>-</u>

Continued

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

5. Fair Value Measurement (continued)

<i>(continued)</i>	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets: (continued)				
Investments: (continued)				
Exchange traded funds:				
Emerging markets	\$ 109,875	\$ 109,875	\$ -	\$ -
Fixed-income	<u>448</u>	<u>448</u>	<u>-</u>	<u>-</u>
Total Exchange-Traded Funds	<u>110,323</u>	<u>110,323</u>	<u>-</u>	<u>-</u>
Cash equivalents	<u>31,284</u>	<u>31,284</u>	<u>-</u>	<u>-</u>
Total Investments	2,451,683	1,787,839	663,844	-
Cash surrender value of life insurance policies	<u>20,997</u>	<u>-</u>	<u>20,997</u>	<u>-</u>
Total Assets	<u>\$ 2,472,680</u>	<u>\$ 1,787,839</u>	<u>\$ 684,841</u>	<u>\$ -</u>

The Organization used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

*Government obligations and agency issues, mutual funds, exchange-traded funds, common stocks, and cash equivalents* – Valued at the closing price reported in the active market in which the individual securities are traded.

*Corporate bonds and mortgage-backed securities* – Valued based on current yields, the securities' terms and conditions, and market activity. Information used includes market sources, credit information, observed market movement and sector news.

*Cash surrender value of life insurance policies* – Determined on the basis of the reserve value, which is the face amount of the contracts discounted at a specific rate of interest, according to the insured's life expectancy.

6. Property and Equipment and Accumulated Depreciation and Amortization

The Organization held the following property and equipment as of September 30, 2018:

Furniture, fixtures and equipment	\$ 423,022
Less: Accumulated depreciation and amortization	<u>(194,750)</u>
Property and Equipment, Net	<u>\$ 228,272</u>

Depreciation and amortization expense totaled \$38,106 for the year ended September 30, 2018.

Continued

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

7. Line of Credit

The Organization has an unsecured \$400,000 line of credit from a financial institution. The line of credit bears interest at the bank's prime rate (5% as of September 30, 2018). Borrowings under the line of credit are due upon demand, and the line is subject to automatic annual renewal. As of September 30, 2018, there was \$165,000 outstanding on this line of credit. Interest expense incurred under the line of credit was \$8,813 for the year ended September 30, 2018.

8. Commitments

**Leases**

The Organization leases operating facilities under several leases, the last of which expires in February 2027. Certain of these leases include annual escalation clauses, as well as cancellation options, that allow the Organization to terminate the lease upon losing its federal funding associated with the leased office space. As a result of these cancellation options, the Organization does not recognize rent increases on a straight-line basis over the term of the lease. In addition to annual rentals, several of the leases require the Organization to pay a pro-rata portion of the building operating expenses. The Organization also leases printing and copying equipment under noncancelable leases, which are considered operating leases.

In December 2015, the Organization entered into a 10 year lease agreement for its office space in Reno, Nevada, which began in March 2016. Monthly rent began at \$26,458, plus a prorated share of basic operating costs. Beginning with the sixth year of the lease, the Organization has the ongoing right to terminate the lease with 30 days' notice. The lease also contains an escalation clause for increases in annual rent.

The future minimum lease payments under these lease agreements are as follows:

For the Year Ending September 30,		
2019	\$	523,709
2020		524,993
2021		527,661
2022		541,310
2023		553,579
Thereafter		1,551,176
Total	\$	4,222,428

Total rent expense for these operating leases was \$535,821 for the year ended September 30, 2018.

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

9. Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following purposes as of September 30, 2018:

Research and Endowment – includes endowment fund earnings	\$ 1,536,927
John Shaw Field Foundation fund	79,995
Other – includes National Juvenile Court Foundation	<u>221,974</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,838,896</u>

10. Endowment

The Organization's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with an endowment fund are classified based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The Fund's duration and preservation.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policy of the Organization.

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

10. Endowment (continued)

**Return Objectives and Risk Parameters**

The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to projects supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark portfolio that consists of 55% of the S&P 500 Index and 45% of the Lehman Intermediate Government Credit Index, while assuming a moderate level of investment risk.

As permitted by UPMIFA, the Organization has delegated management and investment of the endowment funds to an external investment manager that must comply with the Organization's investment policy and report investment performance to the Board of Directors.

**Strategies Employed for Achieving Objectives and Spending Policy**

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Organization strives to be socially and fiscally responsible by committing to the fundamental principles of social responsibility and integrity by which companies that endorse the "Global Sullivan Principles" operate.

The Organization has a policy for distributing up to 5% each year (depending on the project) of the endowment fund's average fair value over the prior 12 months through the calendar year-end preceding the fiscal year in which the distribution is planned. In formulating this policy, the Organization is considering the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund for perpetual duration. There were no such deficiencies as of September 30, 2018.

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

10. Endowment (continued)

Endowment net asset composition by fund type was as follows as of September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,475,341	\$ 600,000	\$ 2,075,341
Total Endowment Funds	<u>\$ -</u>	<u>\$ 1,475,341</u>	<u>\$ 600,000</u>	<u>\$ 2,075,341</u>

Changes in endowment net assets were as follows for the year ended September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,874,207	\$ 600,000	\$ 2,474,207
Investment return:				
Investment income, net of fees	-	78,694	-	78,694
Net appreciation (realized and unrealized)	<u>-</u>	<u>22,440</u>	<u>-</u>	<u>22,440</u>
Total Investment Return	<u>-</u>	<u>101,134</u>	<u>-</u>	<u>101,134</u>
Appropriations	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,475,341</u>	<u>\$ 600,000</u>	<u>\$ 2,075,341</u>

**Permanently Restricted Net Assets**

The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA, is as follows:

Research	<u>\$ 600,000</u>
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$ 600,000</u>

**Temporarily Restricted Net Assets**

The portion of perpetual endowment funds subject to a time restriction under UPMIFA as of September 30, 2018, was as follows:

With purpose restrictions	\$ 1,475,341
Without purpose restrictions	<u>-</u>
Total Endowment Funds Classified as Temporarily Restricted Net Assets	<u>\$ 1,475,341</u>

Continued

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

11. Self-Insured Health Plan

The Organization was self-insured for medical, dental and vision coverage through September 30, 2018. Under the terms of the health plan, the Organization maintains stop-loss coverage with an insurance company to cover costs in excess of \$70,000 per individual. The Organization paid 100% of the premiums for its employees and their dependents. Former employees were eligible to continue participation in the plan in accordance with current federal legislation.

For the year ended September 30, 2018, total costs incurred were \$1,824,661. Of these claims, the Organization ultimately paid \$1,335,250. The remaining \$489,411 exceeded the previously described stop-loss coverage and was paid by the insurance company. Claims incurred, but not paid or reported, were \$617,494 as of September 30, 2018, and are recorded as health insurance claims in the accompanying consolidated statement of financial position.

Effective October 1, 2018, the Organization entered into a contract with an insurance agency to change to a fully insured plan.

12. Retirement Plan

The Organization sponsors a tax-sheltered annuity plan (the Plan) in accordance with Section 403(b) of the IRC, which permits employees to make tax-deferred investments through payroll deductions. For each plan participant who has completed one year of continuous full-time service, the Organization contributes to the Plan a percentage of each participant's salary. The maximum contribution level is currently 7%; however, the Organization reduced this match to 4% effective July 1, 2018. Under the terms of the Plan, all contributions are immediately 100% vested with the employee. The Organization contributed \$283,239 to the Plan for the year ended September 30, 2018.

13. Concentrations and Contingencies

**Hotel Contracts**

The Organization has entered into agreements with several hotels to provide conference facilities and room accommodations for its conferences and meetings through March 2020. The agreements contain clauses whereby the Organization is liable for liquidated damages in the event of cancellation or lower-than-anticipated attendance. As of September 30, 2018, the maximum possible amount of liquidated damages was approximately \$614,000.

**Concentration of Revenue and Support**

The Organization receives a substantial portion of its revenue and support (approximately 83%) from federal grantors (both direct and pass-through awards) as follows:

Department of Justice	\$ 8,292,952
Department of Health and Human Services	<u>1,460,375</u>
Total	<u>\$ 9,753,327</u>

Continued

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

13. Concentrations and Contingencies (continued)

**Compliance Audit**

The Organization has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although the Organization expects such amounts, if any, to be insignificant.

14. Income Taxes

The Organization is a nonprofit organization exempt from federal income taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. No provision for federal or state income taxes is required for the year ended September 30, 2018, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740 *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertainty in income taxes for the year ended September 30, 2018, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of September 30, 2018, the statute of limitations for tax years ended September 30, 2015, through September 30, 2017, remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns; however, there are currently no examinations in progress. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

15. Prior Year Summarized Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended September 30, 2017, from which the summarized information was derived.

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

---

16. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 27, 2019, the date the consolidated financial statements were available to be issued. Other than the change to a fully insured health plan as disclosed in Note 11, there were no subsequent events that require recognition or disclosure in the consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2018  
(With Summarized Financial Information for the Year Ended September 30, 2017)**

	Program Services			Supporting Services			2018 Total	2017 Total	
	Family Violence and Domestic Relations	Juvenile and Family Law	National Center for Juvenile Justice	Total Program Services	Management and General	Fundraising and Grant Proposals			Total Supporting Services
Personnel	\$ 2,587,439	\$ 1,825,231	\$ 1,120,313	\$ 5,532,983	\$ 2,031,413	\$ 308,080	\$ 2,339,493	\$ 7,872,476	\$ 8,363,026
Contractual	623,942	719,353	59,251	1,402,546	195,883	1,674	197,557	1,600,103	1,872,874
Supplies and operating	455,995	359,927	207,297	1,023,219	434,497	25,700	460,197	1,483,416	1,474,697
Travel	269,799	230,721	21,233	521,753	41,643	4,382	46,025	567,778	553,773
Subrecipients	248,678	89,640	34,055	372,373	582	-	582	372,955	795,202
Other Council activities	1,643	1,752	2,980	6,375	195,370	169	195,539	201,914	175,914
Equipment lease and maintenance	25,640	13,719	4,260	43,619	10,376	922	11,298	54,917	59,616
Depreciation and amortization	3,557	5,974	17,257	26,788	10,099	1,219	11,318	38,106	39,575
Interest expense	-	-	-	-	8,813	-	8,813	8,813	7,965
<b>TOTAL EXPENSES</b>	<b>\$ 4,216,693</b>	<b>\$ 3,246,317</b>	<b>\$ 1,466,646</b>	<b>\$ 8,929,656</b>	<b>\$ 2,928,676</b>	<b>\$ 342,146</b>	<b>\$ 3,270,822</b>	<b>\$ 12,200,478</b>	<b>\$ 13,342,642</b>

See independent auditors' report on supplementary information.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the  
National Council of Juvenile and Family Court Judges  
and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the National Council of Juvenile and Family Court Judges and Affiliates (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 27, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Continued

- 21 -

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The Organization's Response to Finding**

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marcum LLP*

Washington, DC  
June 27, 2019

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY UNIFORM GUIDANCE**

To the Board of Directors of the  
National Council of Juvenile and Family Court Judges  
and Affiliates

**Report on Compliance for Each Major Federal Program**

We have audited the National Council of Juvenile and Family Court Judges and Affiliates' (collectively referred to as the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Continued  
- 23 -

### ***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

### **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Marcum LLP*

Washington, DC  
June 27, 2019

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>DEPARTMENT OF JUSTICE</b>				
OVW Technical Assistance Initiative	16.526	-	\$ 187,246	\$ 2,757,720
<i>Pass-through from Center for Court Innovation</i>				
OVW Technical Assistance Initiative Justice for Families Training and Technical Assistance Project	16.526	2015-TA-AX-K023	-	148,289
<i>Pass-through from Center for Court Innovation</i>				
OVW Technical Assistance Initiative Domestic Violence Fundamental Training Project	16.526	2016-TA-AX-K013	-	60,733
<i>Pass-through from National Congress of American Indian Funds</i>				
OVW Technical Assistance Initiative Special Domestic Violence Criminal Jurisdiction Comprehensive TA Project	16.526	2016-TA-AX-K005	-	36,238
<i>Pass-through from Battered Women's Justice Project</i>				
OVW Technical Assistance Initiative National Resource Center on Firearms and Domestic Violence	16.526	2016-TA-AX-K047	-	12,222
Total CFDA No. 16.526			<u>187,246</u>	<u>3,015,202</u>
Judicial Training on Child Maltreatment for Court Personnel	16.757	-	<u>18,886</u>	<u>1,802,211</u>
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	-	33,464	1,309,870
<i>Pass-through from State of Nevada Division of Child and Family Services</i>				
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	2017-JF-FX-0048	-	1,784
Total CFDA No. 16.540			<u>33,464</u>	<u>1,311,654</u>
Drug Court Discretionary Grant Program	16.585	-	<u>32,458</u>	<u>875,807</u>
Crime Victim Assistance/Discretionary Grants	16.582	-	-	630,103
<i>Pass-through from National Network to End Domestic Violence</i>				
Crime Victim Assistance/ Discretionary Grants	16.582	2016-XV-GX-K001	-	129,637
<i>Pass-through from Futures Without Violence</i>				
Crime Victim Assistance/Discretionary Grants	16.582	2017-VF-GX-K132	-	18,433
Total CFDA No. 16.582			<u>-</u>	<u>778,173</u>

See accompanying notes to this schedule.

Continued

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<i>(continued)</i>				
<b>DEPARTMENT OF JUSTICE (CONTINUED)</b>				
Juvenile Justice Education Collaboration Assistance	16.829	-	\$ 38,046	\$ 238,910
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	-	-	133,781
Corrections Research and Evaluation and Policy Formulation	16.602	-	-	58,290
<i>Pass-through from National American Indian Court Judges Association</i> Tribal Court Assistance Program	16.608	2016-IC-BX-K003 2016-AC-BC-K004	-	70,059
<i>Pass-through from PBS Learning Institute</i> Survey of Juveniles Charged as Adults	16.812	2015-CZ-BX-K002	-	6,515
<i>Pass-through from Center for Court Innovation Court Judges Association</i> OVW Research and Evaluation Program	16.026	2017-SI-AX-0006	-	1,824
<i>Pass-through from Urban Institute</i> Promoting Evidence Integration in Sex Offender Management Discretionary Grant Program	16.603	2017-AW-BX-K002	-	526
<b>Total Department of Justice</b>			310,100	8,292,952
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Family Violence Prevention and Services/Discretionary	93.592	-	61,325	1,000,000
<i>Pass-through from American Bar Association</i> Child Abuse and Neglect Discretionary Activities	93.670	90CZ0025	-	172,858
<i>Pass-through from Zero to Three</i> Child Abuse and Neglect Discretionary Activities	93.670	90CA1821	-	108,454
<i>Pass-through from Futures Without Violence</i> Child Abuse and Neglect Discretionary Activities	93.670	90CA1850	-	98,532
Total CFDA No. 93.670			-	379,844
<i>Pass-through from Regents of the University of Minnesota</i> Child Welfare Research Training or Demonstration	93.648	90CT7004	-	80,531
<b>Total Department of Health and Human Services</b>			61,325	1,460,375
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 371,425</b>	<b>\$ 9,753,327</b>

See accompanying notes to this schedule.

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2018**

---

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under programs of the federal government for the year ended September 30, 2018. The information on the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Basis of Accounting

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2018**

---

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Consolidated Financial Statements**

Type of auditors’ report issued on whether financial statements audited were prepared in accordance with GAAP:

  X   Unmodified        Qualified  
     Adverse            Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?     X   Yes        No
- Significant deficiency(ies) identified?        Yes     X   None Reported

Noncompliance material to consolidated financial statements noted?

     Yes     X   No

**Federal Awards**

Type of auditors’ report issued on compliance for major federal programs:

  X   Unmodified        Qualified  
     Adverse            Disclaimer

Internal control over major federal programs:

- Material weakness(es) identified?        Yes     X   No
- Significant deficiency(ies) identified?        Yes     X   None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?

     Yes     X   No

Identification of Major Federal Programs:

<u>CFDA Numbers</u>	<u>Program Titles</u>
16.540	Juvenile Justice and Delinquency Prevention Allocation to States
16.585	Drug Court Discretionary Grant Program
16.829	Juvenile Justice Education Collaboration Assistance

Dollar threshold used to distinguish between Type A and Type B programs:         \$ 750,000  

Auditee qualified as a low-risk auditee?         X   Yes        No

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2018**

---

**SECTION II – FINDINGS – CONSOLIDATED FINANCIAL STATEMENT AUDIT**

Finding No. 2018-001: Financial Close Process – Material Weakness in Internal Control Over Financial Reporting

Criteria: As part of the Organization’s monthly and year-end closing procedures, the Organization should ensure that account analysis and reconciliations are performed and all monthly and year-end adjustments are posted.

Condition and Context: During the audit, the Organization was unable to provide a trial balance for the fiscal year under audit and supporting schedules until May 2019. In addition, the Organization has not been able to produce monthly financial statements until fiscal year 2019.

Cause: Turnover at the CFO level and the lack of documentation on how things were done previously led to delays in closing the accounting records and preparing supporting schedules in a timely manner. In addition, the accounting software had not had a hard close in several years.

Effect: This led to a delay in the completion of the annual audit. In addition, it led to the Organization not being able to produce financial statements on a monthly basis on which the Organization could rely until fiscal year 2019.

Repeat Finding: No.

Recommendation: The Organization should ensure that processes and procedures are in place and documented so that another individual could come in and assist with the monthly close.

Views of Responsible Officials and Planned

Corrective Actions: The Organization agrees with the finding. A Director of Finance was hired on October 1, 2018, and this individual has been working with the accounting department to document processes and procedures so that the accounting records can be closed on a monthly basis.

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None required to be reported.

**NATIONAL COUNCIL OF JUVENILE AND FAMILY COURT JUDGES  
AND AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2018**

---

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS**

**Consolidated Financial Statement Audit Findings**

None required to be reported.

**Major Federal Award Programs Audit Findings and Questioned Costs**

None required to be reported.