
Youth, Rights & Justice

ATTORNEYS AT LAW

An independent, not-for-profit law firm, Est. 1975

FINANCIAL STATEMENTS

Year Ended December 31, 2017

with

Independent Auditors' Report

YOUTH, RIGHTS & JUSTICE

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Independent Auditors' Report

The Board of Directors
Youth, Rights & Justice

Report on the Financial Statements

We have audited the accompanying financial statements of Youth, Rights & Justice, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, 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.

Auditors' 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 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth, Rights & Justice as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Youth, Rights & Justice's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hoffman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
July 27, 2018

YOUTH, RIGHTS & JUSTICE

Statement of Financial Position

December 31, 2017 (With Comparative Amounts for 2016)	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 339,377	\$ 376,183
Investments (Note 3)	310,572	275,142
Contributions receivable	25,000	41,575
Contract receivable	49,103	46,104
Other receivables	33,113	23,202
Prepaid expenses	84,250	63,189
Total current assets	841,415	825,395
Property and equipment, net (Note 4)	85,968	74,495
Deposit	14,897	14,897
Total assets	\$ 942,280	\$ 914,787
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 49,099	\$ 28,231
Accrued vacation	97,222	92,261
Current portion of unearned OPDS revenue (Note 6)	-	24,000
Total current liabilities	146,321	144,492
Deferred rent expense (Note 5)	23,755	19,415
Unearned OPDS revenue, net of current portion (Note 6)	-	234,703
Total liabilities	170,076	398,610
Net assets:		
Unrestricted	647,399	405,127
Temporarily restricted (Note 8)	124,805	111,050
Total net assets	772,204	516,177
Total liabilities and net assets	\$ 942,280	\$ 914,787

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

YOUTH, RIGHTS & JUSTICE

Statement of Activities

Year Ended December 31, 2017 (With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Revenue and other support:				
OPDS contract revenue (Note 6)	\$ 2,499,733	\$ -	\$ 2,499,733	\$ 2,319,340
Other contract revenue	214,191	-	214,191	208,722
Contributions (Note 9)	54,364	105,392	159,756	158,538
Special events	188,127	-	188,127	146,238
Less direct costs	(55,648)	-	(55,648)	(59,652)
Net proceeds from special events	132,479	-	132,479	86,586
Interest and dividend income	8,943	-	8,943	8,157
Net increase in fair value of investments	29,930	-	29,930	9,821
Other	11,079	-	11,079	7,256
Net assets released from restriction (Note 8)	91,637	(91,637)	-	-
Net revenue and other support	3,042,356	13,755	3,056,111	2,798,420
Expenses:				
Program services	2,368,872	-	2,368,872	2,301,548
Management and general	285,522	-	285,522	346,859
Fundraising	145,690	-	145,690	136,805
Total expenses	2,800,084	-	2,800,084	2,785,212
Increase in net assets	242,272	13,755	256,027	13,208
Net assets, beginning of year	405,127	111,050	516,177	502,969
Net assets, end of year	\$ 647,399	\$ 124,805	\$ 772,204	\$ 516,177

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

YOUTH, RIGHTS & JUSTICE

Statement of Functional Expenses

Year Ended December 31, 2017 (With Comparative Totals for 2016)

	Program Services				Management and General	Fundraising	Total	
	Defense	Advocacy	Education	Total			2017	2016
Salaries and related expenses	\$ 1,676,270	\$ 3,026	\$ 204,689	\$ 1,883,985	\$ 189,236	\$ 108,403	\$ 2,181,624	\$ 2,137,389
Occupancy	150,114	13	18,678	168,805	16,511	9,255	194,571	187,347
Professional services	107,518	42,179	8,948	158,645	66,508	11,698	236,851	235,302
Travel	57,454	-	5,107	62,561	2,472	3,028	68,061	68,452
Supplies, printing, and postage	25,671	-	4,660	30,331	3,414	5,339	39,084	48,281
Insurance	17,925	-	1,087	19,012	3,618	307	22,937	22,261
Training and conferences	4,115	-	397	4,512	377	199	5,088	7,322
Equipment repair and maintenance	196	-	24	220	22	12	254	5,130
Memberships	13,958	-	1,779	15,737	1,156	412	17,305	16,313
Discovery and case expenses	2,174	-	-	2,174	-	-	2,174	4,278
Depreciation and amortization	14,931	-	1,920	16,851	1,752	974	19,577	25,995
Miscellaneous	5,546	-	493	6,039	456	6,063	12,558	27,142
Total expenses	\$ 2,075,872	\$ 45,218	\$ 247,782	\$ 2,368,872	\$ 285,522	\$ 145,690	\$ 2,800,084	\$ 2,785,212

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

YOUTH, RIGHTS & JUSTICE

Statement of Cash Flows

Year Ended December 31, 2017 (With Comparative Totals for 2016)	2017	2016
Cash flows from operating activities:		
Cash received from contractors	\$ 2,452,222	\$ 2,442,028
Cash received from contributors	305,289	290,290
Interest and dividend income	8,943	8,157
Other receipts	11,079	7,256
Cash paid to employees and vendors	<u>(2,777,789)</u>	<u>(2,779,174)</u>
Net cash used by operating activities	(256)	(31,443)
Cash flows from investing activities:		
Purchase of investments	(5,500)	(4,919)
Purchases of property and equipment	<u>(31,050)</u>	<u>(61,850)</u>
Net cash used by investing activities	(36,550)	(66,769)
Net decrease in cash and cash equivalents	(36,806)	(98,212)
Cash and cash equivalents, beginning of year	<u>376,183</u>	<u>474,395</u>
Cash and cash equivalents, end of year	<u>\$ 339,377</u>	<u>\$ 376,183</u>
Reconciliation of increase in net assets to net cash used by operating activities:		
Increase in net assets	\$ 256,027	\$ 13,208
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation and amortization	19,577	25,995
Net increase in fair value of investments	(29,930)	(9,821)
Changes in operating assets and liabilities:		
Contributions receivable	16,575	58,425
Contract receivable	(2,999)	(1,605)
Other receivables	(9,911)	(9,023)
Prepaid expenses and deposit	(21,061)	19,858
Accounts payable and accrued expenses	20,868	1,969
Accrued vacation	4,961	(20,850)
Deferred rent expense	4,340	(25,170)
Unearned OPDS revenue	<u>(258,703)</u>	<u>(84,429)</u>
Net cash used by operating activities	<u>\$ (256)</u>	<u>\$ (31,443)</u>

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

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements

1. Nature of Activities

Youth, Rights & Justice (YRJ) is a public charity organized in 1985 as Oregon's only public interest law firm devoted exclusively to representing children and youth in juvenile court. YRJ now represents children, youth, and parents in juvenile court, including dependency and delinquency matters. YRJ represents clients who have been deemed indigent in the Multnomah County Juvenile Court and in the Oregon Court of Appeals. YRJ also advocates for the educational rights of students in local public school systems and provides expert consultation to juvenile defense attorneys in Oregon through the Juvenile Law Resource Center. YRJ is supported by state, city, and county contracts, foundation grants, and individual donors.

YRJ's primary contract is with the Public Defense Services Commission, Office of Public Defense Services (OPDS) which expires December 31, 2019. Support from OPDS during 2017 represented 82 percent of total revenue and support (*Note 6*).

2. Significant Accounting Policies

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of YRJ and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of YRJ and/or the passage of time.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in the financial statements for, among other things, the calculation of any allowance for uncollectible receivables, the estimated useful lives of property and equipment, and the calculation of the liability for unearned OPDS revenue.

Cash and Cash Equivalents - YRJ considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Investments - Debt and equity securities and money market funds are carried at fair value. Net increase or decrease in the fair value of investments, which consists of the realized and unrealized gains or losses on those investments, is shown in the statement of activities. Interest and dividend income is accrued as earned.

Fair Value Measurements - GAAP establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Quoted prices are available in active markets for identical assets or liabilities readily accessible at the reporting date.

Level 2: Pricing inputs are observable for the asset or liability, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1.

Level 3: Pricing inputs are unobservable for the asset or liability and may include significant management judgment or estimation.

Contribution Recognition - Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

At December 31, 2017 and 2016, all contributions receivable were due within one year.

YRJ reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 reported in the statement of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Contribution Recognition - Continued - YRJ reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, YRJ reports expirations of donor restrictions of donated or acquired long-lived assets when the asset is placed into service.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributions of noncash and donated services totaled \$3,521 for the year ended December 31, 2017, and are included in the contributions total on the statement of activities.

Contract Receivable - Receivables are recognized as services are provided. Management provides for probable uncollectible amounts, if any, through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. At December 31, 2017, no valuation allowance was determined necessary. At December 31, 2017 and 2016, this receivable was entirely related to the Portland Children's Levy funding.

Prepaid Expenses - YRJ records advance payments for goods and services that will benefit a future period as prepaid expenses. Prepaid expenses typically consist primarily of insurance and rent.

Property and Equipment - Acquisitions of property and equipment in excess of \$500 are capitalized. Capitalized property and equipment are stated at cost or, if donated, at fair market value at the time of receipt. Depreciation and amortization of property and equipment are calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Office furniture and equipment	4 - 8 years
Leasehold improvements	10 years

Deferred Rent Expense - YRJ records lease expense over the lease term on a straight-line basis for leases with fixed escalation clauses. Accordingly, YRJ recognizes deferred rent to the extent that the straight-line recognition of lease expense exceeds required lease rental payments. Deferred rents are reduced when lease payment requirements exceed the recognized amount of expense.

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 functional expenses. Certain costs have been allocated among the program and supporting services benefited.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Financial Instruments with Concentrations of Risk - Financial instruments that potentially subject YRJ to concentrations of risk consist principally of cash equivalents and investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect the market value reported in the financial statements. The Organization often maintains cash balances in excess of Federal Deposit Insurance Corporation limits.

Income Taxes - YRJ is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as YRJ has no activities subject to unrelated business income tax. YRJ is not a private foundation.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions, and also provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes YRJ does not have any uncertain tax positions. YRJ files informational returns. Generally, the returns are subject to examination by income tax authorities for three years from the filing of a return. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses. There are currently no tax examinations in progress for any periods.

Subsequent Events - Management has evaluated subsequent events through July 27, 2018, the date the financial statements were available for issue.

Summarized Financial Information for 2016 - The accompanying financial information as of and for the year ended December 31, 2016, is presented for comparative purposes only and is not intended to represent a complete financial statement presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with YRJ's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

3. Investments

Investments are measured at fair value on a recurring basis using quoted prices in active markets. A summary of investments by type, along with how fair value was determined is as follows at December 31:

	2017 (Level 1)	2016 (Level 1)
Equity securities:		
Equity mutual funds	\$ 98,962	\$ 86,227
Equity exchange traded funds	66,691	52,794
Debt securities:		
Bond mutual funds	67,637	65,381
Bond exchange traded funds	68,768	61,162
Money market funds	8,514	9,578
	<u>\$ 310,572</u>	<u>\$ 275,142</u>

4. Property and Equipment

Property and equipment at December 31 consists of the following:

	2017	2016
Office furniture and equipment	\$ 141,604	\$ 115,240
Leasehold improvements	36,875	32,189
	178,479	147,429
Less accumulated depreciation and amortization	<u>(92,511)</u>	<u>(72,934)</u>
Property and equipment - net	<u>\$ 85,968</u>	<u>\$ 74,495</u>

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

5. Operating Leases

YRJ leases office facilities under an operating lease which expires in September 2021, and includes an option to renew for an additional five year term. The lease calls for monthly base rent of \$13,666 which increases over the term of the lease. YRJ recognized deferred rent, which represents the difference between straight-line recognition of lease expense and actual lease payments made. Deferred rent expense totaled \$4,340 at December 31, 2017.

YRJ leases certain office equipment under operating leases that expire through December 2022.

Future minimum payments due under the aforementioned leases are as follows at December 31, 2017:

Years Ending December 31,	Amount
2018	\$ 186,629
2019	191,635
2020	196,791
2021	154,165
2022	19,764
	<u>748,984</u>
	<u>\$ 748,984</u>

Lease expense for the year ended December 31, 2017, totaled \$173,667.

6. Unearned OPDS Revenue

The majority of YRJ's revenue comes from a two year contract with OPDS. The contract includes minimum caseload requirements throughout the contract period and for renegotiation when the probable number of available cases increases or decreases substantially.

YRJ's total case overage or underage for each two year period, and the result of actual negotiations with OPDS, determines either the amount to be paid to or to be received from OPDS or the amount to be settled with OPDS through future contract terms.

There was an accumulated case underage for the contract period ended December 31, 2017. However, OPDS forgave the amount that would have otherwise been payable or settled through future contract terms. Accordingly, there was not a liability at December 31, 2017.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

7. Retirement Plan

YRJ maintains a 401(k) retirement plan and trust (the Plan). The Plan covers substantially all employees employed longer than six months. Employees may make voluntary contributions to the Plan. YRJ's contributions to the Plan are determined each year on a discretionary basis. Currently, YRJ has elected to contribute 1 percent of salary for all eligible employees, plus a matching contribution equal to 25 percent of employee contributions, up to a maximum of 2 percent of compensation for a total maximum contribution of 3 percent of eligible compensation. Employer contributions to the Plan totaled \$45,502 for the year ended December 31, 2017.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for use within specific programs as directed by the donors.

During the year ended December 31, 2017, net assets of \$91,637 were released from restrictions by either incurring expenses related to the restricted purposes specified by donors or by the passage of time.

9. Contributions

Contributions were received from the following sources during the years ended December 31:

	2017	2016
Foundations	\$ 95,084	\$ 37,075
Individuals and corporations	<u>64,672</u>	<u>121,463</u>
	<u>\$ 159,756</u>	<u>\$ 158,538</u>