

**JUVENILE RIGHTS
PROJECT, INC.**

**Audited
Financial Statements**

**For the Years Ended
December 31, 2008 and 2007**



McDONALD JACOBS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Juvenile Rights Project, Inc.
Portland, Oregon

We have audited the accompanying statements of financial position of Juvenile Rights Project, Inc. (a nonprofit corporation) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Juvenile Rights Project, Inc. as of December 31, 2008 and 2007, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McDonald Jacobs, P.C.

July 22, 2009

Strength in Numbers

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JUVENILE RIGHTS PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 178,458	\$ 57,421
Grants and accounts receivable	477,354	536,154
Prepaid expenses	77,458	41,029
Investments	186,207	170,522
Property and equipment, net	60,557	72,154
 TOTAL ASSETS	 \$ 980,034	 \$ 877,280
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	\$ -	\$ 70,726
Accounts payable and accrued expenses	109,961	107,093
Deferred rent expense	38,285	15,257
Advance on PDSC contract	238,351	113,425
 Total liabilities	 386,597	 306,501
Net assets:		
Unrestricted:		
Undesignated	60,980	48,625
Net property and equipment	60,557	72,154
Total unrestricted	121,537	120,779
Temporarily restricted	471,900	450,000
Total net assets	593,437	570,779
 TOTAL LIABILITIES AND NET ASSETS	 \$ 980,034	 \$ 877,280

See notes to financial statements.

JUVENILE RIGHTS PROJECT, INC.
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2008 and 2007

	2008			2007		
	Temporarily			Temporarily		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Support and revenues:						
PDSC contract revenue	\$ 1,877,326	\$ -	\$ 1,877,326	\$ 1,599,358	\$ -	\$ 1,599,358
Other contract revenue	210,143	-	210,143	282,675	-	282,675
Grants	-	310,400	310,400	193,481	510,000	703,481
Contributions	36,844	-	36,844	123,285	-	123,285
In-kind contributions	559	-	559	4,500	-	4,500
Special event, net of expenses of \$7,951 in 2007	-	-	-	13,780	-	13,780
Investment income	5,654	-	5,654	10,111	-	10,111
Other	4,035	-	4,035	4,489	-	4,489
Net assets released from restrictions:						
Satisfaction of purpose restrictions	288,500	(288,500)	-	292,292	(292,292)	-
 Total support and revenue	<u>2,423,061</u>	<u>21,900</u>	<u>2,444,961</u>	<u>2,523,971</u>	<u>217,708</u>	<u>2,741,679</u>
 Expenses:						
Program services	2,182,818	-	2,182,818	2,448,727	-	2,448,727
Management and general	236,902	-	236,902	176,353	-	176,353
Fundraising	2,583	-	2,583	15,909	-	15,909
 Total expenses	<u>2,422,303</u>	<u>-</u>	<u>2,422,303</u>	<u>2,640,989</u>	<u>-</u>	<u>2,640,989</u>
 Change in net assets	758	21,900	22,658	(117,018)	217,708	100,690
 Net Assets:						
Beginning of year	<u>120,779</u>	<u>450,000</u>	<u>570,779</u>	<u>237,797</u>	<u>232,292</u>	<u>470,089</u>
 End of year	<u>\$ 121,537</u>	<u>\$ 471,900</u>	<u>\$ 593,437</u>	<u>\$ 120,779</u>	<u>\$ 450,000</u>	<u>\$ 570,779</u>

See notes to financial statements.

JUVENILE RIGHTS PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2008

	Program Services				Management and	Fund	Total
	Defense	Advocacy	Education	Total	General	Raising	
Salaries and related expenses	\$ 1,280,134	\$ 105,599	\$ 342,120	\$ 1,727,853	\$ 192,253	\$ -	\$ 1,920,106
Occupancy	142,589	11,712	40,710	195,011	20,022	-	215,033
Professional services	43,860	14,373	25,541	83,774	13,886	1,000	98,660
Travel	58,824	4,752	7,146	70,722	1,487	700	72,909
Supplies, printing, and postage	31,448	2,154	8,813	42,415	3,456	210	46,081
Insurance	11,731	1,283	3,366	16,380	1,646	-	18,026
Training and conferences	5,633	487	1,159	7,279	608	-	7,887
Equipment rental and maintenance	927	83	266	1,276	129	-	1,405
Memberships	8,993	1,078	2,166	12,237	324	4	12,565
Miscellaneous	5,442	6,270	837	12,549	1,861	669	15,079
Discovery and case expenses	807	54	-	861	-	-	861
Depreciation	8,359	997	2,109	11,465	1,132	-	12,597
Interest	717	73	206	996	98	-	1,094
Total expenses	<u>\$ 1,599,464</u>	<u>\$ 148,915</u>	<u>\$ 434,439</u>	<u>\$ 2,182,818</u>	<u>\$ 236,902</u>	<u>\$ 2,583</u>	<u>\$ 2,422,303</u>

See notes to financial statements.

JUVENILE RIGHTS PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2007

	Program Services				Management and	Fund	Total
	Defense	Advocacy	Education	Total	General	Raising	
Salaries and related expenses	\$ 1,299,260	\$ 202,654	\$ 417,226	\$ 1,919,140	\$ 141,027	\$ 12,790	\$ 2,072,957
Occupancy	107,552	16,076	32,230	155,858	11,225	1,042	168,125
Professional services	38,516	66,982	24,444	129,942	13,661	306	143,909
Travel	60,283	12,721	8,506	81,510	918	225	82,653
Supplies, printing, and postage	39,728	5,775	10,864	56,367	2,725	1,112	60,204
Insurance	11,087	1,673	3,339	16,099	1,170	108	17,377
Training and conferences	12,586	97	2,780	15,463	73	4	15,540
Equipment rental and maintenance	2,781	462	789	4,032	270	25	4,327
Memberships	9,553	1,296	2,819	13,668	82	5	13,755
Miscellaneous	3,730	6,284	835	10,849	609	24	11,482
Discovery and case expenses	6,340	444	50	6,834	-	-	6,834
Depreciation	4,365	1,073	1,429	6,867	482	44	7,393
Interest	1,401	210	377	1,988	141	13	2,142
Moving expenses	20,836	3,002	6,272	30,110	3,970	211	34,291
Total expenses	<u>\$ 1,618,018</u>	<u>\$ 318,749</u>	<u>\$ 511,960</u>	<u>\$ 2,448,727</u>	<u>\$ 176,353</u>	<u>\$ 15,909</u>	<u>\$ 2,640,989</u>

See notes to financial statements.

JUVENILE RIGHTS PROJECT, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from contractors	\$ 2,271,195	\$ 1,453,121
Cash received from grantors and contributors	347,244	826,766
Investment income	5,654	10,111
Other receipts	4,035	18,269
Cash paid to employees and vendors	<u>(2,419,680)</u>	<u>(2,589,148)</u>
Net cash provided by (used in) operating activities	<u>208,448</u>	<u>(280,881)</u>
Cash flows from investing activities:		
Additions to equipment	(1,000)	(64,317)
Proceeds from sale of investments	-	65,857
Additions to investments	<u>(15,685)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(16,685)</u>	<u>1,540</u>
Cash flows from financing activities:		
Net proceeds from (payments on) short-term borrowings	<u>(70,726)</u>	<u>70,726</u>
Net cash provided by (used in) financing activities	<u>(70,726)</u>	<u>70,726</u>
Net increase (decrease) in cash and cash equivalents	121,037	(208,615)
Cash and cash equivalents:		
Beginning of year	<u>57,421</u>	<u>266,036</u>
End of year	<u><u>\$ 178,458</u></u>	<u><u>\$ 57,421</u></u>
Reconciliation of change in net assets to cash provided by (used in) operating activities:		
Change in net assets	\$ 22,658	\$ 100,690
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,597	7,393
(Increase) decrease in:		
Grants and accounts receivable	58,800	(465,190)
Prepaid expenses	(36,429)	3,255
Increase (decrease) in:		
Accounts payable and accrued expenses	2,868	21,436
Deferred rent expense	23,028	15,257
Advance on PDSC contract	<u>124,926</u>	<u>36,278</u>
Net cash provided by (used in) operating activities	<u><u>\$ 208,448</u></u>	<u><u>\$ (280,881)</u></u>
Supplemental cash flow information:		
Cash paid for interest	<u><u>\$ 1,094</u></u>	<u><u>\$ 2,142</u></u>

See notes to financial statements.

JUVENILE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

1. THE ORGANIZATION AND NATURE OF ACTIVITIES

Juvenile Rights Project, Inc. (JRP or the Organization) 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. JRP now represents children, youth, and parents in juvenile court, including dependency and delinquency matters. JRP represents clients who have been deemed indigent in the Multnomah County Juvenile Court and in the Oregon Court of Appeals. JRP also advocates for the educational rights of students in local public school systems and provides a HelpLine service for youth and their adult advocates in Oregon who request information, referral, legal advice, and brief legal services. JRP is supported by state contracts, foundation grants, and individual donors.

JRP's primary support is from the Oregon Judicial Department, Public Defense Service Commission (PDSC) under a contract effective through December 31, 2009. Support from PDSC during 2008 and 2007 represents approximately 77% and 71% of total revenue and support, respectively.

2. SUMMARY OF 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 the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, JRP considers all unrestricted highly liquid investments with an initial maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents included with investments are considered investments.

Investments

Investments are reported at fair value. Cash equivalents are reflected at cost which approximates fair value.

JUVENILE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets.

Contract Revenue and Advance on Contract

Contract revenue is recognized in the period the services are performed. Unspent funds and funds received in advance are recorded as a liability.

Contributions and Grants

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period JRP is notified of the commitment. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. JRP reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributed Assets and Services

Contributions of noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated accounting services reported as management and general expenses, and included in in-kind contributions, totaled \$4,500 for 2007.

For the year ended December 31, 2008, the majority of fundraising services were provided by volunteers and board members and are not reflected on the financial statements.

Functional Expense Allocation

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

JUVENILE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status

The Organization 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 the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ 10,104	\$ 6,347
Grants receivable - due within one year	267,250	299,807
Grant receivable - due in two to five years	<u>200,000</u>	<u>230,000</u>
Total grants and accounts receivable	<u>\$ 477,354</u>	<u>\$ 536,154</u>

4. INVESTMENTS

Investments at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Cash equivalents	\$ 174,632	\$ 811
Certificates of deposit	-	169,711
Equity securities	<u>11,575</u>	<u>-</u>
Total investments	<u>\$ 186,207</u>	<u>\$ 170,522</u>

JUVENILE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2008 and 2007

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Office furniture and equipment	\$ 159,542	\$ 161,853
Leasehold improvements	<u>47,982</u>	<u>47,982</u>
Total property and equipment	207,524	209,835
Less accumulated depreciation	<u>146,967</u>	<u>137,681</u>
Net property and equipment	<u>\$ 60,557</u>	<u>\$ 72,154</u>

6. LINE OF CREDIT

The Organization has a \$100,000 unsecured line of credit with Bank of the West. Interest is payable at the bank's reference rate plus 1% (4.25% and 8.25% at December 31, 2008 and 2007, respectively). There were no advances on the line at December 31, 2008. Advances outstanding at December 31, 2007 totaled \$70,726.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for use on reform efforts, including legislative work and efforts to improve Oregon's foster care system. A breakdown by type of program is as follows:

	<u>2008</u>	<u>2007</u>
Development	\$ 150,000	\$ -
Education	274,650	382,500
Advocacy	<u>47,250</u>	<u>67,500</u>
Total temporarily restricted net assets	<u>\$ 471,900</u>	<u>\$ 450,000</u>

JUVENILE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2008 and 2007

8. RETIREMENT PLAN

The Organization maintains a 401(k) retirement plan and trust. The retirement plan covers substantially all employees employed longer than six months. Employees may make voluntary contributions to the plan. The Organization matches employees' contributions up to 1% of salaries. Annually, the Organization contributes 3% of eligible employees' salaries. The total contributions to the plan for the years ended December 31, 2008 and 2007 totaled \$42,981 and \$45,953, respectively.

9. OPERATING LEASES

Effective June 1, 2007, JRP entered into a 10-year lease agreement for office space. The lease calls for monthly base rent of \$14,889 with an annual 3% inflation adjustment. JRP amortizes the lease on a straight-line basis over the term, resulting in level rent expense year to year. The difference between the annual expense recognized on the straight-line basis and the amounts actually paid by JRP is reflected as deferred rent payable of \$38,285 and \$15,257 at December 31, 2008 and 2007, respectively.

JRP leases a printer and a photocopier under operating lease agreements. Minimum monthly payments of \$429 are payable through June 2011. JRP also leases a postage machine under an operating lease agreement. Minimum quarterly payments of \$107 are payable through June 2011.

Lease expense for the years ended December 31, 2008 and 2007 approximated \$189,000 and \$139,000, respectively.

Future minimum lease payments under all noncancelable leases are as follows:

Years ending December 31, 2009	\$	193,700
2010		199,300
2011		203,200
2012		204,600
2013		210,700
Thereafter		768,000

10. RELATED PARTY DISCLOSURE

During 2007, a board member received a commission in connection with securing the building lease agreement. The commission was paid by the lessor.

JUVENILE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2008 and 2007

11. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

JRP maintains its cash balances in various financial institutions located in Portland, Oregon. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 (\$250,000 effective October 3, 2008 through December 31, 2013). The balances, at times, may exceed the federally insured limit.

12. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the Statements of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on recurring and nonrecurring bases at December 31, 2008 and 2007 are as follows:

	<u>Fair value</u>		<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>
2008:							
Recurring:							
Equity securities	\$ 11,575	\$	11,575	\$	-	\$	-
Nonrecurring:							
Noncurrent grants receivable	200,000		-		-		200,000
2007:							
Recurring:							
Certificates of deposit	169,711		-		169,711		-
Nonrecurring:							
Noncurrent grants receivable	230,000		-		-		230,000

JUVENILE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2008 and 2007

12. FAIR VALUE MEASUREMENTS, Continued

Assets measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3 inputs) include noncurrent grants receivable:

Balance at December 31, 2006	\$ -
Grant awards net of (payments received)	230,000
Valuation adjustment	-
Balance at December 31, 2007	<u>230,000</u>
Grant awards net of (payments received)	(30,000)
Valuation adjustment	-
Balance at December 31, 2008	<u>\$ 200,000</u>

Grants to be received after one year were not discounted to reflect present value since the discount was determined to be insignificant to the financial statements.