Juvenile Rights PROJECT

FINANCIAL STATEMENTS

Year Ended December 31, 2009

with

Independent Auditors' Report

JUVENILE RIGHTS PROJECT, INC.

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Independent Auditors' Report

The Board of Directors
Juvenile Rights Project, Inc.

We have audited the accompanying statement of financial position of Juvenile Rights Project, Inc. (a not-for-profit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Juvenile Rights Project, Inc.'s (JRP) management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2008 financial statements, which were audited by other auditors whose report dated July 27, 2009, expressed an unqualified opinion on the financial statements. As discussed in *Note 11* to the financial statements, JRP has restated its 2008 financial statements to adjust deferred rent expense. The other auditors reported on the financial statements before the restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of Juvenile Rights Project, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Hoffman, Stewart & Schmidt, P.C.

May 7, 2010

JUVENILE RIGHTS PROJECT, INC.

Statement of Financial Position

December 31, 2009 *(With Comparative Amounts for 2008)*		**2009**		**2008 (Restated)**
ASSETS				
Cash and cash equivalents	$	417,989	$	353,090
Contributions receivable *(Note 3)*		257,525		467,250
Contract receivable		48,028		-
Other receivables		2,293		10,104
Prepaid expenses and deposit		82,847		77,458
Investments		-		11,575
Property and equipment, net *(Note 4)*		72,675		60,557
Total assets	**$**	**881,357**	**$**	**980,034**
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	$	119,179	$	109,961
Deferred rent expense *(Note 5)*		94,210		81,806
Advance on PDSC contract *(Note 6)*		268,676		238,351
Total liabilities		**482,065**		**430,118**
Commitments *(Note 5)*				
Net assets:				
Unrestricted:				
Undesignated		46,717		17,459
Net investment in property and equipment		72,675		60,557
Total unrestricted		119,392		78,016
Temporarily restricted *(Note 9)*		279,900		471,900
Total net assets		**399,292**		**549,916**
Total liabilities and net assets	**$**	**881,357**	**$**	**980,034**

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

JUVENILE RIGHTS PROJECT, INC.

Statement of Activities

Year Ended December 31, 2009 *(With Comparative Totals for 2008)*

	Unrestricted	Temporarily Restricted	Total 2009	Total 2008 (Restated)
Revenue and other support:				
PDSC contract revenue *(Note 6)*	$ 2,033,890	$ -	$ 2,033,890	$ 1,877,326
Other contract revenue	91,821	-	91,821	186,713
Program service fees	30,497	-	30,497	23,430
Contributions *(Note 10)*	39,818	113,025	152,843	347,244
Special events	69,577	-	69,577	-
Less direct costs	(14,560)	-	(14,560)	-
Net proceeds from special events	55,017	-	55,017	-
In-kind contributions	3,150	-	3,150	559
Investment income	2,814	-	2,814	5,654
Other	24,185	-	24,185	4,035
Net assets released from restrictions *(Note 9)*	305,025	(305,025)	-	-
Total revenue and other support	**2,586,217**	**(192,000)**	**2,394,217**	**2,444,961**
Expenses:				
Program services	2,223,769	-	2,223,769	2,197,486
Management and general	224,699	-	224,699	236,902
Fund-raising	96,373	-	96,373	4,089
Total expenses	**2,544,841**	**-**	**2,544,841**	**2,438,477**
Increase (decrease) in net assets	**41,376**	**(192,000)**	**(150,624)**	**6,484**
Net assets, beginning of year *(Note 11)*	78,016	471,900	549,916	543,432
Net assets, end of year	**$ 119,392**	**$ 279,900**	**$ 399,292**	**$ 549,916**

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

JUVENILE RIGHTS PROJECT, INC.

Statement of Functional Expenses

Year Ended December 31, 2009 *(With Comparative Totals for 2008)*

	Program Services				Management and	Fund-	Total	
	Defense	Advocacy	Education	Total	General	raising	2009	2008 (Restated)
Salaries and related expenses	$1,388,812	$ 97,558	$ 291,081	$1,777,451	$ 158,347	$ 72,529	$2,008,327	$1,920,106
Occupancy	165,355	11,850	32,783	209,988	18,117	10,995	239,100	231,207
Professional services	22,081	33,337	4,199	59,617	36,903	2,383	98,903	98,660
Travel	58,460	3,800	5,438	67,698	1,960	335	69,993	72,909
Supplies, printing and postage	32,753	2,104	5,674	40,531	3,695	7,099	51,325	46,081
Insurance	14,964	980	2,706	18,650	1,499	836	20,985	18,026
Training and conferences	11,238	541	314	12,093	399	327	12,819	7,887
Equipment rental and maintenance	1,840	129	356	2,325	447	931	3,703	1,405
Memberships	9,637	600	1,643	11,880	378	87	12,345	12,565
Miscellaneous	4,212	3,890	697	8,799	1,949	290	11,038	15,079
Discovery and case expenses	2,955	24	-	2,979	-	-	2,979	861
Depreciation and amortization	9,037	905	1,816	11,758	1,005	561	13,324	12,597
Interest	-	-	-	-	-	-	-	1,094
Total expenses	$1,721,344	$ 155,718	$ 346,707	$2,223,769	$ 224,699	$ 96,373	$2,544,841	$2,438,477

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

JUVENILE RIGHTS PROJECT, INC.

Statement of Cash Flows

Year Ended December 31, 2009 *(With Comparative Totals for 2008)*	**2009**	**2008 (Restated)**
Cash flows from operating activities:		
Cash received from contractors and grantors	$ 2,108,008	$ 2,271,195
Cash received from contributors	442,930	336,480
Investment income	2,162	5,654
Other receipts	24,185	4,035
Cash paid to employees and vendors	(2,512,134)	(2,418,586)
Cash paid for interest	-	(1,094)
Net cash provided by operating activities	**65,151**	**197,684**
Cash flows from investing activities:		
Purchases of property and equipment	(25,442)	(1,000)
Proceeds from sale of investments	25,190	-
Net cash used by investing activities	**(252)**	**(1,000)**
Cash flows from financing activities:		
Net payments on short-term borrowings	-	(70,726)
Net cash used by financing activities	**-**	**(70,726)**
Net increase in cash and cash equivalents	**64,899**	**125,958**
Cash and cash equivalents, beginning of year	353,090	227,132
Cash and cash equivalents, end of year	**$ 417,989**	**$ 353,090**

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

JUVENILE RIGHTS PROJECT, INC.

Statement of Cash Flows - Continued

Year Ended December 31, 2009 *(With Comparative Totals for 2008)*	**2009**	**2008 (Restated)**
Reconciliation of increase (decrease) in net assets to cash provided by operating activities:		
Increase (decrease) in net assets	$ (150,624)	$ 6,484
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,324	12,597
Donated investments	(12,963)	(10,764)
Gain from sale of investments	(652)	-
Changes in operating assets and liabilities:		
Contributions receivable	209,725	62,557
Contract receivable	(48,028)	-
Other receivables	7,811	(3,757)
Prepaid expenses and deposit	(5,389)	(36,429)
Accounts payable and accrued expenses	9,218	2,868
Deferred rent expense	12,404	39,202
Advance on PDSC contract	30,325	124,926
Net cash provided by operating activities	**$ 65,151**	**$ 197,684**

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

1. Nature of Activities

Juvenile Rights Project, Inc. (JRP) 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 2009 and 2008 represented approximately 85 percent and 77 percent of total revenue and support, respectively *(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 JRP 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 JRP 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 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 contract advances on the PDSC contract.

2. Significant Accounting Policies - Continued

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

Contributions Receivable - Contributions receivable that are collectible in one year or less are recorded at estimated net realizable value. Contributions receivable that are collectible in more than one year, if material, are recorded at the present value of estimated future cash flows.

Contribution Recognition - Contributions, which include unconditional promises to give, 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.

JRP 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. Pledges are recorded as received and allowances, if any, are provided for amounts estimated to be uncollectible.

JRP 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, JRP reports expirations of donor restrictions of donated or acquired long-lived assets when the asset is placed into service.

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.

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. No valuation allowance was determined necessary for the years ended December 31, 2009 and 2008.

Investments - Investments are reported at fair value.

2. 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 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 - 5 years
Leasehold improvements	10 years

Deferred Rent Expense - JRP records lease expense over the lease term on a straight-line basis for leases with fixed escalation clauses. Accordingly, JRP 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.

Income Taxes - JRP 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 JRP has no activities subject to unrelated business income tax. JRP is not a private foundation.

Generally, information returns filed by JRP are subject to examination by Federal or state tax authorities for a period of three years from the filing of a return. As such, the returns for 2006, 2007, and 2008 are currently subject to examination.

Reclassifications - Certain information in the 2008 financial statements has been reclassified for comparative purposes to confirm with the 2009 presentation.

Summarized Financial Information for 2008 - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with JRP's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

3. Contributions Receivable

Contributions receivable consist of the following at December 31:

	2009	2008
Restricted for an education program	$ 215,000	$ 420,000
Restricted for an advocacy program	42,525	47,250
	$ 257,525	$ 467,250

Contributions receivable are expected to be received in:

	2009	2008
Less than one year	$ 232,525	$ 267,250
One to five years	25,000	200,000
	$ 257,525	$ 467,250

A discount to present value for amounts expected to be received in one to five years has not been recorded as the amount was determined to be immaterial to the financial statements.

4. Property and Equipment

Property and equipment at December 31, 2009 and 2008, consists of the following:

	2009	2008
Office furniture and equipment	$ 184,984	$ 159,542
Leasehold improvements	47,982	47,982
	232,966	207,524
Less accumulated depreciation and amortization	(160,291)	(146,967)
Property and equipment, net	$ 72,675	$ 60,557

5. Operating Leases

Effective June 1, 2007, JRP entered into a ten-year lease agreement for office space. The lease calls for monthly base rent of $14,889 with an annual 3 percent inflation adjustment. JRP recognized deferred rent, which represents the difference between straight-line recognition of lease expense and actual lease payments made. Deferred rent expense totaled $94,210 and $81,806 *(Note 11)* at December 31, 2009 and 2008, respectively.

JRP leases certain office equipment under operating leases that expire through June, 2011.

Future minimum payments due under the aforementioned leases are as follows:

Years Ending December 31,	**Amount**
2010	$ 199,298
2011	203,155
2012	204,612
2013	210,750
2014	217,072
Thereafter	551,011
	$ 1,585,898

Lease expense for the years ended December 31, 2009 and 2008, approximated $207,168 and $205,540, respectively.

6. PDSC Contract

The majority of the JRP's revenue comes from a two-year contract with the Public Defense Services Commission (PDSC). The contract provides minimum caseload requirements throughout the contract period and for renegotiation when the probable number of available cases increases or decreases substantially.

JRP's total case overage or underage for each two-year period, and the result of actual negotiations with PDSC, determines either the amount to be paid to or to be received from PDSC or the amount to be settled with PDSC through future contract terms. At December 31, 2009 and 2008, there was a case underage relating to the contract period ending December 31, 2009. As a result, a liability was recorded and labeled "advance on PDSC contract" in the accompanying statement of financial position and totaled $268,676 and $238,351, for the years ended December 31, 2009 and 2008, respectively. This balance represents the dollar amount management expects to settle with PDSC through a case surplus or by providing additional work during future contracts.

7. Line of Credit

JRP has a $100,000 unsecured line of credit with Bank of the West. Interest is payable at the bank's prime rate plus 1 percent (4.25 percent at December 31, 2009 and 2008). There were no outstanding borrowings on the line at December 31, 2009 and 2008.

8. Retirement Plan

JRP 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. JRP's contributions to the Plan are determined each year on a discretionary basis. Currently, JRP has elected to contribute 1 percent of salary for all eligible employees, plus a matching contribution equal to 50 percent of employee contributions, up to a maximum of one percent of compensation for a total maximum contribution of 2 percent of eligible compensation. Employer contributions to the Plan totaled $34,511 and $42,981 for the years ended December 31, 2009 and 2008, respectively.

9. 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 at December 31, 2009 and 2008, is as follows:

	2009	**2008**
Education	$ 224,000	$ 424,650
Advocacy	55,900	47,250
	$ 279,900	$ 471,900

During the year ended December 31, 2009, net assets of $305,025 were released from restrictions by either incurring expenses related to the restricted purposes specified by donors or by the passage of time.

10. Contributions

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

	2009	**2008**
Foundations	$ 123,275	$ 310,400
Individuals	29,568	36,844
	$ 152,843	$ 347,244

11. Prior Period Adjustment

As described in *Note 5*, in accordance with accounting principles generally accepted in the United States of America, JRP recognizes rent expense on a straight-line basis. For the first 12 months of the office lease described in *Note 5*, JRP received rent concessions of $4,309 per month, but this was not previously reflected in the calculation of the deferred rent expense liability. The effect to financial statement amounts at December 31, 2008, is as follows:

	Net Assets December 31, 2007	Increase in Net Assets 2008	Net Assets December 31, 2008
As previously reported	$ 570,779	$ 22,658	$ 593,437
Adjustments to deferred rent expense	(27,347)	(16,174)	(43,521)
As restated	$ 543,432	$ 6,484	$ 549,916

The above adjustment only impacted unrestricted net assets. Also, the effect on specific financial statement amounts as of and for the year ended December 31, 2008, is as follows:

	Liability for Deferred Rent Expense	Occupancy Expense	Total Expenses
As previously reported	$ 38,285	$ 215,033	2,422,303
Adjustments to deferred rent expense	43,521	16,174	16,174
As restated	$ 81,806	$ 231,207	$ 2,438,477

12. Concentrations of Credit Risk

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 $250,000 (through December 31, 2013). JRP's cash balances, at times, may exceed the federally insured limit.

13. Subsequent Events

Management has evaluated subsequent events through May 7, 2010, the date the financial statements were available for issue.