
Youth, Rights & Justice

ATTORNEYS AT LAW

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

FINANCIAL STATEMENTS

Year Ended December 31, 2020

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
June 9, 2021

YOUTH, RIGHTS & JUSTICE

Statement of Financial Position

December 31, 2020 <i>(With Comparative Amounts for 2019)</i>	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 954,750	\$ 437,013
Investments <i>(Note 3)</i>	367,824	338,628
Short-term certificates of deposit	99,156	-
Contributions and grants receivable	51,503	54,649
Other receivables	39,962	24,688
Prepaid expenses	93,409	83,290
Total current assets	1,606,604	938,268
Long-term certificates of deposit	401,372	47,683
Property and equipment, net <i>(Note 4)</i>	85,496	86,576
Deposit	14,933	14,897
Total assets	<u>\$ 2,108,405</u>	<u>\$ 1,087,424</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,207	\$ 53,627
Accrued vacation	136,157	96,216
Total current liabilities	151,364	149,843
Deferred rent liability <i>(Note 5)</i>	9,120	19,104
Total liabilities	160,484	168,947
Net assets:		
Without donor restrictions	1,842,074	853,989
With donor restrictions <i>(Note 8)</i>	105,847	64,488
Total net assets	<u>1,947,921</u>	<u>918,477</u>
Total liabilities and net assets	<u>\$ 2,108,405</u>	<u>\$ 1,087,424</u>

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

YOUTH, RIGHTS & JUSTICE

Statement of Activities

Year Ended December 31, 2020 *(With Comparative Totals for 2019)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Operating revenue and other support:				
OPDS contract revenue <i>(Note 6)</i>	\$ 3,206,223	\$ -	\$ 3,206,223	\$ 2,408,812
Contributions and grants <i>(Note 9)</i>	328,202	132,743	460,945	329,514
Fundraising event	111,128	-	111,128	149,488
Less direct costs	<u>(24,365)</u>	<u>-</u>	<u>(24,365)</u>	<u>(47,822)</u>
Net proceeds from fundraising event	86,763	-	86,763	101,666
Other	44,709	-	44,709	21,359
Net assets released from restriction <i>(Note 8)</i>	<u>91,384</u>	<u>(91,384)</u>	<u>-</u>	<u>-</u>
Net revenue and other support	3,757,281	41,359	3,798,640	2,861,351
Expenses:				
Program services	2,761,631	-	2,761,631	2,365,096
Management and general	313,525	-	313,525	306,167
Fundraising	<u>120,704</u>	<u>-</u>	<u>120,704</u>	<u>135,879</u>
Total expenses	3,195,860	-	3,195,860	2,807,142
Increase from operations	561,421	41,359	602,780	54,209
Non-operating activities:				
Paycheck Protection Program grant <i>(Note 12)</i>	393,535	-	393,535	-
Change in unearned OPDS revenue	-	-	-	116,969
Net investment return	<u>33,129</u>	<u>-</u>	<u>33,129</u>	<u>43,933</u>
Total non-operating activities	426,664	-	426,664	160,902
Increase in net assets	988,085	41,359	1,029,444	215,111
Net assets, beginning of year	<u>853,989</u>	<u>64,488</u>	<u>918,477</u>	<u>703,366</u>
Net assets, end of year	<u>\$ 1,842,074</u>	<u>\$ 105,847</u>	<u>\$ 1,947,921</u>	<u>\$ 918,477</u>

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

YOUTH, RIGHTS & JUSTICE

Statement of Functional Expenses

Year Ended December 31, 2020 *(With Comparative Totals for 2019)*

	Program Services				Management and General	Fundraising	Total	
	Defense	Advocacy	Education	Total			2020	2019
Salaries and related expenses	\$ 2,079,574	\$ 13,727	\$ 188,791	\$ 2,282,092	\$ 234,997	\$ 82,546	\$ 2,599,635	\$ 2,140,235
Occupancy	178,171	2,163	16,133	196,467	12,423	8,644	217,534	219,825
Professional services	123,135	43,060	7,803	173,998	53,352	12,775	240,125	228,624
Travel	13,635	192	598	14,425	321	72	14,818	77,129
Supplies, printing, and postage	18,733	131	1,246	20,110	1,255	9,817	31,182	24,188
Insurance	18,898	27	2,634	21,559	2,485	709	24,753	23,363
Training and conferences	5,340	-	-	5,340	1,198	-	6,538	20,565
Memberships	16,500	243	1,626	18,369	766	132	19,267	16,727
Discovery and case expenses	2,755	-	-	2,755	-	500	3,255	4,828
Depreciation and amortization	23,480	294	2,151	25,925	1,687	1,223	28,835	23,836
Miscellaneous	582	1	8	591	5,041	4,286	9,918	27,822
Total expenses	\$ 2,480,803	\$ 59,838	\$ 220,990	\$ 2,761,631	\$ 313,525	\$ 120,704	\$ 3,195,860	\$ 2,807,142

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

YOUTH, RIGHTS & JUSTICE

Statement of Cash Flows

Year Ended December 31, 2020 <i>(With Comparative Totals for 2019)</i>	2020	2019
Cash flows from operating activities:		
Cash received from OPDS	\$ 3,206,223	\$ 2,408,812
Cash received from contributors and grants	535,360	425,200
Interest and dividend income	7,006	8,154
Other receipts	44,709	21,359
Cash paid to employees and vendors	<u>(3,185,423)</u>	<u>(2,756,374)</u>
Net cash provided by operating activities	607,875	107,151
Cash flows from investing activities:		
Purchase of investments	(5,918)	(6,408)
Purchase of certificates of deposit	(450,000)	(47,683)
Purchases of property and equipment	<u>(27,755)</u>	<u>(18,815)</u>
Net cash used by investing activities	(483,673)	(72,906)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program	<u>393,535</u>	<u>-</u>
Net cash provided by financing activities	393,535	-
Net increase in cash and cash equivalents	517,737	34,245
Cash and cash equivalents, beginning of year	<u>437,013</u>	<u>402,768</u>
Cash and cash equivalents, end of year	<u>\$ 954,750</u>	<u>\$ 437,013</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 dedicated to improving the lives of vulnerable children and families through legal representation and advocacy in the courts, legislature, schools and community. It is YRJ's vision that all children and families in Oregon receive the support they need to be successful members of the community. Since YRJ's founding in 1975 as a program of Multnomah County Legal Aid, they have represented over 25,000 children and parents in the juvenile court system. In 1985, they became an independent nonprofit and are devoted exclusively to representing children, youth, and parents in juvenile court and at the Court of Appeals. All of their clients are indigent and qualify for public defense services. Because of YRJ's unique position handling court-appointed juvenile cases, they often see the same systemic problems affecting many children and families, and they work to change the policies that contribute to these problems through legislative advocacy and impact litigation. In 2002, YRJ established their acclaimed and innovative SchoolWorks program, which helps vulnerable children succeed in school. YRJ is recognized as a statewide expert, and provides training and technical assistance to attorneys through the Juvenile Law Resource Center. YRJ is supported by state, city, and county contracts, foundation grants, and individual donors.

YRJ's primary source of revenue is from a contract with the Public Defense Services Commission, Office of Public Defense Services (OPDS) which expires December 31, 2021. Support from OPDS during 2020 represented 76 percent of total revenue and support (*Note 6*).

2. Significant Accounting Policies

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

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:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - 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 net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of 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.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Measure of Operations - The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to YRJ's ongoing program services. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates - The preparation of financial statements in conformity with 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 allocation of certain expenses by function.

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.

Investments - Investments are recorded at fair value as determined primarily by quoted market prices. The net increase or decrease in the fair value of investments, which consists of realized and unrealized gains or losses on those investments, is included with net investment return in the statement of activities, along with interest and dividend income, which 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.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Certificates of Deposit - The certificates of deposit are recorded at cost plus accumulated interest, which approximates fair value. The certificates of deposit mature through July 2022 and are expected to be held to maturity.

Contribution Recognition - YRJ recognizes contributions when cash, securities or other assets; an unconditional promise to give (including grants); or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

At December 31, 2020, all contributions and grants 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All contributions are considered without donor restrictions unless specifically restricted by the donor.

YRJ reports gifts of property and equipment as support without donor restrictions 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. There were no noncash contributions or donated services during the year ended December 31, 2020.

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.

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.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

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 - 8 years
Leasehold improvements	10 years

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting services function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, occupancy, certain professional services, supplies, printing and postage, depreciation, and certain other expenses. They are allocated using estimates of time and effort.

Financial Instruments with Concentrations of Risk - Financial instruments that potentially subject YRJ to concentrations of risk consist principally of cash equivalents, investments, and contributions and grants. 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. YRJ often maintains cash balances in excess of Federal Deposit Insurance Corporation limits.

At December 31, 2020, contributions and grants receivable consisted of amounts due from the City of Portland. The amounts were collected after year-end.

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.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Summarized Financial Information for 2019 - The accompanying financial information as of and for the year ended December 31, 2019, 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, 2019, from which the summarized information was derived.

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:

	2020 (Level 1)	2019 (Level 1)
Equity securities:		
Equity mutual funds	\$ 81,288	\$ 85,422
Equity exchange traded funds	202,317	74,744
Debt securities:		
Bond mutual funds	-	90,512
Bond exchange traded funds	77,178	79,108
Money market funds	7,041	8,842
	<u>\$ 367,824</u>	<u>\$ 338,628</u>

4. Property and Equipment, Net

Property and equipment at December 31 consists of the following:

	2020	2019
Office furniture and equipment	\$ 164,498	\$ 180,821
Leasehold improvements	38,044	38,044
	202,542	218,865
Less accumulated depreciation and amortization	<u>(117,046)</u>	<u>(132,289)</u>
Property and equipment, net	<u>\$ 85,496</u>	<u>\$ 86,576</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 rent payments, currently at \$14,933. YRJ recognized deferred rent, which represents the difference between straight-line recognition of lease expense and actual lease payments made.

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, 2020:

Years Ending December 31,	Amount
2021	\$ 154,165
2022	<u>19,764</u>
	<u>\$ 173,929</u>

Lease expense for the year ended December 31, 2020, totaled \$197,122.

6. OPDS Revenue

The majority of YRJ's revenue comes from contracts with OPDS. The contracts are conditioned on YRJ providing certain levels of legal representation services over the term of the contracts, which expire December 31, 2021.

Accordingly, at December 31, 2020, \$3,673,048 was available under the contracts but was not recognized as revenue in the financial statements because YRJ had not yet provided the required legal representation services. The remainder of the contract is expected to be recognized as revenue in 2021.

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 \$46,092 for the year ended December 31, 2020.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for use within specific programs as directed by the donors.

During the year ended December 31, 2020, net assets of \$91,384 were released from restrictions by either incurring expenses related to the restricted purposes specified by donors or by the passage of time.

9. Contributions and Grants

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

	2020	2019
Foundations	\$ 164,262	\$ 53,000
Individuals and corporations	95,706	62,984
City of Portland	<u>200,977</u>	<u>213,530</u>
	<u>\$ 460,945</u>	<u>\$ 329,514</u>

The City of Portland grant is conditioned on the incurrence of qualifying expenses. Accordingly, at December 31, 2020, \$540,636 of this grant was not recognized as revenue in the financial statements because qualifying expenses were not yet incurred. The grant period ends June 2023.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

10. Liquidity and Availability of Financial Assets

YRJ's financial assets available for general expenditure within one year of the statement of financial position date are as follows:

	2020	2019
Cash and cash equivalents	\$ 954,750	\$ 437,013
Investments	367,824	338,628
Short-term certificates of deposit	99,156	-
Contributions and grants receivable	51,503	54,649
Other receivables	<u>39,962</u>	<u>24,688</u>
Total financial assets available for general expenditures within one year	1,513,195	854,978
Less:		
Amounts unavailable for general expenditures within one year:		
Net assets with donor restrictions	(105,847)	(64,488)
Board designated reserve	<u>(367,824)</u>	<u>(338,628)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,039,524</u>	<u>\$ 451,862</u>

YRJ has long-term certificates of deposit that mature July 2022. At December 31, 2020, the balance was \$401,372. Should the need arise, management has the ability to withdraw these funds and use for general expenditures, but would incur an early withdrawal penalty.

Additionally, YRJ's board designated reserve fund is a component of net assets without donor restrictions. Although management intends to use this fund in accordance with provisions outlined by the Board of Directors, amounts could be available for current operations, if approved by the Board.

YRJ maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

11. Subsequent Events

Management has evaluated subsequent events through June 9, 2021, the date the financial statements were available for issue.

12. Paycheck Protection Program Grant

In April, 2020, YRJ received loan proceeds of \$393,535 from Heritage Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if loan proceeds are used for qualifying expenses and certain other conditions are satisfied.

YRJ has elected to account for the loan as a government grant that is recognized in income as qualifying expenses are incurred. Between April, 2020 and December 31, 2020, YRJ incurred qualifying expenses in excess of the PPP loan amount. As such, the entire PPP loan has been recognized in income for the year ended December 31, 2020 in the accompanying statement of activities.

During February 2021, the loan was forgiven by the Small Business Administration.

13. Uncertainty Related to COVID-19 Pandemic

Since March 2020, financial markets and economic conditions in general continue to be volatile as a result of the COVID-19 health crisis. The extent of the impact of COVID-19 on YRJ's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the related impact on donors, employees, and vendors, all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact YRJ's future financial position and results of operations cannot be reasonably estimated at this time.