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# Youth, Rights & Justice

ATTORNEYS AT LAW

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

## FINANCIAL STATEMENTS

Year Ended December 31, 2016

with

Independent Auditors' Report

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# 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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Heuman, Stewart & Schmitt, P.C.*

Lake Oswego, Oregon  
July 6, 2017

**YOUTH, RIGHTS & JUSTICE**

**Statement of Financial Position**

<b>December 31, 2016</b> <i>(With Comparative Amounts for 2015)</i>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 376,183	\$ 474,395
Investments <i>(Note 3)</i>	275,142	260,402
Current portion of contributions receivable (due within 1 year)	41,575	60,000
Contract receivable	46,104	44,499
Other receivables	23,202	14,179
Prepaid expenses	63,189	83,055
<b>Total current assets</b>	<b>825,395</b>	<b>936,530</b>
Contributions receivable, net of current portion (due from 1 to 5 years)	-	40,000
Property and equipment, net <i>(Note 4)</i>	74,495	38,640
Deposit	14,897	14,889
<b>Total assets</b>	<b>\$ 914,787</b>	<b>\$ 1,030,059</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 28,231	\$ 26,262
Accrued vacation	92,261	113,111
Current portion of deferred rent expense <i>(Note 5)</i>	-	30,640
Current portion of unearned OPDS revenue <i>(Note 6)</i>	24,000	24,000
<b>Total current liabilities</b>	<b>144,492</b>	<b>194,013</b>
Deferred rent expense, net of current portion <i>(Note 5)</i>	19,415	13,945
Unearned OPDS revenue, net of current portion <i>(Note 6)</i>	234,703	319,132
<b>Total liabilities</b>	<b>398,610</b>	<b>527,090</b>
<b>Net assets:</b>		
Unrestricted	405,127	331,523
Temporarily restricted <i>(Note 8)</i>	111,050	171,446
<b>Total net assets</b>	<b>516,177</b>	<b>502,969</b>
<b>Total liabilities and net assets</b>	<b>\$ 914,787</b>	<b>\$ 1,030,059</b>

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

## YOUTH, RIGHTS & JUSTICE

### Statement of Activities

**Year Ended December 31, 2016** (With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
<b>Revenue and other support:</b>				
OPDS contract revenue (Note 6)	\$ 2,319,340	\$ -	\$ 2,319,340	\$ 2,351,946
Other contract revenue	208,722	-	208,722	199,779
Contributions (Note 9)	126,918	31,620	158,538	319,372
Special events	146,238	-	146,238	146,683
Less direct costs	(59,652)	-	(59,652)	(65,796)
Net proceeds from special events	86,586	-	86,586	80,887
Interest and dividend income	8,157	-	8,157	7,668
Net increase (decrease) in fair value of investments	9,821	-	9,821	(14,854)
Other	7,256	-	7,256	14,391
Net assets released from restriction (Note 8)	92,016	(92,016)	-	-
<b>Net revenue and other support</b>	<b>2,858,816</b>	<b>(60,396)</b>	<b>2,798,420</b>	<b>2,959,189</b>
<b>Expenses:</b>				
Program services	2,301,548	-	2,301,548	2,391,777
Management and general	346,859	-	346,859	266,466
Fundraising	136,805	-	136,805	160,194
<b>Total expenses</b>	<b>2,785,212</b>	<b>-</b>	<b>2,785,212</b>	<b>2,818,437</b>
<b>Increase (decrease) in net assets</b>	<b>73,604</b>	<b>(60,396)</b>	<b>13,208</b>	<b>140,752</b>
Net assets, beginning of year	331,523	171,446	502,969	362,217
<b>Net assets, end of year</b>	<b>\$ 405,127</b>	<b>\$ 111,050</b>	<b>\$ 516,177</b>	<b>\$ 502,969</b>

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

**YOUTH, RIGHTS & JUSTICE**

**Statement of Functional Expenses**

**Year Ended December 31, 2016** (With Comparative Totals for 2015)

	Program Services				Management and General	Fundraising	Total	
	Defense	Advocacy	Education	Total			2016	2015
Salaries and related expenses	\$ 1,585,104	\$ -	\$ 209,507	\$ 1,794,611	\$ 238,631	\$ 104,147	\$ 2,137,389	\$ 2,220,267
Occupancy	141,689	-	19,112	160,801	18,123	8,423	187,347	223,906
Professional services	103,019	42,000	9,785	154,804	71,144	9,354	235,302	197,378
Travel	55,925	-	5,392	61,317	3,940	3,195	68,452	70,630
Supplies, printing, and postage	33,929	-	6,165	40,094	4,194	3,993	48,281	27,751
Insurance	16,675	-	1,459	18,134	3,999	128	22,261	22,459
Training and conferences	7,322	-	-	7,322	-	-	7,322	6,421
Equipment repair and maintenance	3,808	-	544	4,352	532	246	5,130	118
Memberships	14,850	-	943	15,793	440	80	16,313	16,442
Discovery and case expenses	4,278	-	-	4,278	-	-	4,278	3,077
Depreciation and amortization	19,295	-	2,754	22,049	2,698	1,248	25,995	20,169
Miscellaneous	15,796	-	2,197	17,993	3,158	5,991	27,142	9,819
<b>Total expenses</b>	<b>\$ 2,001,690</b>	<b>\$ 42,000</b>	<b>\$ 257,858</b>	<b>\$ 2,301,548</b>	<b>\$ 346,859</b>	<b>\$ 136,805</b>	<b>\$ 2,785,212</b>	<b>\$ 2,818,437</b>

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

## YOUTH, RIGHTS & JUSTICE

### Statement of Cash Flows

Year Ended December 31, 2016 <i>(With Comparative Totals for 2015)</i>	2016	2015
<b>Cash flows from operating activities:</b>		
Cash received from contractors	\$ 2,442,028	\$ 2,505,930
Cash received from contributors	290,290	300,259
Interest and dividend income	8,157	7,668
Other receipts	7,256	17,329
Cash paid to employees and vendors	<u>(2,779,174)</u>	<u>(2,806,441)</u>
<b>Net cash provided (used) by operating activities</b>	<b>(31,443)</b>	<b>24,745</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(4,919)	(275,386)
Proceeds from sale of investments	-	100,598
Purchases of property and equipment	<u>(61,850)</u>	<u>-</u>
<b>Net cash used by investing activities</b>	<b>(66,769)</b>	<b>(174,788)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(98,212)</b>	<b>(150,043)</b>
Cash and cash equivalents, beginning of year	<u>474,395</u>	<u>624,438</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 376,183</u></b>	<b><u>\$ 474,395</u></b>
<b>Reconciliation of increase in net assets to net cash provided (used) by operating activities:</b>		
Increase in net assets	\$ 13,208	\$ 140,752
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	25,995	20,169
Net (increase) decrease in fair value of investments	(9,821)	14,854
Changes in operating assets and liabilities:		
Contributions receivable	58,425	(100,000)
Contract receivable	(1,605)	(2,046)
Other receivables	(9,023)	(6,277)
Prepaid expenses and deposit	19,858	(1,786)
Accounts payable and accrued expenses	1,969	5,825
Accrued vacation	(20,850)	17,998
Deferred rent expense	(25,170)	(23,933)
Unearned OPDS revenue	<u>(84,429)</u>	<u>(40,811)</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ (31,443)</u></b>	<b><u>\$ 24,745</u></b>

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



# YOUTH, RIGHTS & JUSTICE

## Notes to Financial Statements

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### 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 the Public Defense Services Commission, Office of Public Defense (OPDS) Services which expires December 31, 2017. Support from OPDS during 2016 represented approximately 80 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

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#### 2. Significant Accounting Policies - Continued

**Investments** - Debt and equity securities and money market funds are carried at fair value. Certificates of deposit are carried at cost plus accrued interest, which approximates 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 fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs are used when Level 1 or Level 2 inputs were not available. The three levels of the fair value hierarchy are described as follows:

*Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets the Organization has the ability to access.

*Level 2* - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset.
- Inputs derived principally from or corroborated by observable market correlation or data by other means.

*Level 3* - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

**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.

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.

A discount to present value for contributions receivable beyond one year has not been reflected in the financial statements as management considers such amount to be immaterial.

## YOUTH, RIGHTS & JUSTICE

### Notes to Financial Statements - Continued

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#### 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 \$13,259 for the year ended December 31, 2016 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, 2016, no valuation allowance was determined necessary. At December 31, 2016 and 2015, 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

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#### 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 6, 2017, the date the financial statements were available for issue.

**Reclassifications** - Certain reclassifications have been made to the 2015 financial statements to conform with the 2016 presentation.

**Summarized Financial Information for 2015** - The accompanying financial information as of and for the year ended December 31, 2015, 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, 2015, from which the summarized information was derived.

## YOUTH, RIGHTS & JUSTICE

### Notes to Financial Statements - Continued

#### 3. Investments

Investments at December 31 consists of the following:

	2016	2015
Equity securities	\$ 139,021	\$ 153,800
Debt securities	126,543	98,938
Money market funds	<u>9,578</u>	<u>7,664</u>
	<u>\$ 275,142</u>	<u>\$ 260,402</u>

The following tables sets forth by level, within the fair value hierarchy, the Organization's investments that are measured at fair value on a recurring basis as of December 31, 2016:

	Quoted Prices in Active Markets (Level 1)	Total
Equity securities:		
Equity mutual funds	\$ 86,227	\$ 86,227
Equity exchange traded funds	52,794	52,794
Debt securities:		
Bond mutual funds	65,381	65,381
Bond exchange traded funds	61,162	61,162
Money market funds	<u>9,578</u>	<u>9,578</u>
	<u>\$ 275,142</u>	<u>\$ 275,142</u>

#### 4. Property and Equipment

Property and equipment at December 31 consists of the following:

	2016	2015
Office furniture and equipment	\$ 115,240	\$ 128,722
Leasehold improvements	<u>32,189</u>	<u>59,163</u>
	147,429	187,885
Less accumulated depreciation and amortization	<u>(72,934)</u>	<u>(149,245)</u>
Property and equipment - net	<u>\$ 74,495</u>	<u>\$ 38,640</u>

**YOUTH, RIGHTS & JUSTICE**

**Notes to Financial Statements - Continued**

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**5. Operating Leases**

During the year ended December 31, 2016, YRJ entered into a five year lease agreement for office space which includes an option to renew for an additional five year term. YRJ recognized deferred rent, which represents the difference between straight-line recognition of lease expense and actual lease payments made. Deferred rent expense totaled \$19,415 at December 31, 2016.

YRJ leases certain office equipment under operating leases that expire through May 2019.

Future minimum payments due under the aforementioned leases are as follows at December 31, 2016:

<b>Years Ending December 31,</b>	<b>Amount</b>
2017	\$ 178,842
2018	183,005
2019	177,251
2020	177,027
2021	<u>134,401</u>
	<u><u>\$ 850,526</u></u>

Lease expense for the year ended December 31, 2016, totaled \$173,827.

**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 a case underage from the previous contract period and a case overage for the contract period ending December 31, 2017. As a result, a liability of \$258,703 has been recorded at December 31, 2016. The liability has not yet been finalized with OPDS. It represents the dollar amount management expects to settle with OPDS by providing additional work through the end of the current contract period or through future contract terms.

Based on contract terms for the contract period ending December 31, 2017, management estimates that \$24,000 of the estimated liability at December 31, 2016, will be settled within one year.

## YOUTH, RIGHTS & JUSTICE

### Notes to Financial Statements - Continued

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#### 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 \$45,706 for the year ended December 31, 2016.

#### 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, 2016, net assets of \$92,016 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:

	2016	2015
Foundations	\$ 37,075	\$ 223,366
Individuals and corporations	<u>121,463</u>	<u>96,006</u>
	<u>\$ 158,538</u>	<u>\$ 319,372</u>