
Youth, Rights & Justice

ATTORNEYS AT LAW

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

FINANCIAL STATEMENTS

Year Ended December 31, 2018

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, 2018, 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, 2018, 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.

Emphasis of a Matter

As discussed in *Note 2* to the financial statements, Youth, Rights & Justice has adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Youth, Rights & Justice's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hellman, Stewart & Schmiel, P.C.

Lake Oswego, Oregon
August 14, 2019

YOUTH, RIGHTS & JUSTICE

Statement of Financial Position

December 31, 2018 <i>(With Comparative Amounts for 2017)</i>	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 402,768	\$ 339,377
Investments <i>(Note 3)</i>	296,441	310,572
Contributions and grants receivable	48,669	74,103
Other receivables	19,298	33,113
Prepaid expenses	83,781	84,250
Total current assets	850,957	841,415
Property and equipment, net <i>(Note 4)</i>	91,597	85,968
Deposit	14,897	14,897
Total assets	\$ 957,451	\$ 942,280
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,959	\$ 49,099
Accrued vacation	77,224	97,222
Current portion of unearned OPDS revenue <i>(Note 6)</i>	12,000	-
Total current liabilities	125,183	146,321
Deferred rent liability <i>(Note 5)</i>	23,933	23,755
Unearned OPDS revenue, net of current portion <i>(Note 6)</i>	104,969	-
Total liabilities	254,085	170,076
Net assets:		
Without donor restrictions	634,780	647,399
With donor restrictions <i>(Note 8)</i>	68,586	124,805
Total net assets	703,366	772,204
Total liabilities and net assets	\$ 957,451	\$ 942,280

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

YOUTH, RIGHTS & JUSTICE

Statement of Activities

Year Ended December 31, 2018 *(With Comparative Totals for 2017)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
Revenue and other support:				
OPDS contract revenue <i>(Note 6)</i>	\$ 2,291,843	\$ -	\$ 2,291,843	\$ 2,499,733
Contributions and grants <i>(Note 9)</i>	245,542	37,693	283,235	352,327
Special events	147,242	-	147,242	188,127
Less direct costs	<u>(63,615)</u>	<u>-</u>	<u>(63,615)</u>	<u>(55,648)</u>
Net proceeds from special events	83,627	-	83,627	132,479
Fees for services	164,184	-	164,184	21,620
Net investment return (loss)	(13,393)	-	(13,393)	35,994
Other	14,450	-	14,450	11,079
Net assets released from restriction <i>(Note 8)</i>	<u>93,912</u>	<u>(93,912)</u>	<u>-</u>	<u>-</u>
Net revenue and other support	2,880,165	(56,219)	2,823,946	3,053,232
Expenses:				
Program services	2,450,545	-	2,450,545	2,368,872
Management and general	293,183	-	293,183	282,643
Fundraising	<u>149,056</u>	<u>-</u>	<u>149,056</u>	<u>145,690</u>
Total expenses	2,892,784	-	2,892,784	2,797,205
Increase (decrease) in net assets	(12,619)	(56,219)	(68,838)	256,027
Net assets, beginning of year	<u>647,399</u>	<u>124,805</u>	<u>772,204</u>	<u>516,177</u>
Net assets, end of year	<u>\$ 634,780</u>	<u>\$ 68,586</u>	<u>\$ 703,366</u>	<u>\$ 772,204</u>

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

YOUTH, RIGHTS & JUSTICE

Statement of Functional Expenses

Year Ended December 31, 2018 *(With Comparative Totals for 2017)*

	Program Services				Management and General	Fundraising	Total	
	Defense	Advocacy	Education	Total			2018	2017
Salaries and related expenses	\$ 1,740,110	\$ -	\$ 178,565	\$ 1,918,675	\$ 208,131	\$ 108,345	\$ 2,235,151	\$ 2,181,624
Occupancy	175,923	-	18,052	193,975	14,587	11,183	219,745	194,571
Professional services	119,868	42,000	4,507	166,375	50,333	15,470	232,178	233,972
Travel	65,204	-	3,990	69,194	2,322	1,707	73,223	68,061
Supplies, printing, and postage	25,727	-	3,227	28,954	1,783	4,408	35,145	39,084
Insurance	17,978	-	1,448	19,426	3,972	174	23,572	22,937
Training and conferences	5,220	-	4	5,224	400	30	5,654	5,088
Equipment repair and maintenance	128	-	13	141	11	8	160	254
Memberships	15,617	-	1,811	17,428	455	-	17,883	17,305
Discovery and case expenses	2,986	-	-	2,986	-	-	2,986	2,174
Depreciation and amortization	18,465	-	1,721	20,186	1,447	1,135	22,768	19,577
Miscellaneous	7,243	-	738	7,981	9,742	6,596	24,319	12,558
Total expenses	\$ 2,194,469	\$ 42,000	\$ 214,076	\$ 2,450,545	\$ 293,183	\$ 149,056	\$ 2,892,784	\$ 2,797,205

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

YOUTH, RIGHTS & JUSTICE

Statement of Cash Flows

Year Ended December 31, 2018 <i>(With Comparative Totals for 2017)</i>	2018	2017
Cash flows from operating activities:		
Cash received from OPDS	\$ 2,408,812	\$ 2,241,030
Cash received from contributors and grants	392,296	494,861
Interest and dividend income	7,649	6,064
Other receipts	178,633	32,699
Cash paid to employees and vendors	<u>(2,887,688)</u>	<u>(2,774,910)</u>
Net cash provided (used) by operating activities	99,702	(256)
Cash flows from investing activities:		
Purchase of investments	(6,911)	(5,500)
Purchases of property and equipment	<u>(29,400)</u>	<u>(31,050)</u>
Net cash used by investing activities	<u>(36,311)</u>	<u>(36,550)</u>
Net increase (decrease) in cash and cash equivalents	63,391	(36,806)
Cash and cash equivalents, beginning of year	<u>339,377</u>	<u>376,183</u>
Cash and cash equivalents, end of year	<u>\$ 402,768</u>	<u>\$ 339,377</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 our vision that all children and families in Oregon receive the support they need to be successful members of the community. Since our founding in 1975 as a program of Multnomah County Legal Aid, we have represented over 25,000 children and parents in the juvenile court system. In 1985, we 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 our clients are indigent and qualify for public defense services. Because of our unique position handling court-appointed juvenile cases, we often see the same systemic problems affecting many children and families, and we work to change the policies that contribute to these problems through legislative advocacy and impact litigation. In 2002, we established our acclaimed and innovative SchoolWorks program, which helps vulnerable children succeed in school. We are recognized as a statewide expert, and provide 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 contract is with the Public Defense Services Commission, Office of Public Defense Services (OPDS) which expires December 31, 2019. Support from OPDS during 2018 represented 81 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:

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.

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.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

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 - Debt and equity securities and money market funds are carried at fair value. Net increase or decrease in the fair value of investments, which consists of the realized and unrealized gains or losses on those investments, is 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.

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

At December 31, 2018, 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.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Contribution Recognition - Continued - 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, 2018.

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.

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.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

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

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

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

Adoption of New Accounting Standard - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. YRJ implemented ASU 2016-14 during the year ended December 31, 2018, and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Accounting Pronouncement - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance under GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method, and will be effective for annual reporting periods beginning after December 15, 2018. YRJ is evaluating the impact that ASU 2014-09 will have on its financial statements and related disclosures. YRJ has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Subsequent Events - Management has evaluated subsequent events through August 14, 2019, the date the financial statements were available for issue.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Summarized Financial Information for 2017 - The accompanying financial information as of and for the year ended December 31, 2017, 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, 2017, from which the summarized information was derived.

Reclassifications - Certain accounts in the 2017 summarized comparative information have been reclassified for comparative purposes to conform with the 2018 presentation.

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:

	2018 (Level 1)	2017 (Level 1)
Equity securities:		
Equity mutual funds	\$ 66,726	\$ 98,962
Equity exchange traded funds	59,660	66,691
Debt securities:		
Bond mutual funds	84,327	67,637
Bond exchange traded funds	74,969	68,768
Money market funds	10,759	8,514
	<u>\$ 296,441</u>	<u>\$ 310,572</u>

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

4. Property and Equipment

Property and equipment at December 31 consists of the following:

	2018	2017
Office furniture and equipment	\$ 162,006	\$ 141,604
Leasehold improvements	<u>38,044</u>	<u>36,875</u>
	200,050	178,479
Less accumulated depreciation and amortization	<u>(108,453)</u>	<u>(92,511)</u>
Property and equipment, net	<u>\$ 91,597</u>	<u>\$ 85,968</u>

5. Operating Leases

YRJ leases office facilities under an operating lease which expires in September 2021, and includes an option to renew for an additional five year term. The lease calls for monthly base rent of \$13,666 which increases over the term of the lease. YRJ recognized deferred rent, which represents the difference between straight-line recognition of lease expense and actual lease payments made. Deferred rent expense totaled \$178 at December 31, 2018.

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, 2018:

Years Ending December 31,	Amount
2019	\$ 191,635
2020	196,791
2021	154,165
2022	<u>19,764</u>
	<u>\$ 562,355</u>

Lease expense for the year ended December 31, 2018, totaled \$201,508.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

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 for the year ended December 31, 2018. As a result, a liability of \$116,969 has been recorded at December 31, 2018. This 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, 2019, management estimates that \$12,000 of the estimated liability at December 31, 2018, will be settled within one year.

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 \$43,366 for the year ended December 31, 2018.

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, 2018, net assets of \$93,912 were released from restrictions by either incurring expenses related to the restricted purposes specified by donors or by the passage of time.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

9. Contributions

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

	2018	2017
Foundations	\$ 33,831	\$ 95,084
Individuals and corporations	70,749	64,672
City of Portland	<u>178,655</u>	<u>192,571</u>
	<u>\$ 283,235</u>	<u>\$ 352,327</u>

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:

	2018	2017
Cash and cash equivalents	\$ 402,768	\$ 339,377
Investments	296,441	310,572
Contributions and grants receivable	48,669	74,103
Other receivables	<u>19,298</u>	<u>33,113</u>
Total financial assets available for general expenditures within one year	767,176	757,165
Less amounts unavailable for general expenditures within one year:		
Net assets with donor restrictions	<u>68,586</u>	<u>124,805</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 698,590</u>	<u>\$ 632,360</u>

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