



FINANCIAL STATEMENTS

Year Ended December 31, 2022

with

Independent Auditors' Report

YOUTH, RIGHTS & JUSTICE

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Independent Auditors' Report

The Board of Directors
Youth, Rights & Justice

Opinion

We have audited the accompanying financial statements of Youth, Rights & Justice (YRJ), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Youth, Rights & Justice and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in *Note 2* to the financial statements, YRJ has adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth, Rights & Justice's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Youth, Rights & Justice's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Youth, Rights & Justice's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Youth, Rights & Justice's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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
July 26, 2023

YOUTH, RIGHTS & JUSTICE

Statement of Financial Position

| December 31, 2022 <i>(With Comparative Amounts for 2021)</i> | 2022 | 2021 |
|----------------------------------------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,524,679 | \$ 1,239,760 |
| Investments <i>(Note 3)</i> | 1,302,483 | 982,833 |
| Short-term certificates of deposit | 49,420 | 404,191 |
| Grants receivable | 190,250 | 59,636 |
| Other receivables | 14,106 | 21,571 |
| Prepaid expenses | 56,025 | 57,925 |
| Total current assets | 3,136,963 | 2,765,916 |
| Long-term certificates of deposit | - | 49,297 |
| Property and equipment - net <i>(Note 4)</i> | 47,533 | 77,776 |
| Deposit | 16,844 | 16,844 |
| Operating lease right-of-use asset <i>(Note 5)</i> | 789,313 | - |
| Total assets | \$ 3,990,653 | \$ 2,909,833 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 29,222 | \$ 33,240 |
| Accrued vacation | 162,350 | 131,253 |
| Current portion of operating lease liabilities <i>(Note 5)</i> | 198,901 | - |
| Total current liabilities | 390,473 | 164,493 |
| Deferred rent liability | - | 40,162 |
| Operating lease liabilities - net of current portion <i>(Note 5)</i> | 633,646 | - |
| Total liabilities | 1,024,119 | 204,655 |
| Net assets: | | |
| Without donor restrictions | 2,834,444 | 2,624,004 |
| With donor restrictions <i>(Note 8)</i> | 132,090 | 81,174 |
| Total net assets | 2,966,534 | 2,705,178 |
| Total liabilities and net assets | \$ 3,990,653 | \$ 2,909,833 |

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

YOUTH, RIGHTS & JUSTICE

Statement of Activities

Year Ended December 31, 2022 *(With Comparative Totals for 2021)*

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|------------------------------------------------------|----------------------------------|----------------------------|---------------------|---------------------|
| | | | 2022 | 2021 |
| Operating revenue and other support: | | | | |
| OPDS contract revenue <i>(Note 6)</i> | \$ 3,725,166 | \$ - | \$ 3,725,166 | \$ 3,674,176 |
| Contributions and grants <i>(Note 9)</i> | 560,906 | 201,000 | 761,906 | 506,363 |
| Fundraising event | 129,958 | - | 129,958 | 149,844 |
| Less direct costs | (22,348) | - | (22,348) | (29,548) |
| Net proceeds from fundraising event | 107,610 | - | 107,610 | 120,296 |
| Other | 6,420 | - | 6,420 | 6,360 |
| Net assets released from restriction <i>(Note 8)</i> | 150,084 | (150,084) | - | - |
| Net operating revenue and other support | 4,550,186 | 50,916 | 4,601,102 | 4,307,195 |
| Expenses: | | | | |
| Program services | 3,612,008 | - | 3,612,008 | 3,144,871 |
| Management and general | 471,501 | - | 471,501 | 319,592 |
| Fundraising | 179,258 | - | 179,258 | 154,865 |
| Total expenses | 4,262,767 | - | 4,262,767 | 3,619,328 |
| Increase from operations | 287,419 | 50,916 | 338,335 | 687,867 |
| Net investment gain (loss) | (76,979) | - | (76,979) | 69,390 |
| Increase in net assets | 210,440 | 50,916 | 261,356 | 757,257 |
| Net assets, beginning of year | 2,624,004 | 81,174 | 2,705,178 | 1,947,921 |
| Net assets, end of year | \$ 2,834,444 | \$ 132,090 | \$ 2,966,534 | \$ 2,705,178 |

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

YOUTH, RIGHTS & JUSTICE

Statement of Functional Expenses

Year Ended December 31, 2022 (With Comparative Totals for 2021)

| | Program Services | | | | | | Total | |
|---------------------------------|---------------------|--------------------------------------------|-------------------|---------------------|------------------------------|-------------------|---------------------|---------------------|
| | Defense | Expunction Clinic & System Reform | Education | Total | Management and General | Fundraising | 2022 | 2021 |
| Salaries and related expenses | \$ 2,507,415 | \$ 143,473 | \$ 396,911 | \$ 3,047,799 | \$ 280,902 | \$ 136,951 | \$ 3,465,652 | \$ 2,939,594 |
| Occupancy | 162,440 | 1,919 | 27,513 | 191,872 | 18,508 | 17,345 | 227,725 | 237,556 |
| Professional services | 151,615 | 47,637 | 11,851 | 211,103 | 133,083 | 18,698 | 362,884 | 318,380 |
| Travel | 36,793 | 851 | 6,039 | 43,683 | 3,344 | 790 | 47,817 | 13,225 |
| Supplies, printing, and postage | 28,766 | 801 | 4,796 | 34,363 | 25,530 | 1,811 | 61,704 | 15,914 |
| Insurance | 20,634 | 8 | 1,510 | 22,152 | 5,943 | 175 | 28,270 | 28,126 |
| Training and conferences | 5,901 | 95 | 70 | 6,066 | 65 | - | 6,131 | 5,386 |
| Memberships | 21,350 | 42 | 2,074 | 23,466 | 393 | 899 | 24,758 | 19,847 |
| Discovery and case expenses | 2,456 | - | - | 2,456 | - | - | 2,456 | 1,734 |
| Depreciation and amortization | 25,040 | 91 | 3,424 | 28,555 | 2,838 | 1,267 | 32,660 | 32,934 |
| Miscellaneous | 485 | - | 8 | 493 | 895 | 1,322 | 2,710 | 6,632 |
| Total expenses | \$ 2,962,895 | \$ 194,917 | \$ 454,196 | \$ 3,612,008 | \$ 471,501 | \$ 179,258 | \$ 4,262,767 | \$ 3,619,328 |

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

YOUTH, RIGHTS & JUSTICE

Statement of Cash Flows

| Year Ended December 31, 2022 <i>(With Comparative Totals for 2021)</i> | 2022 | 2021 |
|-------------------------------------------------------------------------------|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Cash received from OPDS | \$ 3,725,166 | \$ 3,674,176 |
| Cash received from contributors and grants | 748,902 | 636,917 |
| Interest and dividend income | 16,443 | 16,779 |
| Other receipts | 6,420 | 6,360 |
| Cash paid to employees and vendors | <u>(4,200,590)</u> | <u>(3,508,724)</u> |
| Net cash provided by operating activities | 296,341 | 825,508 |
| Cash flows from investing activities: | | |
| Purchase of investments | (414,640) | (565,916) |
| Redemption of certificate of deposit | 405,636 | 50,632 |
| Purchases of property and equipment | <u>(2,418)</u> | <u>(25,214)</u> |
| Net cash used by investing activities | (11,422) | (540,498) |
| Net increase in cash and cash equivalents | 284,919 | 285,010 |
| Cash and cash equivalents, beginning of year | <u>1,239,760</u> | <u>954,750</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,524,679</u> | <u>\$ 1,239,760</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 June 30, 2023. Support from OPDS during 2022 represented 81 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 November 2023 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.

Conditional contributions whose conditions are satisfied in the same reporting period in which the revenue is recognized are reported as an increase in net assets without donor restrictions.

At December 31, 2022, all 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, 2022.

Prepaid Expenses - YRJ records advance payments for goods and services that will benefit a future period as prepaid expenses. Prepaid expenses consist primarily of insurance.

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 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 grants receivable. 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, 2022, grants receivable were due from three entities and were all collected after year-end. Grants receivable are generally not considered a significant credit risk by management.

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 2021 - The accompanying financial information as of and for the year ended December 31, 2021, 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, 2021, from which the summarized information was derived.

Adoption of New Accounting Standard - Effective January 1, 2022, YRJ adopted ASU 2016-02, *Leases (Topic 842)*, which requires a lessee to record a right-of-use (ROU) asset and a lease liability for all leases with an initial term greater than 12 months. Leases are classified as either financing or operating, with classification affecting the recognition, measurement, and presentation of expenses and cash flows.

Upon adoption of the new guidance, YRJ elected to apply several practical expedients, including: (1) not reassessing existing contracts to determine whether they are or contain a lease; (2) not reassessing existing leases to determine whether they are an operating or financing lease; and (3) not reassessing any initial direct costs for existing leases.

YRJ adopted ASU 2016-02 using the modified retrospective approach, which resulted in the recognition of operating ROU assets of \$984,081 (net of the previously recognized accumulated deferred rent liability of \$40,162) and associated lease liabilities of \$1,024,243 as of January 1, 2022.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

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:

| | 2022 (Level 1) | 2021 (Level 1) |
|-------------------------------------|---------------------|-------------------|
| Investments measured at fair value: | | |
| Equity mutual funds | \$ 270,862 | \$ 247,185 |
| Equity exchange traded funds | 452,200 | 296,643 |
| Bond exchange traded funds | <u>513,984</u> | <u>414,776</u> |
| | 1,237,046 | 958,604 |
| Cash | <u>65,437</u> | <u>24,229</u> |
| | <u>\$ 1,302,483</u> | <u>\$ 982,833</u> |

Cash that is included in YRJ's investment portfolio is not subject to the fair value leveling requirements.

Investments have been designated by the Board of Directors for a Reserve Fund.

4. Property and Equipment - Net

Property and equipment consists of the following at December 31:

| | 2022 | 2021 |
|------------------------------------------------|------------------|------------------|
| Office furniture and equipment | \$ 192,130 | \$ 189,712 |
| Leasehold improvements | <u>38,044</u> | <u>38,044</u> |
| | 230,174 | 227,756 |
| Less accumulated depreciation and amortization | <u>(182,641)</u> | <u>(149,980)</u> |
| Property and equipment, net | <u>\$ 47,533</u> | <u>\$ 77,776</u> |

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

5. Operating Leases

YRJ determines if an arrangement is a lease or a service contract at inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement is a lease, YRJ determines whether it is an operating lease or finance lease.

Leases result in recognition of ROU assets and liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on the discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU assets equal the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. YRJ has elected not to separate lease components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as lease expense in the period in which the obligation or payment is incurred.

YRJ leases its office and office equipment under operating leases with 5-year initial terms. The leases expire through December 2026. Some leases may include renewal options which can extend the lease term. The exercise of these renewal options are generally at the discretion of YRJ, and only lease options that YRJ believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreements do not include any residual value guarantees or restrictive covenants. YRJ has elected to use the risk-free interest rate of return as the discount rate for these leases as neither the rate implicit in the lease nor YRJ's incremental borrowing rate are readily determinable.

During the year ended December 31, 2022, lease expense for the operating leases totaled \$203,323.

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2022:

| | |
|------------------------------------------------------------------------------------------------------------------------------|--------------|
| Cash paid for amounts included in the measurement of lease liabilities for operating leases included in operating cash flows | \$ 200,251 |
| Operating lease right-of-use assets obtained in exchange for operating lease liabilities | \$ 1,024,243 |

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

5. Operating Leases - Continued

Weighted average lease term and discount rate were as follows at December 31, 2022:

| | |
|-----------------------------------------------------------------------|-------|
| Weighted-average remaining lease term (in years) for operating leases | 3.96 |
| Weighted-average discount rate for operating leases | 0.93% |

The maturities of operating lease liabilities were as follows as of December 31, 2022:

| Years Ending December 31, | Amount |
|--------------------------------------|-------------------------|
| 2023 | \$ 205,638 |
| 2024 | 211,188 |
| 2025 | 216,910 |
| 2026 | 214,181 |
| | <hr/> |
| | 847,917 |
| Less present value discount | <hr/> (15,370) |
| Operating lease liabilities | 832,547 |
| Less current portion | <hr/> (198,901) |
| Long-term portion | <hr/> <u>\$ 633,646</u> |

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

6. OPDS Revenue

The majority of YRJ's revenue comes from contracts with OPDS, which is accounted for as conditional grants that are recognized as revenue when conditions stated in the contracts have been met. The contracts are conditioned on YRJ providing certain levels of legal representation services over the term of the contracts, which expire June 30, 2023.

Accordingly, at December 31, 2022, \$1,874,782 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 2023.

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 \$69,096 for the year ended December 31, 2022.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

| | 2022 | 2021 |
|---------------------------------------|-------------------|------------------|
| SchoolWorks program | \$ 36,984 | \$ - |
| Pre-petition representation | - | 47,500 |
| Advocacy | - | 13,568 |
| Changing Lives Forever Fund | 14,431 | 14,431 |
| Other program purposes | 5,675 | 5,675 |
| Restricted for use in a future period | 75,000 | - |
| | <u>\$ 132,090</u> | <u>\$ 81,174</u> |

During the year ended December 31, 2022, net assets of \$150,084 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 and Grants

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

| | 2022 | 2021 |
|-------------------------------------|-------------------|-------------------|
| Foundations | \$ 287,000 | \$ 222,650 |
| Individuals and corporations | 71,455 | 60,855 |
| City of Portland | 222,322 | 222,858 |
| United States Department of Justice | <u>181,129</u> | <u>-</u> |
| | <u>\$ 761,906</u> | <u>\$ 506,363</u> |

The grants received from the City of Portland and United States Department of Justice (US DOJ) are conditioned on the incurrence of qualifying expenses. Accordingly, as of December 31, 2022, \$687,657 of these grants were not recognized as revenue in the financial statements because qualifying expenses were not yet incurred. The grant period for the City of Portland grant ends June 2023, and the grant period the US DOJ grant ends September 2024.

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:

| | 2022 | 2021 |
|-----------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,524,679 | \$ 1,239,760 |
| Investments | 1,302,483 | 982,833 |
| Short-term certificates of deposit | 49,420 | 404,191 |
| Grants receivable | 190,250 | 59,636 |
| Other receivables | <u>14,106</u> | <u>21,571</u> |
| Total financial assets available for general expenditures within one year | 3,080,938 | 2,707,991 |
| Less: | | |
| Amounts unavailable for general expenditures within one year: | | |
| Net assets with donor restrictions for specific purposes | (57,090) | (81,174) |
| Board designated Reserve Fund | <u>(1,302,483)</u> | <u>(982,833)</u> |
| Total financial assets available to management for general expenditures within one year | <u>\$ 1,721,365</u> | <u>\$ 1,643,984</u> |

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.

11. Subsequent Events

Management has evaluated subsequent events through July 26, 2023, the date the financial statements were available for issue.