
Youth, Rights & Justice

ATTORNEYS AT LAW

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

FINANCIAL STATEMENTS

Year Ended December 31, 2013

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, 2013, 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, 2013, 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 2012 financial statements, and our report dated June 12, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, 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 31, 2014

YOUTH, RIGHTS & JUSTICE

Statement of Financial Position

December 31, 2013 <i>(With Comparative Amounts for 2012)</i>	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 695,694	\$ 795,145
Certificate of deposit	100,067	-
Contributions receivable	-	15,000
Contract receivable	44,702	43,419
Other receivables	7,200	3,860
Prepaid expenses	59,426	68,981
Total current assets	907,089	926,405
Property and equipment, net <i>(Note 3)</i>	46,522	65,224
Deposit	14,889	14,889
Total assets	\$ 968,500	\$ 1,006,518
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 23,868	\$ 19,775
Accrued vacation	88,656	85,021
Current portion of deferred rent expense <i>(Note 4)</i>	17,420	11,098
Current portion of unearned PDSC revenue <i>(Note 5)</i>	24,000	60,000
Total current liabilities	153,944	175,894
Deferred rent expense, net of current portion <i>(Note 4)</i>	68,518	85,938
Unearned PDSC revenue, net of current portion <i>(Note 5)</i>	107,016	252,822
Total liabilities	329,478	514,654
Net assets:		
Unrestricted	613,135	435,438
Temporarily restricted <i>(Note 7)</i>	25,887	56,426
Total net assets	639,022	491,864
Total liabilities and net assets	\$ 968,500	\$ 1,006,518

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

YOUTH, RIGHTS & JUSTICE

Statement of Activities

Year Ended December 31, 2013 (With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	Total	
			2013	2012
Revenue and other support:				
PDSC contract revenue (Note 5)	\$2,212,448	\$ -	\$2,212,448	\$2,069,120
Other contract revenue	210,821	-	210,821	181,536
Contributions (Note 8)	86,429	25,462	111,891	175,066
Special events	149,583	-	149,583	132,982
Less direct costs	<u>(45,172)</u>	<u>-</u>	<u>(45,172)</u>	<u>(34,900)</u>
Net proceeds from special events	104,411	-	104,411	98,082
Interest income	1,723	-	1,723	1,054
Other	17,677	-	17,677	8,062
Net assets released from restrictions (Note 7)	<u>56,001</u>	<u>(56,001)</u>	<u>-</u>	<u>-</u>
Net revenue and other support	2,689,510	(30,539)	2,658,971	2,532,920
Expenses:				
Program services	2,162,063	-	2,162,063	2,064,880
Management and general	208,263	-	208,263	213,183
Fundraising	<u>141,487</u>	<u>-</u>	<u>141,487</u>	<u>127,113</u>
Total expenses	2,511,813	-	2,511,813	2,405,176
Increase (decrease) in net assets	177,697	(30,539)	147,158	127,744
Net assets, beginning of year	<u>435,438</u>	<u>56,426</u>	<u>491,864</u>	<u>364,120</u>
Net assets, end of year	<u>\$ 613,135</u>	<u>\$ 25,887</u>	<u>\$ 639,022</u>	<u>\$ 491,864</u>

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

YOUTH, RIGHTS & JUSTICE
Statement of Functional Expenses

Year Ended December 31, 2013 (With Comparative Totals for 2012)

	Program Services				Management and General	Fundraising	Total	
	Defense	Advocacy	Education	Total			2013	2012
Salaries and related expenses	\$ 1,403,095	\$ 51,935	\$ 238,155	\$ 1,693,185	\$ 131,313	\$ 103,077	\$ 1,927,575	\$ 1,820,868
Occupancy	162,671	7,178	28,479	198,328	15,514	12,946	226,788	238,003
Professional services	79,954	31,415	13,311	124,680	50,658	7,804	183,142	174,763
Travel	51,478	2,049	7,853	61,380	4,894	4,409	70,683	61,097
Supplies, printing and postage	15,919	538	3,973	20,430	2,154	6,352	28,936	31,736
Insurance	16,170	83	2,722	18,975	1,516	1,152	21,643	20,874
Training and conferences	6,093	58	470	6,621	367	1,368	8,356	9,100
Equipment rental and maintenance	-	-	-	-	-	-	-	192
Memberships	11,482	319	1,491	13,292	121	24	13,437	13,497
Discovery and case expenses	3,816	-	-	3,816	-	-	3,816	2,243
Depreciation and amortization	13,461	613	2,338	16,412	1,301	989	18,702	19,734
Miscellaneous	4,417	90	437	4,944	425	3,366	8,735	13,069
Total expenses	\$ 1,768,556	\$ 94,278	\$ 299,229	\$ 2,162,063	\$ 208,263	\$ 141,487	\$ 2,511,813	\$ 2,405,176

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

YOUTH, RIGHTS & JUSTICE

Statement of Cash Flows

Year Ended December 31, 2013 (With Comparative Totals for 2012)	2013	2012
Cash flows from operating activities:		
Cash received from contractors	\$ 2,240,178	\$ 2,288,593
Cash received from contributors	230,928	268,148
Interest income	1,656	1,054
Other receipts	17,679	8,062
Cash paid to employees and vendors	(2,489,892)	(2,387,937)
Net cash provided by operating activities	549	177,920
Cash flows from investing activities:		
Purchase of certificate of deposit	(100,000)	-
Purchases of property and equipment	-	(21,602)
Net cash used by investing activities	(100,000)	(21,602)
Net increase (decrease) in cash and cash equivalents	(99,451)	156,318
Cash and cash equivalents, beginning of year	795,145	638,827
Cash and cash equivalents, end of year	\$ 695,694	\$ 795,145
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 147,158	\$ 127,744
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	18,702	19,734
Accrued interest on certificate of deposit	(67)	-
Changes in operating assets and liabilities:		
Contributions receivable	15,000	(5,000)
Contract receivable	(1,283)	2,377
Other receivables	(3,340)	723
Prepaid expenses	9,555	(4,953)
Accounts payable and accrued expenses	4,093	6,578
Accrued vacation	3,635	117
Deferred rent expense	(11,098)	(4,960)
Unearned PDSC revenue	(181,806)	35,560
Net cash provided by operating activities	\$ 549	\$ 177,920

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 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 a HelpLine service for youth and their adult advocates in Oregon who request information, referral, legal advice, and brief legal services. YRJ is supported by state contracts, foundation grants, and individual donors.

YRJ's primary support is from the Oregon Judicial Department, Public Defense Service Commission (PDSC) under a contract effective through December 31, 2013. Support from PDSC during 2013 and 2012 represented approximately 83 and 82 percent of total revenue and support, respectively (*Note 6*).

2. Significant Accounting Policies

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of 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 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 PDSC 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

2. Significant Accounting Policies - Continued

Certificate of Deposit - YRJ has a certificate of deposit with Capital Pacific Bank. The certificate of deposit is valued based on its original cost plus accrued interest, which approximates fair value.

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

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

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

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 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.

Contract Receivable - Receivables are recognized as services are provided. Management provides for probable uncollectible amounts, if any, through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. No valuation allowance was determined necessary for the years ended December 31, 2013 and 2012. At December 31, 2013, 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.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Property and Equipment - Acquisitions of property and equipment in excess of \$5,000 are capitalized. Capitalized property and equipment are stated at cost or, if donated, at fair market value at the time of receipt. Depreciation and amortization of property and equipment are calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Office furniture and equipment	4 - 5 years
Leasehold improvements	10 years

Deferred Rent Expense - 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.

Subsequent Events - Management has evaluated subsequent events through July 31, 2014, the date the financial statements were available for issue.

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.

Accounting principles generally accepted in the United States of America prescribe a recognition threshold and measurement process for accounting for uncertain tax positions, and also provide 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. As such, the returns for 2010, 2011 and 2012, are currently subject to examination. 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.

Summarized Financial Information for 2012 - The accompanying financial information as of and for the year ended December 31, 2012, is presented for comparative purposes only and is not intended to represent a complete financial statement presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with YRJ's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

3. Property and Equipment

Property and equipment at December 31 consists of the following:

	2013	2012
Office furniture and equipment	\$ 136,095	\$ 136,095
Leasehold improvements	59,163	59,163
	<u>195,258</u>	<u>195,258</u>
Less accumulated depreciation and amortization	<u>(148,736)</u>	<u>(130,034)</u>
Property and equipment, net	<u><u>\$ 46,522</u></u>	<u><u>\$ 65,224</u></u>

4. Operating Leases

Effective June 1, 2007, YRJ entered into a ten-year lease agreement for office space. The lease calls for monthly base rent of \$14,889 with an annual 3 percent inflation adjustment. YRJ recognized deferred rent, which represents the difference between straight-line recognition of lease expense and actual lease payments made. Deferred rent expense totaled \$85,938 and \$97,036 at December 31, 2013 and 2012, respectively.

YRJ leases certain office equipment under operating leases that expire through August, 2017.

Future minimum payments due under the aforementioned leases are as follows at December 31, 2013:

Years Ending December 31,	Amount
2014	\$ 241,634
2015	233,551
2016	232,208
2017	97,949
	<u><u>\$ 805,342</u></u>

Lease expense for the years ended December 31, 2013 and 2012, totaled \$216,441 and \$223,692, respectively.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

5. Unearned PDSC Revenue

The majority of YRJ's revenue comes from a two-year contract with Public Defense Services Commission (PDSC). 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 PDSC, determines either the amount to be paid to or to be received from PDSC or the amount to be settled with PDSC through future contract terms. During June, 2014, the total case underage under the contract for the two-year period ended December 31, 2013, was negotiated and finalized. At December 31, 2013 and 2012, there was a case underage relating to the contract period ended December 31, 2013.

As a result of actual negotiations for the contract period ended December 31, 2013 and for the total case underage at December 31, 2012, a liability was recorded at December 31, 2013 and 2012. The liability is labeled "unearned PDSC revenue" and totaled \$131,016 and \$312,822 for the years ended December 31, 2013 and 2012, respectively. This balance represents the dollar amount management expects to settle with PDSC through a reduction in funding and providing additional work in the contract for the two-year period ending December 31, 2015.

A cumulative shortage of \$369,200 was reported by PDSC at the conclusion of the contract for the two-year period ended December 31, 2013. However, discounts provided and amounts written off by PDSC during 2013 totaled \$238,184. The discounts provided and amounts written off by PDSC are included in PDSC contract revenue on the accompanying statement of activities.

Based on contract terms for the contract period ending December 31, 2015, management estimates that \$24,000 of the liability recorded will be settled within one year. At December 31, 2012, management estimated that \$60,000 of the liability recorded would be settled within one year.

YOUTH, RIGHTS & JUSTICE

Notes to Financial Statements - Continued

6. 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 \$39,822 and \$27,592 for the years ended December 31, 2013 and 2012, respectively.

7. 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, 2013, net assets of \$56,001 were released from restrictions by either incurring expenses related to the restricted purposes specified by donors or by the passage of time.

8. Contributions

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

	2013	2012
Foundations	\$ 24,714	\$ 76,036
Individuals	87,177	99,030
	<u>\$ 111,891</u>	<u>\$ 175,066</u>

9. Concentrations of Credit Risk

Financial instruments that potentially subject YRJ to concentrations of credit risk consist primarily of cash equivalents and a certificate of deposit. As of December 31, 2013, YRJ maintained such balances in various financial institutions located in Portland, Oregon. The balances are insured by the Federal Deposit Insurance Corporation up to specified limits and may, at times, exceed those limits.