

**YOUTH LAW CENTER**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**IZABAL, BERNACIAK & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**YOUTH LAW CENTER  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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# **IZABAL, BERNACIAK & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
**YOUTH LAW CENTER**  
San Francisco, California

### **Report on Financial Statements**

We have audited the accompanying financial statements of Youth Law Center (the Center), 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.

### **Auditor's 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 auditor's 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 Organization'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 Organization'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 Law Center 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.

**Adoption of New Accounting Standard**

As discussed in Note 1 to the financial statements, the Center adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



San Francisco, California

April 23, 2019

**YOUTH LAW CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,626,245
Accounts Receivable	196,136
Promises to Give	25,000
Prepaid Expenses and Other Assets	47,316
Deposits	11,886
Subtotal Current Assets	1,906,583

Noncurrent Assets:

Fixed Assets (Net of Accumulated Depreciation of \$135,495)	-
Subtotal Noncurrent Assets	-

**TOTAL ASSETS** \$ 1,906,583

**LIABILITIES AND NET ASSETS**

**Liabilities:**

Accounts Payable & Accrued Liabilities	\$ 92,276
Accrued Vacation	93,585
Deferred Revenue	34,740
Total Liabilities	220,601

**Net Assets:**

Without Donor Restrictions	1,017,471
With Donor Restrictions	668,511
Total Net Assets	1,685,982

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,906,583

See notes to financial statements

**YOUTH LAW CENTER**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants	\$ -	\$ 1,190,379	\$ 1,190,379
Contributions	42,549	-	42,549
Special Events	33,554	-	33,554
Interest and Dividends	2,605	-	2,605
Consultant Fees	1,111,876	-	1,111,876
Other Income	254,614	-	254,614
Net Assets Released from Restrictions			
Satisfaction of Restrictions	998,257	(998,257)	-
<b>Total Support and Revenue</b>	<u>2,443,455</u>	<u>192,122</u>	<u>2,635,577</u>
<b>EXPENSES</b>			
Program Services	1,892,559	-	1,892,559
Management and General	462,111	-	462,111
Fund Raising	192,673	-	192,673
<b>Total Expenses</b>	<u>2,547,343</u>	<u>-</u>	<u>2,547,343</u>
<b>CHANGE IN NET ASSETS</b>	(103,888)	192,122	88,234
Net Assets at beginning of year	<u>1,121,359</u>	<u>476,389</u>	<u>1,597,748</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,017,471</u>	<u>\$ 668,511</u>	<u>\$ 1,685,982</u>

See notes to financial statements

**YOUTH LAW CENTER  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Excess/(Deficit) of Revenue Over Expenditures	\$	88,234
<i>Adjustments to Reconcile Excess/(Deficit) of Revenue Over Expenditures to Net Cash Provided by Operating Activities</i>		
<i>(Increase)/Decrease in:</i>		
Accounts Receivable		67,781
Prepaid Expenses and Other Assets		(14,156)
<i>Increase/(Decrease) in:</i>		
Accounts Payable and Accrued Liabilities		(1,336)
Accrued Vacation		(461)
Deferred Revenue		4,953
<b>Net Cash Provided by Operating Activities</b>		<u>145,015</u>
<b>INCREASE/(DECREASE) IN NET CASH</b>		145,015
Cash and Cash Equivalents Balance, Beginning of Year		<u>1,481,230</u>
<b>CASH AND CASH EQUIVALENTS BALANCE, END OF YEAR</b>	<b>\$</b>	<b><u><u>1,626,245</u></u></b>

See notes to financial statements

**YOUTH LAW CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
Wages & Salaries	\$ 971,077	\$ 242,759	\$ 55,200	\$ 1,269,036
Fringe Benefit	231,840	74,178	12,461	318,479
Travel	306,654	26,354	56,638	389,646
Special Event	52	6,325	-	6,377
Equipment Rental & Computer	15,911	3,985	904	20,800
Office Supplies	8,082	1,902	-	9,984
Postage & Delivery	244	1,150	-	1,394
Office Expense	5,607	19,446	-	25,053
Audit	-	9,200	-	9,200
Consultant	208,014	34,276	62,916	305,206
Litigation Expense	-	274	-	274
Telephone	19,804	5,039	1,126	25,969
Rent & Utility	60,298	15,103	3,428	78,829
Insurance	-	16,662	-	16,662
Library	10,324	-	-	10,324
Bad Debt Expense	53,378	-	-	53,378
Other Expenses	614	1,318	-	1,932
Membership Dues	660	4,140	-	4,800
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ <u>1,892,559</u></b>	<b>\$ <u>462,111</u></b>	<b>\$ <u>192,673</u></b>	<b>\$ <u>2,547,343</u></b>

See notes to financial statements



**YOUTH LAW CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Youth Law Center (the Center) is a not-for-profit organization in the State of California. Its mission is to provide legal education, advice, counsel, legal representation and general assistance in the reform of the law regarding the rights of minors.

Funding for the Center occurs mainly through grants from private foundations and consulting contracts.

**New Accounting Pronouncement**

Effective December 15, 2018, the Center adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ("ASU 2016-14"). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as information regarding liquidity, financial performance and cash flows. ASU 2016-14 revises the net asset classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three. ASU 2016-14 also enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions and requires qualitative disclosures on liquidity and the availability of resources to fund operations.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Center's net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Center's net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions.

**Basis of Accounting**

The Center's policy is to prepare its financial statements using the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Cash and Cash Equivalents**

For purposes of statement of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Contributions**

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

**Reclassification**

In the Statement of Cash Flows, the beginning cash and cash equivalents for fiscal year 2018 was increased by \$1,104,020, which resulted from a reclassification of \$1,104,020 previously reported in fiscal year 2017 as investments to cash and cash equivalents. Total net assets and net income for fiscal year 2017 are unchanged due to this reclassification.

**YOUTH LAW CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - continued**

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Accounts Receivable / Promises to Give**

The Center considers accounts receivable/promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is required. If accounts receivable become uncollectible, they will be charged to operations when that determination is made, when promises to give become uncollectible, the amount will be offset to promises to give and to net assets with donor restrictions.

**Income Tax Status**

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Center is also exempt from state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Management believes the Center has no uncertain tax positions as of December 31, 2018.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cost Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as equipment rental and computers, telephone expense and rent and utilities, which are allocated on based on salary expense.

**Depreciation**

Depreciation is accumulated using the straight line method with estimated useful lives of the related assets ranging from five years for equipment and ten years for leasehold improvements. Assets are capitalized at cost if purchased and fair value if contributed.

**YOUTH LAW CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 2: ACCOUNTS RECEIVABLE**

Accounts receivable, without donor restrictions, at December 31, 2018 consisted of the following:

Consulting Receivables \$ 196,136

**NOTE 3: PROMISES TO GIVE / NET ASSETS WITH DONOR RESTRICTIONS**

Promises to give with donor restrictions and net assets with donor restrictions as of December 31, 2018 are as follows:

Grantor	Duration	Grant Amount	Promises to Give With Donor Restrictions	Net Assets with Donor Restrictions
	10/1/2018-9/30/2021	\$ 500,000	\$	\$ 458,333
	5/1/18 - 4/30/19	75,000		41,672
	9/16/18-9/16/19	50,000	25,000	37,502
	9/16/18-9/16/19	50,000		37,502
	7/1/17-12/31/19	50,000		37,500
	FY2019	25,000		25,000
	11/1/18-5/1/19	20,000		16,000
	9/16/18-9/16/19	20,000		15,002
<b>Total</b>			\$ 25,000	\$ 668,511

Net assets with donor restrictions are restricted for the following purposes or periods:

	\$ 120,891
	166,767
	170,675
	41,672
	37,502
	37,502
	37,500
	25,000
	16,000
	15,002
Total Net Assets with Donor Restrictions	\$ 668,511

**YOUTH LAW CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 3: PROMISES TO GIVE / NET ASSETS WITH DONOR RESTRICTIONS - concluded**

During the fiscal year ended December 31, 2018, net assets with donor restrictions of \$998,257 were released from restrictions for the following purposes or periods:

FY2018 Operations	\$ 270,491
FY2018 Program Support	727,766
Total Net Assets Released From Restrictions	<u>\$ 998,257</u>

**NOTE 4: LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following reflects the Center's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year:

Cash and Cash Equivalents	\$ 1,626,245
Accounts Receivable	196,136
Promises to Give	<u>25,000</u>
Total Financial Assets	<u>1,847,381</u>
Less those unavailable for general expenditures within one year due to:	
Cash restricted by donor for specific uses:	
Restricted for 2 <sup>nd</sup> & 3 <sup>rd</sup> year of CA Wellness Foundation	<u>(337,442)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,509,939</u>

The Center has \$1,509,939 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$1,288,803. Accounts Receivable and the promises to give are subject to implied time restrictions but are expected to be collected within one year.

The Center has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$425,000. The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**YOUTH LAW CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 5: FIXED ASSETS**

As of December 31, 2018 fixed assets consist of the following:

Furniture & Office Equipment	\$ 37,984
Computer & Printers	61,706
Telephone System	<u>35,805</u>
Subtotal Fixed Assets	135,495
Less: Accumulated Depreciation	<u>(135,495)</u>
Net Fixed Assets	<u><u>\$ 0</u></u>

**NOTE 6: ACCRUED VACATION**

The Center has a vacation policy that allows full time employees to accrue vacation at the rate of one and two-thirds days for each full month of service (20 days per year). A maximum accrual of 40 days is allowed. For a part-time employee, the rate of accrual of vacation time shall be reduced to reflect the proportional time worked by the employee. Temporary part time employees do not accrue vacation leave. As of December 31, 2018, accrued vacation amounted to \$93,585.

**NOTE 7: RETIREMENT PLAN**

The Center maintains for the benefit of permanent employees a 401(k) plan. The Center makes contributions to this program on behalf of each permanent employee, who has been employed for two years, in an amount equal to four percent (4%) of the employee's annual salary. For the year ended December 31, 2018 the Center's plan contributions amounted to \$30,695.

**NOTE 8: LEASE COMMITMENTS**

The Center entered into a sublease agreement for office space located at 832 Folsom Street, Suite 700, San Francisco, California. The term for the lease is for five years and three months, commencing July 1, 2017 and ending on September 30, 2022.

**YOUTH LAW CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 8: LEASE COMMITMENTS - concluded**

The minimum future lease payments due under this agreement are as follows:

<u>Year Ended</u> <u>December 31</u>	
2019	\$ 74,286
2020	76,266
2021	78,246
2022	<u>59,427</u>
Total	<u>\$ 288,225</u>

**NOTE 9: ADVERTISING COSTS**

The costs of advertising are expensed as incurred. During the year ended December 31, 2018, advertising expense was \$0.

**NOTE 10: SUBSEQUENT EVENTS**

The Center's management has evaluated its subsequent events through April 23, 2019, the date the financial statements were available to be issued.