

YOUTH LAW CENTER

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**YOUTH LAW CENTER
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

TABLE OF CONTENTS

<u>Financial Statements</u>	Page
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows.....	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7-12

IZABAL, BERNACIAK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

388 Market Street, Suite 888
San Francisco, California 94111

Tel. (415) 896-5551
Fax (415) 896-0584

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, 2019, 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, 2019, 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) 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"). The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read "Gabriel Bernabeu".

San Francisco, California
April 13, 2020

YOUTH LAW CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,682,373
Accounts Receivable	273,533
Prepaid Expenses and Other Assets	40,553
Deposits	11,886
Subtotal Current Assets	<u>2,008,345</u>

Noncurrent Assets:

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

TOTAL ASSETS	\$ <u><u>2,008,345</u></u>
---------------------	-----------------------------------

LIABILITIES AND NET ASSETS

Liabilities:

Accounts Payable & Accrued Liabilities	\$ 30,559
Accrued Vacation	122,981
Deferred Revenue	<u>3,000</u>
Total Liabilities	<u>156,540</u>

Net Assets:

Without Donor Restrictions	981,986
With Donor Restrictions	<u>869,819</u>
Total Net Assets	<u>1,851,805</u>

TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>2,008,345</u></u>
---	-----------------------------------

See notes to financial statements

YOUTH LAW CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants	\$ 45,000	\$ 1,110,442	\$ 1,155,442
Contributions	31,147	-	31,147
Special Events	27,674	-	27,674
Interest and Dividends	1,592	-	1,592
Consultant Fees	1,036,517	-	1,036,517
Other Income	146,917	-	146,917
Net Assets Released from Restrictions			
Satisfaction of Restrictions	909,134	(909,134)	-
Total Support and Revenue	<u>2,197,981</u>	<u>201,308</u>	<u>2,399,289</u>
EXPENSES			
Program Services	1,903,679	-	1,903,679
Management and General	281,225	-	281,225
Fund Raising	48,562	-	48,562
Total Expenses	<u>2,233,466</u>	<u>-</u>	<u>2,233,466</u>
CHANGE IN NET ASSETS	(35,485)	201,308	165,823
Net Assets at beginning of year	<u>1,017,471</u>	<u>668,511</u>	<u>1,685,982</u>
NET ASSETS AT END OF YEAR	<u>\$ 981,986</u>	<u>\$ 869,819</u>	<u>\$ 1,851,805</u>

See notes to financial statements

YOUTH LAW CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Excess/(Deficit) of Revenue Over Expenditures	\$ 165,823
<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	(77,397)
Grants Receivable	25,000
Prepaid Expenses and Other Assets	6,763
<i>Increase/(Decrease) in:</i>	
Accounts Payable and Accrued Liabilities	(61,717)
Accrued Vacation	29,396
Deferred Revenue	(31,740)
Net Cash Provided by Operating Activities	<u>56,128</u>
INCREASE/(DECREASE) IN NET CASH	56,128
Cash and Cash Equivalents Balance, Beginning of Year	<u>1,626,245</u>
CASH AND CASH EQUIVALENTS BALANCE, END OF YEAR	<u><u>\$ 1,682,373</u></u>

See notes to financial statements

YOUTH LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Wages & Salaries	\$ 1,099,372	\$ 107,278	\$ 35,481	\$ 1,242,131
Fringe Benefit	281,074	27,428	9,071	317,573
Travel	128,728	786	140	129,654
Special Event	-	242	-	242
Equipment Rental & Computer	3,500	13,275	-	16,775
Office Supplies	-	1,270	-	1,270
Conference	176,842	-	-	176,842
Office Expense	3,211	17,004	-	20,215
Audit	-	9,500	-	9,500
Accounting	-	69,153	-	69,153
Consultant	100,076	1,029	1,000	102,105
Litigation Expense	-	21	-	21
Telephone	13,380	1,306	432	15,118
Rent & Utility	75,543	7,372	2,438	85,353
Insurance	-	16,746	-	16,746
Library	13,874	-	-	13,874
Bad Debt Expense	7,042	-	-	7,042
Other Expenses	-	3,571	-	3,571
Membership Dues	1,037	5,244	-	6,281
TOTAL FUNCTIONAL EXPENSES	\$ <u>1,903,679</u>	\$ <u>281,225</u>	\$ <u>48,562</u>	\$ <u>2,233,466</u>

See notes to financial statements

YOUTH LAW CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 January 1, 2019, Youth Law Center adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606") which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, as of and for the year ended December 31, 2019. The majority of Youth Law Center's revenues come from foundation grants and consultant fees that are within the scope of ASC 606 and are recognized as revenue as Youth Law Center satisfies its obligations to the customer.

Implementation of ASU 2014-09 did not require reclassification or restatement of any opening balances related to the period presented.

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.

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.

YOUTH LAW CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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, 2019.

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 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, 2019

NOTE 2: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 are as follows:

<u>Grantor</u>	<u>Duration</u>	<u>Grant Amount</u>	<u>Net Assets with Donor Restrictions</u>
	10/1/2018-9/30/2021	\$ 500,000	\$ 291,665
	10/1/2018-3/31/2021	150,000	140,000
	10/1/2019-6/30/2021	126,170	126,170
	10/2019-6/30/2020	80,000	80,000
	12/1/2019-11/30/2020	75,000	75,000
	9/16/2019-7/31/2020	67,880	47,817
	7/15/2019-7/1/2020	50,000	41,667
	4/1/2019-3/31/2020	75,000	37,500
	4/1/2019-3/31/2020	20,000	20,000
	N/A	10,000	10,000
Total			<u>\$ 869,819</u>

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

	\$ 166,767
	124,898
	177,500
	126,170
	80,000
	75,000
	47,817
	41,667
	20,000
	10,000
Total Net Assets with Donor Restrictions	<u>\$ 869,819</u>

YOUTH LAW CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2: NET ASSETS WITH DONOR RESTRICTIONS - concluded

During the fiscal year ended December 31, 2019, net assets with donor restrictions of \$998,257 were released from restrictions for the following purposes or periods:

FY2019 Operations	\$ 15,002
FY2019 Program Support	<u>894,132</u>
Total Net Assets Released from Restrictions	<u>\$ 909,134</u>

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable, at December 31, 2019 consisted of the following:

Consulting Receivables	\$ 196,136
Grants Receivables with Restriction	<u>100,000</u>
Total	<u>\$ 273,533</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	\$ 1,682,373
Accounts Receivable	<u>273,533</u>
Total Financial Assets	<u>1,955,906</u>
Less those unavailable for general expenditures within one year due to:	
Cash restricted by donor for specific uses:	
Restricted for FY21 CA Wellness Foundation	<u>(124,898)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,831,008</u>

The Center has \$1,831,008 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$1,682,373. Accounts Receivable 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 \$185,000. 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, 2019

NOTE 5: FIXED ASSETS

As of December 31, 2019 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>\$ 0</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, 2019, accrued vacation amounted to \$122,981.

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, 2019 the Center's plan contributions amounted to \$34,023.

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.

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

Year Ended <u>December 31</u>	
2020	\$ 76,266
2021	78,246
2022	<u>59,427</u>
Total	<u>\$ 213,939</u>

YOUTH LAW CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9: ADVERTISING COSTS

The costs of advertising are expensed as incurred. During the year ended December 31, 2019, advertising expense was \$0.

NOTE 10: SUBSEQUENT EVENTS

The Center's management has evaluated its subsequent events through April 13, 2020, the date the financial statements were available to be issued and determined to disclose the following subsequent event:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was identified and has since spread to many countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. In response to COVID-19, the Youth Law Center has reviewed its revenue expectations and contacted funders. Management anticipates it will be able to fulfill its obligations under existing grant agreements, and is making arrangements to complete contracted services virtually where possible. Management is carefully monitoring the progression of the COVID-19 situation and is preparing for its impact on organizational revenue and activities. As discussed in Note 4, YLC maintains a cash reserve to cover critical operating expenses.