Youth Law Center

Financial Statements
and
Independent Auditors' Report

For the Year Ended
December 31, 2021

Youth Law Center
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Independent Auditors' Report

To the Board of Directors and Management
Youth Law Center
San Francisco, CA

Opinion

We have audited the accompanying financial statements of Youth Law Center, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, 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 Law Center as of December 31, 2021, and the results of its operations 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Youth Law Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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; 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.

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 Law Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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

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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, including omissions, 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 Youth Law Center'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 Youth Law Center'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.

Wheeler

San Jose, CA
May 12, 2022

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Youth Law Center
Statement of Financial Position
As of December 31, 2021

ASSETS		2021
Current assets:		
Cash and cash equivalents	$	3,064,884
Investments		1,248,462
Accounts receivable		1,186,337
Prepaids and other current assets		16,870
Total current assets		5,516,553
Non-current assets		
Deposits		11,886
Long-term receivable, net		668,306
Property and equipment, net		8,575
Total non-current assets		688,767
Total assets	$	6,205,320
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$	92,672
Deferred revenue		58,253
Total current liabilities		150,925
Total liabilities		150,925
Net assets:		
Without donor restrictions		3,627,630
With donor restrictions		2,426,765
Total net assets		6,054,395
Total liabilities and net assets	$	6,205,320

See independent auditors' report and accompanying notes to financial statements.

Youth Law Center
Statement of Activities and Changes in Net Assets
As of December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Grants	$ 124,002	$ 2,641,042	$ 2,765,044
Contributions	105,640	-	105,640
Special events	124,875	-	124,875
Consultant fees	1,275,375	-	1,275,375
Total public support and revenue	1,629,892	2,641,042	4,270,934
Net assets released of restrictions	1,538,554	(1,538,554)	-
Total public support and revenue and net assets released from restrictions	3,168,446	1,102,488	4,270,934
Operating expenses:			
Program services	2,955,439	-	2,955,439
Fundraising expenses	64,332	-	64,332
General and administrative expenses	330,916	-	330,916
Total operating expenses	3,350,687	-	3,350,687
Other income (expense):			
Extinguishment of debt	254,817	-	254,817
Interest and dividend income	987	-	987
Interest expense	(385)	-	(385)
Unrealized loss	(2,198)	-	(2,198)
Bad debt recovery	23,731	-	23,731
Miscellaneous income	6,750	-	6,750
Total other income (expense)	283,702	-	283,702
Change in net assets	101,461	1,102,488	1,203,949
Net assets, beginning of year	3,526,169	1,324,277	4,850,446
Net assets, end of year	$ 3,627,630	$ 2,426,765	$ 6,054,395

See independent auditors' report and accompanying notes to financial statements.

Youth Law Center
Statement of Functional Expenses
As of December 31, 2021

	2021			
	Total Program	Fundraising	General/ Admin	Total Expenses
Expenses:				
Wages and salaries	$ 1,738,995	$ 44,189	$ 140,218	$ 1,923,402
Fringe benefit	467,718	11,885	37,713	517,316
Travel	7,925	-	-	7,925
Meals	150	-	-	150
Equipment computer	-	-	424	424
Equipment rental	-	-	5,500	5,500
Office supplies	-	-	1,412	1,412
Program supplies	1,131	-	-	1,131
Office expense	-	-	318	318
Fees	-	-	9,919	9,919
Postage and printing	298	5,000	618	5,916
Audit	-	-	11,000	11,000
Accounting	-	-	29,036	29,036
Consultant	606,265	-	23,600	629,865
Litigation expense	-	-	302	302
Telephone	9,986	254	805	11,045
Rent and utility	71,758	1,823	5,787	79,368
Insurance	-	-	12,429	12,429
Technology	46,486	1,181	3,748	51,415
Depreciation and amortization	-	-	5,399	5,399
Other expenses	-	-	4,313	4,313
Registration fees	925	-	-	925
Employee recognition	277	-	-	277
Property tax	-	-	28,913	28,913
Membership dues	3,525	-	9,462	12,987
Total expenses	$ 2,955,439	$ 64,332	$ 330,916	$ 3,350,687

See independent auditors' report and accompanying notes to financial statements.

Youth Law Center
Statement of Cash Flows
As of December 31, 2021

Cash Flows from Operating Activities:		
Change in net assets	$	1,203,949
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization		5,399
Extinguishment of debt		(254,817)
Unrealized loss		2,198
Changes in operating assets and liabilities:		
Accounts receivable		(484,316)
Prepaids		3,132
Long term receivable		(448,306)
Accounts payable and accrued expenses		84,185
Accrued vacation		(28,992)
Deferred revenue		33,068
Net cash provided by operating activities		115,500
Cash Flows from Investing Activities		
Purchase of property and equipment		(3,149)
Proceeds from sale of investments		249,340
Purchase of investments		(1,500,000)
Net cash used by investing activities		(1,253,809)
Increase (decrease) in cash and cash equivalents		(1,138,309)
Cash and cash equivalents, beginning of year		4,203,193
Cash and cash equivalents, end of year	$	3,064,884

See independent auditors' report and accompanying notes to financial statements.

1. Center and operations

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.

2. Summary of significant accounting policies

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - The Center presents information regarding its financial position and activities according to two classes of net assets:

- *Net assets without donor restrictions* consist of net assets that are for use in general operations and are not subject to donor (or certain grantor) restrictions. The governing board has not designated any amounts from net assets without donor restrictions.
- *Net assets with donor restrictions* represent contributions whose use has imposed restrictions. The donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. For purposes of reporting cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of 90 days or less at the date of purchase to be cash equivalents. The carrying amount in the Statements of Financial Position approximates fair value.

Accounts Receivable – Accounts receivable consists of funds granted that will be received within one year. There is no allowance for uncollectable accounts as management believes that all amounts owed will be fully collected.

2. Summary of significant accounting policies (continued)

Fair value of financial instruments - Financial instruments included in the Center's Statements of Financial Position as of December 31, 2021 include cash and cash equivalents, accounts payable and accrued expenses, for which the carrying amounts represent a reasonable estimate of the corresponding fair values.

Property & Equipment – Equipment with a value greater than $1,000 is capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are estimated to be three years.

Prepaids and other current assets – Prepaid expenses and other current assets consist of deposits, and prepaid insurance that are paid in advance of when due and are expected to be realized within one year.

Long-term grant receivable – In 2021, long-term grant receivable is discounted to present value and is composed of grant receivables that will not be collect within one year.

Accounts payable and accrued expenses - Accounts payable and accrued expenses consist of amounts due for expenses incurred but not paid until the subsequent year as well as the accrual for wages and compensated absences.

Revenue recognition

Exchange revenue - The Center recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Center receives contracts from foundations to provide services. The performance obligation is providing the service to the grantee. The Center establishes the transaction price, based on quoted prices in active markets. Revenue is recognized when the corresponding service has been provided according to the agreement, subject to the contract limit, if any.

Contribution revenue - The Center records contributions, including unconditional promises to give as revenue at their fair value in the period the contribution or pledge is received. All contributed support is recognized as revenue without donor restrictions when received or un-conditionally promised. The Center reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

2. Summary of significant accounting policies (continued)

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses applicable to more than one program are allocated based on usage and management's estimates.

Concentration of credit risk - Financial instruments that potentially subject the Center to credit risk consist primarily of cash and cash equivalents. The Center maintains cash and cash equivalents with a commercial bank. Cash equivalents include overnight investments, and money market funds. These accounts are insured up to $250,000 per depositor by an agency of the federal government. At times, such amounts might exceed Federal Deposit Insurance Corporation ("FDIC") limits.

Accounting for uncertainty for income taxes - The Center evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position.

The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2021 management did not identify any uncertain tax positions.

The Center is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is December 31, 2018 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years December 31, 2017 and forward.

Changing Standards

Leases - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities on the statement of financial position for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new standard also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The effective date was January 1, 2021, however, in June 2020, FASB issued ASU 2020-05 which pushed out the effective date out by one year. The new standard will be effective for the Center on January 1, 2022. Early adoption is permitted. The Center is in the process of evaluating the impact the adoption of this standard will have on its financial statements and related disclosures.

2. Summary of significant accounting policies (continued)

Contribution - In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 improves existing guidance on revenue recognition of grants and contracts to reduce diversity in accounting practice. The amendments in the ASU provide clarified guidance on evaluating whether a transaction should be accounted for as a contribution or an exchange transaction, based on whether a resource provider is receiving corresponding value in return for the resources transferred. ASU 2018-08 also includes an improved framework to determine whether a contribution is conditional and to better distinguish a donor-imposed condition from a donor-imposed restriction. The ASU also modifies the simultaneous release option currently in GAAP which allows a not-for-profit organization to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns. The guidance in ASU 2018-08 is effective as follows: transactions in which the Center is the resource recipient in years beginning after December 15, 2018, and interim periods within years beginning after December 15, 2019; transactions in which the Center is the resource provider in years beginning after December 15, 2019, and interim periods within years beginning after December 15, 2020. Early adoption is permitted. The Center has adopted ASU 2018-08 for year ended December 31, 2020. The adoption of the new guidance did not have a material impact on the Center’s financial statements.

3. INVESTMENTS

The Center invests in money market funds and publicly traded certificates of deposit, with financial institutions. The investments are recognized at fair value as of December 31, 2021:

Description	December 31, 2021	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)
Publicly Traded Certificates of Deposit	$ 1,248,462	$ 1,248,462	$ -	$ -
	$ 1,248,462	$ 1,248,462	$ -	$ -

4. Property and equipment

Property and equipment is shown net of accumulated depreciation. Property and equipment at December 31 consisted of the following:

		2021
Computer and Printers	$	18,039
Less : accumulated depreciation & amortization		(9,464)
Property and equipment, Net	$	8,575

Depreciation and amortization expense for the year ended December 31, 2021 was $ 5,399.

5. Long-term grant receivable

In 2021, the Center had multi-year grants with amounts owed in 2023. As a result, the portion of the receivable due in 2023 and 2024 was discounted:

Grant receivable to be collected	$ 685,544
Discount to PV	(17,238)
Total grant receivable	$ 668,306

In 2021, revenue was reduced by the discounted portion.

6. Paycheck Protection Program loan

In April 2020, the Center received a $254,817 loan through the Paycheck Protection Program (PPP), provided by the Small Business Administration. This loan helps small businesses pay for payroll and other expenses during the COVID-19 pandemic. The PPP loan and accrued interest are forgivable after the covered period has ended as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the full time equivalent or salary was reduced without restoring by a specified period. The unforgiven portion of the PPP loan has an interest rate of 1% with a maturity of two years. In June 2021, the Center received full forgiveness from the SBA and has reported the forgiveness as an extinguishment of debt in the Statements of Activities and Changes in Net Assets.

7. Net assets with donor restrictions

Net assets with donor restrictions during the years ended December 31, 2021 consisted of the following:

	Purpose	Duration	Grant Amounts	Net Assets with Donor Restrictions
	Foster Care Advocacy – Technical Assistance Support	6/1/21 - 6/30/22	$ 70,000	$ 70,000
	Restoring Childhood	12/1/21 – 11/30/22	100,000	100,000
	Foster Parent Portal	9/1/20-8/31/22	100,000	33,333
	Quality Parenting Initiative	10/1/20-9/30/23	570,000	332,500
	Juvenile Justice	12/1/21 - 11/30/22	50,000	50,000
	Juvenile Justice	10/1/21-9/30/24	500,000	500,000
	Quality Parenting Initiative	3/1/20 - 3/1/22	190,000	15,833
	EAF Homeless Prevention	1/1/21-12/31/23	172,544	115,029
	EAF Homeless Prevention	12/01/21-12/31/24	442,044	442,044
	Foster Care Advocacy	3/1/21-2/28/24	1,000,000	722,222
	Juvenile Justice	9/17/21 - 9/16/22	20,000	20,000
	Juvenile Justice	3/15/20-11/30/22	90,000	43,042
Long-term discount – Note 5				(17,238)
			Total	$ 2,426,765

During the fiscal year ended December 31, 2021, net assets with donor restrictions of $1,538,554 were released from restrictions for the following purposes:

Other Program Support	$ 50,000
Restoring Childhood	248,755
Foster Parent Portal	50,000
Quality Parenting Initiative	285,000
Juvenile Justice	241,954
COVID Decarceration	13,500
EAF Homeless Prevention	371,567
Foster Care Advocacy	277,778
Total Net Assets Released from Restrictions	$ 1,538,554

8. Liquidity and availability

The Center strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The Center considers investment income without donor restrictions, appropriated earnings from donor-restricted and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, program expenses, and fundraising expenses to be paid in the subsequent year.

The Center manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Center.

The following table reflects the Center's financial assets as of December 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions greater than one year and special project outside of the Center's core programs.

	December 31, 2021
Financial assets at year end:	
Cash and cash equivalents	$ 3,064,884
Investments	1,248,462
Accounts receivable	1,186,337
Total Financial assets	5,499,683
Less amounts not available to be used within one year:	
Net assets with donor restrictions greater than one year	318,182
Financial assets available to meet general expenditures over the next twelve months	$ 5,181,501

9. Retirement plan

Beginning in 2016, the Center sponsored a defined contribution retirement plan which qualifies under section 403(b) of the Internal Revenue Code. Under the terms of the plan, contributions are invested at the discretion of the plan participant in an investment vehicle comprised of various funds. The Center can elect to contribute 4% of gross salaries for qualified employees to the plan. The Center contributed $45,189 for the year ended December 31, 2021.

10. Functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Center allocates all expenses based on a time allocation of the employees per month and this is done for all expense other than grant expense. Grant expense is directly allocated to grant making.

11. Concentrations

For the year ended December 31, 2021, 2 large grants comprised 47% of the Center's income.

12. Commitments and contingencies

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

The Center entered into a lease agreement for a copier. The term of the lease is for five years, commencing April 12, 2019 and ending April 11, 2024.

Future minimum lease liabilities for the two leases are as follows:

2022	$ 64,323
2023	4,896
2024	1,224
Thereafter	-
Total	$ 70,443

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of society across the world. The continued spread of COVID-19 may adversely impact the local, regional, national and world economies. The extent to which Covid-19 may impact the Center's activities may depend on future developments which are highly uncertain and cannot be predicted. Although to date, Covid-19 has not had a material impact on the Center's activities, management cannot presently estimate the overall long-term operational and financial impact to the Center.

13. Subsequent events

Subsequent events are events or transactions that occur after the balance sheet date but before the date the financial statements were available to be issued. The Center recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by the Center and available to be issued.

No subsequent events require disclosure or recognition.