

**NATIONAL CENTER FOR YOUTH LAW**



**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
National Center for Youth Law

### **Opinion**

We have audited the accompanying financial statements of National Center for Youth Law (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, 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 National Center for Youth Law as of December 31, 2021 and 2020, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Center for Youth Law 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.

### **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 National Center for Youth Law'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 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.

## INDEPENDENT AUDITORS' REPORT

continued

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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 National Center for Youth Law'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 National Center for Youth Law'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.

### **Other Matter**

#### *Report on Summarized Comparative Information*

We have previously audited the National Center for Youth Law's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2022, on our consideration of National Center for Youth Law's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of National Center for Youth Law's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Center for Youth Law's internal control over financial reporting and compliance.

*Harrington Group*

Oakland, California  
May 13, 2022

# NATIONAL CENTER FOR YOUTH LAW

## STATEMENT OF FINANCIAL POSITION

December 31, 2021

With comparative totals at December 31, 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 4,739,014	\$ 3,245,412
Accounts receivable	1,240,083	635,526
Grants receivable (Note 4)	7,012,577	5,743,570
Prepaid expenses	259,890	257,755
Deposits	62,223	86,809
Investments (Note 5)	9,234,338	6,730,082
Property and equipment (Note 6)	174,274	238,321
	<u>174,274</u>	<u>238,321</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 22,722,399</u></b>	<b><u>\$ 16,937,475</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 272,284	\$ 287,106
Accrued payroll	224,681	203,168
Accrued vacation	686,683	628,527
Accrued liabilities other	218,197	149,634
Paycheck protection program loan (Note 7)	-	1,399,800
	<u>-</u>	<u>1,399,800</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,401,845</u></b>	<b><u>2,668,235</u></b>
<b>NET ASSETS</b>		
Without donor restrictions	9,847,913	6,096,633
With donor restrictions (Note 8)	11,472,641	8,172,607
	<u>11,472,641</u>	<u>8,172,607</u>
<b>TOTAL NET ASSETS</b>	<b><u>21,320,554</u></b>	<b><u>14,269,240</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 22,722,399</u></b>	<b><u>\$ 16,937,475</u></b>

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

**NATIONAL CENTER FOR YOUTH LAW**

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
<b>REVENUE AND SUPPORT</b>				
Foundation grants and contracts	\$ 1,998,784	\$ 11,532,217	\$ 13,531,001	\$ 9,058,914
Government grants and contracts		3,929,602	3,929,602	2,123,787
In-kind support (Note 11)	2,489,272		2,489,272	7,483,705
Attorneys fees	879,598		879,598	538,952
Contributions	317,688	11,681	329,369	297,487
Law firms and corporate giving	293,459		293,459	56,719
Miscellaneous	47,888		47,888	20
Restitution/Cy Pres settlements			-	1,774,895
Net assets released from restrictions (Note 8)	12,173,466	(12,173,466)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	18,200,155	3,300,034	21,500,189	21,334,479
<b>EXPENSES</b>				
Program expenses	14,513,651		14,513,651	16,994,321
Management and general	2,019,757		2,019,757	1,739,589
Fundraising	886,403		886,403	682,982
<b>TOTAL EXPENSES</b>	17,419,811	-	17,419,811	19,416,892
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	780,344	3,300,034	4,080,378	1,917,587
<b>OTHER CHANGES</b>				
Paycheck protection program forgiveness (Note 7)	2,980,000		2,980,000	-
Interest and dividend income	32,843		32,843	32,844
(Loss) gain on investments	(41,907)		(41,907)	71,742
<b>TOTAL OTHER CHANGES</b>	2,970,936	-	2,970,936	104,586
<b>CHANGE IN NET ASSETS</b>	3,751,280	3,300,034	7,051,314	2,022,173
<b>NET ASSETS, BEGINNING OF YEAR</b>	6,096,633	8,172,607	14,269,240	12,247,067
<b>NET ASSETS, END OF YEAR</b>	\$ 9,847,913	\$ 11,472,641	\$ 21,320,554	\$ 14,269,240

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

NATIONAL CENTER FOR YOUTH LAW

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

	Program Services									Total Program Expenses	Management and General	Fundraising	Total Expenses	
	Juvenile Justice	Child Welfare	Health and Information	Education Civil Rights Alliance	Legal Strategies	Immigration	Compassionate Systems Arizona	Compassionate Systems California	Other Program				2021	2020
Salaries	\$ 1,042,813	\$ 23,133	\$ 1,108,677	\$ 402,126	\$ 1,122,310	\$ 925,679	\$ 896,073	\$ 1,258,248	\$ -	\$ 6,779,059	\$ 1,141,592	\$ 629,045	\$ 8,549,696	\$ 7,244,117
Employee benefits	151,640	4,399	195,513	69,207	202,109	163,527	194,864	223,508		1,204,767	180,500	80,593	1,465,860	1,278,191
Payroll taxes	74,809	1,852	79,579	29,455	84,885	69,328	55,419	77,994		473,321	77,528	42,010	592,859	478,949
Total personnel costs	1,269,262	29,384	1,383,769	500,788	1,409,304	1,158,534	1,146,356	1,559,750	-	8,457,147	1,399,620	751,648	10,608,415	9,001,257
In-kind legal services (Note 11)	1,119,773			78,091	456,918	815,556	4,883	4,883		2,480,104	9,168		2,489,272	7,483,705
Fees for service	77,367	3,412	710,252	15,681	32,730	54,710	139,879	69,648	32,535	1,136,214	207,306	47,338	1,390,858	647,750
Grants	110,343		813,883					120,000	5,000	1,049,226			1,049,226	509,952
Occupancy	81,569	2,887	138,169	33,369	98,746	80,225	75,968	38,748		549,681	112,317	52,508	714,506	724,015
Office expenses	39,478	6,599	51,796	20,155	48,707	31,019	53,563	62,508	3,349	317,174	48,813	16,446	382,433	314,076
Information technology	35,100	3,517	33,605	9,292	33,478	20,647	79,376	50,637	335	265,987	96,248	8,863	371,098	260,218
Travel	26,368	915	8,018	2,244	4,349	45,587	6,649	5,586		99,716	7,793	68	107,577	115,718
Conferences and meetings	12,802	879	16,590	3,872	7,268	8,131	6,256	7,221	663	63,682	8,242	1,276	73,200	69,601
Depreciation	7,942		9,972	1,812	9,208	7,441	5,614	6,311		48,300	10,966	5,109	64,375	120,710
Insurance	2,886	85	3,719	1,149	3,527	2,868	4,152	4,811		23,197	32,511	1,600	57,308	56,767
Dues, licenses, and service fees	5,335	103	3,276	608	7,703	3,879	587	727		22,218	27,780	440	50,438	79,075
Other expense											25,690		25,690	-
Accounting			330							330	21,000		21,330	13,040
Bank fees						146				146	7,395		7,541	10,078
Advertising and promotion					449					449	4,723	1,107	6,279	190
Bad debt expense								80		80	185		265	10,740
<b>TOTAL 2021 FUNCTIONAL EXPENSES</b>	<b>\$ 2,788,225</b>	<b>\$ 47,781</b>	<b>\$ 3,173,379</b>	<b>\$ 667,061</b>	<b>\$ 2,112,387</b>	<b>\$ 2,228,743</b>	<b>\$ 1,523,283</b>	<b>\$ 1,930,910</b>	<b>\$ 41,882</b>	<b>\$ 14,513,651</b>	<b>\$ 2,019,757</b>	<b>\$ 886,403</b>	<b>\$ 17,419,811</b>	
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 1,340,739	\$ 136,950	\$ 1,884,567	\$ 2,809,332	\$ 1,176,353	\$ 6,311,396	\$ 1,504,333	\$ 1,810,517	\$ 20,134	\$ 16,994,321	\$ 1,739,589	\$ 682,982	\$ 19,416,892	

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

## NATIONAL CENTER FOR YOUTH LAW

### STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

With comparative totals for the year ended December 31, 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 7,051,314	\$ 2,022,173
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck protection program loan forgiveness	(2,980,000)	-
Depreciation	64,375	120,710
Loss (gain) on investments	41,907	(71,742)
Reinvested interest and dividends	(30,091)	(29,678)
(Increase) decrease in operating assets:		
Accounts receivable	(604,557)	175,001
Grants receivable	(1,269,007)	(492,820)
Prepaid expenses	(2,135)	(57,575)
Deposits	24,586	(1,000)
Increase (decrease) in operating liabilities:		
Accounts payable	(14,822)	44,615
Accrued payroll	21,513	(12,356)
Accrued vacation	58,156	186,138
Accrued liabilities other	68,563	(19,092)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,429,802</b>	<b>1,864,374</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of investments	12,912,740	5,342,776
Purchase of investments	(15,428,812)	(8,311,578)
Purchase of property and equipment	(328)	(40,079)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(2,516,400)</b>	<b>(3,008,881)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from paycheck protection program loan	1,580,200	1,399,800
<b>NET CASH PROVIDED FROM FINANCING ACTIVITIES</b>	<b>1,580,200</b>	<b>1,399,800</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,493,602</b>	<b>255,293</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>3,245,412</b>	<b>2,990,119</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 4,739,014</b>	<b>\$ 3,245,412</b>

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



# NATIONAL CENTER FOR YOUTH LAW

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**

Founded in 1971, National Center for Youth Law amplifies youth power, dismantles racism and other structural inequities, and builds just policies, practices, and culture that center youth. We center youth through impact litigation, policy advocacy, collaboration and research that fundamentally transforms our nation's approach to education, health, immigration, foster care, and youth justice.

#### **What We Do**

- **Center Youth:** We strive to center youth experiences and recognize their agency, insight, and wisdom in developing and implementing our work.
- **Impact litigation:** Our impact litigation accelerates large-scale systemic change. We work strategically and collaboratively with co-counsel partners, community organizations, and named plaintiffs to bring litigation that impacts broad classes of children and youth across multiple public systems.
- **Policy Advocacy:** We implement policy advocacy at the federal, state, and local levels. Our work includes policy development, lobbying, coalition building, and community organizing.
- **Collaborations:** We engage in strategic collaborations and partnerships with municipalities, government agencies and school districts to drive meaningful policy and practice changes. Our work leads to new, replicable models of service that set new standards for support and care.
- **Research:** We conduct research to illuminate hidden inequities, identify opportunities for improved policies and procedures, and demonstrate the impacts of best practices. Our most common work in this area includes data collection and analysis and policy research analysis.

#### **Where We Focus**

- **Youth Justice:** National Center for Youth Law works to transform the youth justice system, so that it better embodies true justice and equity for children. We advance community-based, health-centered alternatives to harmful system practices and build towards a culture in which the system treats children as children. The work we do prioritizes evidence-based solutions that are proven to decrease recidivism and meet children with empathy and care.
- **Immigration:** National Center for Youth Law works to ensure that immigrant children are able to live in communities rather than in government custody and have access to the resources and opportunities they need to heal and thrive. We use a combination of federal litigation, state and federal policy advocacy, stakeholder education, and coalition building to uphold and expand the rights of detained immigrant youth as well as immigrant children in the community.
- **Education:** National Center for Youth Law's education work aims to create an education ecosystem that centers youth. We work to ensure equitable education opportunities to all children and youth - especially those who experience barriers due to disability, racism, socioeconomic status and more. We also work to ensure safe and positive school environments where students can learn and thrive.
- **Health:** National Center for Youth Law works to ensure that all children have equitable access to whole-health care and support that meets their physical, emotional and psycho-social needs. We aim to dismantle the barriers to care that children and youth experience, including involvement in foster care or juvenile justice systems, implicit bias in the health system, and housing or economic instability.

continued

# NATIONAL CENTER FOR YOUTH LAW

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**, continued

- Collaborative Responses to Commercial Sexual Exploitation: National Center for Youth Law seeks to end the commercial sexual exploitation (CSE) of children and youth - also referred to as child sex trafficking - and support children, youth, families and caregivers affected by CSE experience safety and healing so that they may achieve their goals. We work to research, identify, develop and implement policies and practices that achieve collective systems change.
- Foster Care: National Center for Youth Law works to ensure children and youth in foster care benefit from a positive and stable home-like environment. We dismantle practices that harm children in foster care, ensure youth in foster care have access to health care and education, and promote youth-, community-, and family-centered policies that preserve families and reduce reliance on the foster care system.

### 2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**With Donor Restrictions.** Net assets subject to donor-imposed restrictions. Some 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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 was restricted has been fulfilled, or both.

#### **Cash and Cash Equivalents**

NCYL has defined cash and cash equivalents as cash in banks and money market accounts in securities institutions.

continued

# NATIONAL CENTER FOR YOUTH LAW

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Accounts Receivable**

Accounts receivable includes outstanding contracts receivable. No allowance for doubtful accounts has been provided as they are all deemed fully collectible.

#### **Grants Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

#### **Concentration of Credit Risks**

NCYL maintains cash and cash equivalents at high-credit quality financial institutions. At times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limit. NCYL has not incurred losses related to these deposits.

#### **Investments**

NCYL values its investments at fair value. Unrealized gains or losses (including investments bought, sold and held during the year) are reflected in the Statement of Activities as gain or loss on investments.

#### **Fair Value Measurements**

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

NCYL is required to measure certain investments, non-cash contributions, and revenues at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

continued

# NATIONAL CENTER FOR YOUTH LAW

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than two years.

#### **Donated Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that 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 fair value in the period received (see Note 11).

#### **Functional Allocation of Expenses**

Costs of providing NCYL's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. NCYL uses the proportion of time spent on each program to allocate indirect costs.

#### **Income Taxes**

NCYL is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by NCYL in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. NCYL's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

continued

# NATIONAL CENTER FOR YOUTH LAW

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Revenue and Revenue Recognition**

NCYL recognizes contributions when cash, securities or other assets; an unconditional promise to give; 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.

A portion of NCYL's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when NCYL has incurred expenditures in compliance with specific contract or grant provisions.

#### **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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### **Comparative Totals**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NCYL's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

#### **Subsequent Events**

Management has evaluated subsequent events through May 13, 2022, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

# NATIONAL CENTER FOR YOUTH LAW

## NOTES TO FINANCIAL STATEMENTS

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### 3. Liquidity and Availability of Resources

NCYL regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. NCYL has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, NCYL considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, fundraising, and investments. The Finance Committee of the Board of Trustees meets three times a year to review all financial aspects of the organization and reviews investment results, assesses risk, and makes recommendations for changes as needed.

In addition to financial assets available to meet general expenditures over the next 12 months, NCYL operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2021, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 4,739,014
Accounts receivable, net	1,240,083
Grants receivable	4,535,366
Investments	<u>9,234,338</u>
	19,748,801
Less: donor restricted funds	<u>(11,472,641)</u>
Financial assets available	<u>\$ 8,276,160</u>

### 4. Grants Receivable

Grants receivable are recorded as support when committed unless designated otherwise. All grants are valued at their estimated fair value and are deemed fully collectible. Accordingly, no allowance for uncollectible receivables has been recorded as of December 31, 2021. Unamortized discount on multi-year grants receivable is immaterial and has not been recorded. Total grants receivable at December 31, 2021 of \$7,012,577 is expected to be collected as follows:

<u>Year ending December 31,</u>	
2022	\$4,535,366
2023	2,279,863
2024	<u>197,348</u>
	<u>\$7,012,577</u>

continued

# NATIONAL CENTER FOR YOUTH LAW

## NOTES TO FINANCIAL STATEMENTS

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### 5. Investments

Investments at December 31, 2021 consist of the following:

Bonds	\$9,233,292
Equities	<u>1,046</u>
	<u>\$9,234,338</u>

### 6. Property and Equipment

Property and equipment at December 31, 2021 consist of the following:

Developed software	\$ 394,259
Furniture and equipment	199,590
Leasehold improvement	<u>130,144</u>
	723,993
Less: accumulated depreciation	<u>(549,719)</u>
	<u>\$ 174,274</u>

Depreciation expense during the year ended December 31, 2021 was \$64,375.

### 7. Paycheck Protection Program

On April 29, 2020, NCYL received loan proceeds in the amount of \$1,399,800 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), provides for loans for qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are eligible for forgiveness for a covered period up to twenty-four weeks, as long as the borrower uses the loan proceeds for eligible purposes (which includes payroll, benefits, rent and utilities) and maintains its full-time staff equivalency levels. The amount for the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

On April 2021, NCYL received a second round of the PPP loan in the amount of \$1,580,200.

The Small Business Administration ("SBA") reserves the right to review any loan in their discretion and the SBA will review any loan over \$2 million. Areas of review include, eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. PPP loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.

In February and September 2021, NCYL was notified by their bank that their PPP loans were fully forgiven in the amounts of \$1,399,800 and \$1,580,200, respectively. The forgiven amounts have been recorded as revenue in the year ended December 31, 2021.

continued

# NATIONAL CENTER FOR YOUTH LAW

## NOTES TO FINANCIAL STATEMENTS

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### 8. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2021 consist of the following:

Other Projects	\$ 4,786,458
Compassionate Systems CA	1,753,298
Immigration	1,313,912
ECRA	754,167
Child Welfare	562,242
CA Youth Justice	443,403
Reproductive Health	412,065
Eliminating Fines & Fees	343,750
Collaborative Responses to Commercial Sexual Exploitation	337,708
Compassionate Systems AZ	316,667
Legal Advocacy	205,106
Adolescent Health	164,310
Youth Justice – CO	79,405
Bill Grimm Fund	150
	<u>\$11,472,641</u>

For the year ended December 31, 2021, net assets with donor restrictions released from purpose restrictions were \$12,173,466.

### 9. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2021 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds				
Large value	\$ 1,046	\$ -	\$ -	\$ 1,046
Total equity funds	<u>1,046</u>	<u>-</u>	<u>-</u>	<u>1,046</u>
Bonds				
Government	7,173,420			7,173,420
Short-term bond	1,554,592			1,554,592
Intermediate-term bond	<u>505,280</u>			<u>505,280</u>
Total bond funds	<u>9,233,292</u>	<u>-</u>	<u>-</u>	<u>9,233,292</u>
Total exchange traded funds	<u>\$9,234,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$9,234,338</u>

The fair value of equities funds and bonds are measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

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# NATIONAL CENTER FOR YOUTH LAW

## NOTES TO FINANCIAL STATEMENTS

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### 9. Fair Value Measurements, continued

The table below presents transactions measured at fair value on a non-recurring basis during the year ended December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Grants commitments – new	\$ -	\$ -	\$7,012,577	\$7,012,577
Donated services		<u>2,489,272</u>		<u>2,489,272</u>
	<u>\$ -</u>	<u>\$2,489,272</u>	<u>\$7,012,577</u>	<u>\$9,501,849</u>

The fair value of grant commitments – new has been measured on a non-recurring basis using the value provided by the grantor at the date of commitment and based on evaluating the credit worthiness of the grantor (Level 3 inputs).

The fair value of donated services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

### 10. Commitments and Contingencies

#### Grant Awards

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. NCYL deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of NCYL to the provisions of the grants. NCYL's management is of the opinion that NCYL has complied with the terms of all grants.

#### Obligations Under Operating Leases

NCYL leases three offices and a copier under operating lease. The lease term for the main Oakland office extends to February 28, 2025. Future minimum payments, by year and in the aggregate, under this lease with initial or remaining terms of one year or more, consist of the following:

<u>Year ending December 31,</u>	
2022	\$ 674,683
2023	636,026
2024	626,565
2025	109,582
2026	<u>4,185</u>
	<u>\$2,051,041</u>

Rent expense under the operating lease for the year ended December 31, 2021 was \$714,506.

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# NATIONAL CENTER FOR YOUTH LAW

## NOTES TO FINANCIAL STATEMENTS

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### 10. Commitments and Contingencies, continued

#### Impact of COVID-19 Virus

Following the California and local “Safer-at-Home” orders, NCYL has been conducting business activities as usual with consideration of social distancing and remote work opportunities. The long-term impact of the COVID-19 virus on NCYL cannot be foreseen at this time and is not reflected in these financial statements.

### 11. In-kind Support

NCYL partners with outside attorneys and law firms to litigate cases on behalf of its clients. The pro bono firms donate the time of their attorneys and staff in addition to paying for out of pocket expenses associated with investigations and litigation. Additionally, NCYL had volunteer law clerks. Total amount of in-kind support for the year ended December 31, 2021 was \$2,489,272.

Legal fees	\$2,282,288
Law clerks	171,122
Legal expenses	<u>35,862</u>
	<u>\$2,489,272</u>

### 12. Employee Benefit Plan

NCYL has a 403(b) employee benefit plan available to all eligible employees. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. NCYL made a non-matching contribution of 4% of employee’s earnings during the year ended December 31, 2021. Employer contributions under this plan for the year ended December 31, 2021 were \$320,539.