

NATIONAL CENTER FOR YOUTH LAW

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

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, 2023, 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, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

Auditors' 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 auditors' 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 and *Government 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 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

In performing an audit in accordance with generally accepted auditing standards and *Government 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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 April 30, 2024, 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
April 30, 2024

NATIONAL CENTER FOR YOUTH LAW

STATEMENT OF FINANCIAL POSITION

December 31, 2023

With comparative totals at December 31, 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Note 2)	\$ 4,858,747	\$ 7,739,282
Accounts receivable	1,006,365	1,634,326
Grants receivable (Note 4)	4,697,292	9,000,868
Prepaid expenses	348,166	336,085
Deposits	70,071	75,257
Investments (Note 5)	13,294,233	10,731,028
Property and equipment (Note 6)	61,111	124,108
Right-of-use-asset - operating leases (Note 7)	920,824	1,683,013
	\$ 25,256,809	\$ 31,323,967
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 289,449	\$ 552,048
Accrued payroll	306,589	290,371
Accrued vacation	816,749	768,602
Accrued liabilities other	283,327	279,004
Operating leases liabilities (Note 7)	1,019,302	1,691,209
	2,715,416	3,581,234
 NET ASSETS		
Without donor restrictions	13,367,663	11,878,318
With donor restrictions (Note 8)	9,173,730	15,864,415
	22,541,393	27,742,733
	\$ 25,256,809	\$ 31,323,967

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, 2023
With comparative totals for the year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT				
Foundation grants and contracts	\$ 1,281,132	\$ 5,390,228	\$ 6,671,360	\$ 16,589,770
Government grants and contracts		4,275,711	4,275,711	4,655,369
In-kind support (Note 11)	2,804,734		2,804,734	2,561,605
Attorneys fees	1,077,347		1,077,347	2,212,825
Law firms and corporate giving	151,466		151,466	288,095
Contributions	152,962		152,962	182,437
Miscellaneous	119,875		119,875	101
Restitution/Cy Pres settlements	743,144		743,144	-
Net assets released from restrictions (Note 8)	16,356,624	(16,356,624)	-	-
TOTAL REVENUE AND SUPPORT	<u>22,687,284</u>	<u>(6,690,685)</u>	<u>15,996,599</u>	<u>26,490,202</u>
EXPENSES				
Program services	18,129,288		18,129,288	16,844,465
Management and general	2,654,031		2,654,031	2,267,974
Fundraising	1,053,701		1,053,701	962,833
TOTAL EXPENSES	<u>21,837,020</u>	<u>-</u>	<u>21,837,020</u>	<u>20,075,272</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	850,264	(6,690,685)	(5,840,421)	6,414,930
OTHER CHANGES				
Interest and dividend income	240,084		240,084	48,021
Gain (loss) on investments	398,997		398,997	(40,772)
TOTAL OTHER CHANGES	<u>639,081</u>	<u>-</u>	<u>639,081</u>	<u>7,249</u>
CHANGE IN NET ASSETS	1,489,345	(6,690,685)	(5,201,340)	6,422,179
NET ASSETS, BEGINNING OF YEAR	<u>11,878,318</u>	<u>15,864,415</u>	<u>27,742,733</u>	<u>21,320,554</u>
NET ASSETS, END OF YEAR	<u>\$ 13,367,663</u>	<u>\$ 9,173,730</u>	<u>\$ 22,541,393</u>	<u>\$ 27,742,733</u>

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, 2023

With comparative totals for the year ended December 31, 2022

	Program Services										Total Expenses		
	Youth Justice	Child Welfare	Health and Information	Education	Legal Strategies	Immigration	Compassionate Systems	Other Program	Total Program Services	Management and General	Fundraising	2023	2022
Salaries	\$ 1,776,955	\$ 370,466	\$ 1,446,981	\$ 469,777	\$ 1,267,297	\$ 942,413	\$ 2,513,646	\$ -	\$ 8,787,535	\$ 1,389,729	\$ 762,108	\$ 10,939,372	\$ 9,948,821
Employee benefits	302,707	70,104	261,340	74,718	202,944	158,086	549,358	838	1,620,095	197,353	104,348	1,921,796	1,691,131
Payroll taxes	133,723	27,582	106,062	37,202	96,038	69,000	188,880	-	658,487	70,666	53,249	782,402	730,001
Total personnel costs	2,213,385	468,152	1,814,383	581,697	1,566,279	1,169,499	3,251,884	838	11,066,117	1,657,748	919,705	13,643,570	12,369,953
In-kind legal services (Note 11)					2,463,438	214,091	-	112,195	2,789,724	15,010	-	2,804,734	2,561,605
Fees for service	149,813	17,008	686,395	20,713	29,002	12,868	234,963	48,875	1,199,637	279,463	8,766	1,487,866	1,499,935
Grants	96,241	-	711,768	233,000	-	-	60,000	-	1,101,009	-	-	1,101,009	1,356,701
Occupancy	109,683	21,846	112,935	22,166	100,672	116,966	137,696	-	621,964	183,705	52,360	858,029	734,079
Information technology	49,831	13,188	52,969	14,129	43,516	42,291	146,575	-	362,499	149,899	38,132	550,530	450,696
Office expenses	53,118	10,832	56,378	30,995	53,037	29,828	110,898	350	345,436	64,642	21,794	431,872	519,479
Travel	120,917	8,484	60,066	5,764	46,556	9,672	85,557	-	337,016	41,165	2,165	380,346	288,585
Conferences and meetings	37,934	5,234	27,505	3,757	15,590	6,795	58,022	681	155,518	28,811	1,690	186,019	107,434
Other expense	-	-	-	-	-	-	-	-	-	112,800	-	112,800	-
Dues, licenses, and service fees	4,929	1,335	3,348	1,411	34,960	3,404	2,106	-	51,493	38,386	112	89,991	62,529
Insurance	7,514	1,648	6,510	1,847	4,897	3,541	14,209	-	40,166	24,197	2,685	67,048	53,794
Depreciation	9,775	1,851	10,291	840	7,709	8,855	7,312	-	46,633	10,197	6,167	62,997	61,333
Accounting	-	-	4,000	-	-	-	-	-	4,000	26,900	-	30,900	4,000
Bad debt expense	-	-	-	-	-	-	-	-	-	15,500	-	15,500	22
Advertising and promotion	42	10	100	10	35	27	7,789	-	8,013	28	125	8,166	386
Bank fees	(10)	-	23	-	50	-	-	-	63	5,580	-	5,643	4,741
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 2,853,172	\$ 549,588	\$ 3,546,671	\$ 916,329	\$ 4,365,741	\$ 1,617,837	\$ 4,117,011	\$ 162,939	\$ 18,129,288	\$ 2,654,031	\$ 1,053,701	\$ 21,837,020	
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 3,481,076	\$ 613,132	\$ 3,489,060	\$ 1,644,369	\$ 1,977,691	\$ 1,830,799	\$ 3,562,225	\$ 246,113	\$ 16,844,465	\$ 2,267,974	\$ 962,833		\$ 20,075,272

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, 2023

With comparative totals for the year ended December 31, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (5,201,340)	\$ 6,422,179
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	62,997	61,333
(Gain) loss on investments	(363,139)	40,772
Reinvested interest and dividends	(35,858)	(48,021)
Amortization of right-of-use asset - operating	762,189	628,000
(Increase) decrease in operating assets:		
Accounts receivable	627,961	(394,243)
Grants receivable	4,303,576	(1,988,291)
Prepaid expenses	(12,081)	(76,195)
Deposits	5,186	(13,034)
Increase (decrease) in operating liabilities:		
Accounts payable	(262,599)	279,764
Accrued payroll	16,218	65,690
Accrued vacation	48,147	81,919
Accrued liabilities other	4,323	60,807
Principal payments on operating lease liabilities	(671,907)	(619,804)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(716,327)	4,500,876
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	20,064,030	22,766,035
Purchase of investments	(22,228,238)	(24,255,476)
Purchase of property and equipment	-	(11,167)
NET CASH (USED) BY INVESTING ACTIVITIES	(2,164,208)	(1,500,608)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,880,535)	3,000,268
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,739,282	4,739,014
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,858,747	\$ 7,739,282
NON-CASH OPERATING ACTIVITIES:		
Right-of-use asset liabilities - operating upon adoption of ASC 842	\$ -	\$ 2,329,263

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

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Founded in 1971, National Center for Youth Law (“NCYL”) amplifies youth power, dismantles racism and other structural inequities, and builds just policies, practices, and culture that center youth. The organization advances justice through impact litigation, policy advocacy, demonstration sites, collaboration and research that fundamentally transforms our nation’s approach to education, health, immigration, foster care, and youth justice.

What NCYL Does

- **Center Youth:** NCYL strives to center youth experiences and recognize their agency, insight, and wisdom in developing and implementing NCYL’s work.
- **Impact litigation:** NCYL impact litigation accelerates large-scale systemic change. NCYL works 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:** NCYL implements policy advocacy at the federal, state, and local levels. NCYL work includes policy development, lobbying, coalition building, and community organizing.
- **Collaborations:** NCYL engages in strategic collaborations and partnerships with municipalities, government agencies and school districts to drive meaningful policy and practice changes. NCYL work leads to new, replicable models of service that set new standards for support and care.
- **Research:** NCYL conducts research to illuminate hidden inequities, identify opportunities for improved policies and procedures, and demonstrate the impacts of best practices. NCYL most common work in this area includes data collection and analysis and policy research analysis.

Where NCYL Focuses

- **Youth Justice:** NCYL works to transform the youth justice system, so that it better embodies true justice and equity for children. NCYL advances community-based, health-centered alternatives to harmful system practices and builds towards a culture in which the system treats children as children. The work NCYL does prioritizes evidence-based solutions that are proven to decrease recidivism and meet children with empathy and care.
- **Immigration:** NCYL 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. NCYL uses 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:** NCYL’s education work aims to create an education ecosystem that centers youth. NCYL works to ensure equitable education opportunities to all children and youth - especially those who experience barriers due to disability, racism, socioeconomic status and more. NCYL also works to ensure safe and positive school environments where students can learn and thrive.

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

- **Health:** NCYL works to ensure that all children have equitable access to whole-health care and support that meets their physical, emotional, and psycho-social needs. NCYL aims 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.
- **Collaborative Responses to Commercial Sexual Exploitation:** NCYL 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. NCYL works to research, identify, develop and implement policies and practices that achieve collective systems change.
- **Foster Care:** NCYL works to ensure children and youth in foster care benefit from a positive and stable home-like environment. NCYL dismantles practices that harm children in foster care, ensures youth in foster care have access to health care and education, and promotes 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.

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

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

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

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©(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

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.

Leases

NCYL applies Accounting Standards Codification (“ASC”) 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. NCYL defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. NCYL further determined an existing lease is an operating lease, which is included in Right-of-Use (“ROU”) assets and lease liabilities in the Statement of Financial Position

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, 2022, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through April 30, 2024, 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.

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

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, 2023, 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	\$ 4,858,747
Accounts receivable	1,006,365
Grants receivable	4,697,292
Investments	<u>13,294,233</u>
	23,856,637
Less: donor restricted funds	<u>(9,447,809)</u>
Financial assets available	<u>\$14,408,828</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, 2023. Unamortized discount on multi-year grants receivable is immaterial and has not been recorded. Total grants receivable at December 31, 2023 of \$4,697,292 is expected to be collected as follows:

<u>Year ending December 31,</u>	
2024	\$4,503,042
2025	<u>194,250</u>
	<u>\$4,697,292</u>

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

5. Investments

Investments at December 31, 2023 consist of the following:

Bonds	\$11,988,904
Exchange traded funds	<u>1,305,329</u>
	<u>\$13,294,233</u>

6. Property and Equipment

Property and equipment at December 31, 2023 consist of the following:

Developed software	\$ 394,259
Furniture and equipment	199,262
Leasehold improvement	<u>141,639</u>
	735,160
Less: accumulated depreciation	<u>(674,049)</u>
	<u>\$ 61,111</u>

Depreciation expense during the year ended December 31, 2023 was \$62,997.

7. Right-of-Use Assets and Liabilities – Operating Leases

NCYL evaluated current contracts to determine which met the criteria of a lease. ROU assets represent NCYL's right to use underlying assets for the lease term, and the lease liabilities represent NCYL's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. NCYL used a published U.S. Treasury risk free rate of return. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

NCYL's operating leases consist of four offices and copier. The ROU assets and lease liabilities for these leases were determined based on the current terms in force as of December 31, 2023. No additional options have been included.

Cash paid for operating leases for the year ended December 31, 2023 was \$744,521. There were no non-cash financing transactions related to leasing during the year ended December 31, 2023.

The weighted average of remaining lease terms and weighted average of discount rates for financing leases as of December 31, 2023 were 1.42 years and 2.33%, respectively.

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

7. Right-of-Use Assets and Liabilities – Operating Leases, continued

Future maturities of the lease liabilities as of December 31, 2023, is as follows:

<u>Year ending December 31,</u>	
2024	\$ 782,823
2025	225,978
2026	<u>28,461</u>
Total lease payments	1,037,262
Less: present value discount	<u>(17,960)</u>
	<u>\$1,019,302</u>

Lease expense under operating leases for the year ended December 31, 2023 was \$786,602.

The above maturities reflect rental agreements in effect as of December 31, 2023. NCYL continually renegotiates its lease agreements; therefore, future maturity amounts may change.

Assets related to the operating lease at December 31, 2023 consist of the following:

ROU asset balance at January 1, 2023	\$1,683,013
Less: accumulated amortization	<u>(762,189)</u>
ROU asset balance at December 31, 2023	<u>\$ 920,824</u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2023 consist of the following:

Reproductive Health	\$1,716,054
ECRA	1,394,997
Other Projects	1,250,000
FosterED CA	1,184,147
Immigration	817,664
CA Youth Justice	628,137
Eliminating Fines and Fees	614,583
Child Trafficking	560,000
Adolescent Health	465,417
Youth Justice – CO	335,229
Child Welfare	180,002
Legal Advocacy	15,000
FosterED AZ	<u>12,501</u>
	<u>\$9,173,731</u>

For the year ended December 31, 2023, net assets with donor restrictions released from purpose restrictions were \$16,356,624.

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NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

9. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2023 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds				
Government	\$11,260,170	\$ -	\$ -	\$11,260,170
Short-term bond	<u>728,734</u>	<u> </u>	<u> </u>	<u>728,734</u>
Total bond funds	<u>11,988,904</u>	<u> </u>	<u> </u>	<u>11,988,904</u>
Exchange traded funds	<u>1,305,329</u>	<u> </u>	<u> </u>	<u>1,305,329</u>
	<u>\$13,294,233</u>	<u>\$ </u>	<u>\$ </u>	<u>\$13,294,233</u>

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

The table below presents grants commitments-new and donated services measured at fair value on a non-recurring basis during the year ended December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Grants commitments – new	\$ -	\$	\$2,847,387	\$2,847,387
Donated services	<u> </u>	<u>2,804,734</u>	<u> </u>	<u>2,804,734</u>
	<u>\$ </u>	<u>\$2,804,734</u>	<u>\$2,847,387</u>	<u>\$5,652,121</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.

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NATIONAL CENTER FOR YOUTH LAW

NOTES TO 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. Total amount of in-kind support for the year ended December 31, 2023 was \$2,804,734.

Legal fees	<u>\$2,804,734</u>
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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, 2023. Employer contributions under this plan for the year ended December 31, 2023 were \$425,767.