

NATIONAL CENTER FOR YOUTH LAW

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

DECEMBER 31, 2024

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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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, 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 9, 2025, 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

Walnut Creek, California
May 9, 2025

NATIONAL CENTER FOR YOUTH LAW

STATEMENT OF FINANCIAL POSITION

December 31, 2024

With comparative totals at December 31, 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 5,007,472	\$ 4,858,747
Accounts receivable	908,261	1,006,365
Grants and pledges receivable, net (Note 4)	4,127,072	4,697,292
Prepaid expenses	305,381	348,166
Deposits	70,231	70,071
Investments (Note 5)	12,134,309	13,294,233
Property and equipment (Note 6)	3,832	61,111
Right-of-use-assets - operating leases (Note 7)	<u>223,569</u>	<u>920,824</u>
TOTAL ASSETS	<u><u>\$ 22,780,127</u></u>	<u><u>\$ 25,256,809</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 192,547	\$ 289,449
Accrued payroll	288,916	306,589
Accrued vacation	880,890	816,749
Accrued liabilities other	306,318	283,327
Lease liabilities - operating leases (Note 7)	<u>251,133</u>	<u>1,019,302</u>
TOTAL LIABILITIES	<u>1,919,804</u>	<u>2,715,416</u>
NET ASSETS		
Without donor restrictions	12,608,515	13,367,663
With donor restrictions (Note 8)	<u>8,251,808</u>	<u>9,173,730</u>
TOTAL NET ASSETS	<u>20,860,323</u>	<u>22,541,393</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 22,780,127</u></u>	<u><u>\$ 25,256,809</u></u>

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, 2024

With comparative totals for the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	2024	2023
REVENUE AND SUPPORT				
Foundation grants and contracts	\$ 5,770,325	\$ 7,232,274	\$ 13,002,599	\$ 6,671,360
Government grants and contracts		3,519,960	3,519,960	4,275,711
In-kind support (Note 11)	1,268,284		1,268,284	2,804,734
Attorneys fees	679,342		679,342	1,077,347
Law firms and corporate giving	167,793		167,793	151,466
Contributions	146,268		146,268	152,962
Miscellaneous	1,331		1,331	119,875
Restitution/Cy Pres settlements			-	743,144
Net assets released from restrictions (Note 8)	11,674,156	(11,674,156)	-	-
TOTAL REVENUE AND SUPPORT	19,707,499	(921,922)	18,785,577	15,996,599
EXPENSES				
Program services	16,987,986		16,987,986	18,129,288
Management and general	2,698,815		2,698,815	2,654,031
Fundraising	1,379,127		1,379,127	1,053,701
TOTAL EXPENSES	21,065,928	-	21,065,928	21,837,020
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(1,358,429)	(921,922)	(2,280,351)	(5,840,421)
OTHER CHANGES				
Interest and dividend income	384,576		384,576	240,084
Gain on investments	357,758		357,758	398,997
Discount on grants and pledge receivable	(143,053)		(143,053)	-
TOTAL OTHER CHANGES	599,281	-	599,281	639,081
CHANGE IN NET ASSETS	(759,148)	(921,922)	(1,681,070)	(5,201,340)
NET ASSETS, BEGINNING OF YEAR	13,367,663	9,173,730	22,541,393	27,742,733
NET ASSETS, END OF YEAR	\$ 12,608,515	\$ 8,251,808	\$ 20,860,323	\$ 22,541,393

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, 2024

With comparative totals for the year ended December 31, 2023

	Program Services								Total Program Services	Management and General	Fundraising	Total Expenses	
	Youth Justice	Child Welfare	Health and Information	Education	Legal Strategies	Immigration	Compassionate Systems	Other Program				2024	2023
Salaries	\$ 1,747,873	\$ 456,235	\$ 1,583,701	\$ 588,089	\$ 1,563,524	\$ 924,032	\$ 2,736,422	\$ -	\$ 9,599,876	\$ 1,227,270	\$ 892,290	\$ 11,719,436	\$ 10,939,372
Employee benefits	307,857	74,818	271,584	89,386	235,898	166,755	562,660	783	1,709,741	168,880	138,748	2,017,369	1,921,796
Payroll taxes	133,032	36,547	117,654	45,735	114,367	68,696	203,744		719,775	78,338	67,693	865,806	782,402
Total personnel costs	2,188,762	567,600	1,972,939	723,210	1,913,789	1,159,483	3,502,826	783	12,029,392	1,474,488	1,098,731	14,602,611	13,643,570
Fees for service	61,958	27,322	458,028	15,577	28,348	19,178	114,042	39,947	764,400	707,882	145,904	1,618,186	1,487,866
In-kind legal services (Note 11)					566,574	512,536		153,008	1,232,118	36,165		1,268,283	2,804,734
Grants	600,000		514,953	30,000			20,000		1,164,953			1,164,953	1,101,009
Occupancy	81,888	15,940	109,843	27,220	93,137	124,836	127,013		579,877	115,573	51,195	746,645	858,029
Information technology	68,265	16,826	70,523	23,492	56,050	46,193	167,765	837	449,951	116,012	48,692	614,655	550,530
Travel	131,239	24,962	77,215	17,585	39,569	42,649	90,862	1,197	425,278	57,937	8,730	491,945	380,346
Conferences and meetings	12,218	6,066	7,425	2,376	15,277	3,835	33,101	185	80,483	44,925	4,556	129,964	186,019
Office expenses	15,099	5,310	17,402	6,506	11,413	8,065	15,407		79,202	42,172	6,406	127,780	431,872
Other expense	13,880	1,425	9,982	7,736	4,344	8,517	6,652		52,536	17,295	5,706	75,537	112,800
Insurance	10,956	2,631	9,955	3,413	8,462	5,696	21,857		62,970	5,259	5,239	73,468	67,048
Depreciation	6,436	1,223	10,275	1,115	6,517	11,402	6,722		43,690	9,824	3,765	57,279	62,997
Dues, licenses, and service fees	5,380	1,580	2,521	1,517	5,410	3,518	1,379		21,305	29,570	126	51,001	89,991
Accounting									-	35,500		35,500	30,900
Bank fees	99								99	6,046	1	6,146	5,643
Advertising and promotion	236	34	167	45	108	71	1,071		1,732	167	76	1,975	8,166
Bad debt expense									-			-	15,500
TOTAL 2024 FUNCTIONAL EXPENSES	\$ 3,196,416	\$ 670,919	\$ 3,261,228	\$ 859,792	\$ 2,748,998	\$ 1,945,979	\$ 4,108,697	\$ 195,957	\$ 16,987,986	\$ 2,698,815	\$ 1,379,127	\$ 21,065,928	
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

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, 2024

With comparative totals for the year ended December 31, 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,681,070)	\$ (5,201,340)
Adjustments to reconcile change in net assets to net cash (used)		
by operating activities:		
Depreciation	57,279	62,997
(Gain) on investments	(357,757)	(363,139)
Reinvested interest and dividends	(85,249)	(35,858)
Amortization of right-of-use asset - operating	697,255	762,189
Discount on grant and pledge receivable	143,053	-
(Increase) decrease in operating assets:		
Accounts receivable	98,104	627,961
Grants receivable	427,167	4,303,576
Prepaid expenses	42,785	(12,081)
Deposits	(160)	5,186
Increase (decrease) in operating liabilities:		
Accounts payable	(96,902)	(262,599)
Accrued payroll	(17,673)	16,218
Accrued vacation	64,141	48,147
Accrued liabilities other	22,991	4,323
Principal payments on operating lease liabilities	(768,169)	(671,907)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(1,454,205)</u>	<u>(716,327)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	22,656,000	20,064,030
Purchase of investments	(21,053,070)	(22,228,238)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,602,930</u>	<u>(2,164,208)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>148,725</u>	<u>(2,880,535)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,858,747</u>	<u>7,739,282</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 5,007,472</u></u>	<u><u>\$ 4,858,747</u></u>

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

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

1. Organization

Every right defended. Every voice heard.

Through innovative research, community collaboration, impact litigation, and policy advocacy, NCYL pursues game-changing solutions that shift power to young people, improve the systems that impact their lives, and support families and communities.

For over fifty years, the National Center for Youth Law ("NCYL") has fought for the rights and well-being of children and youth to ensure that every child — regardless of race, family income, gender identity, or immigration status — has the freedom, support, and power to thrive.

Our work starts with listening. Young people and their families show us where barriers arise, in classrooms, clinics, neighborhoods, and courts, and help shape NCYL's innovative solutions. Shoulder to shoulder, we craft strategies built to last beyond any single lawsuit or administration.

NCYL attorneys, policy experts, and advocates fight across the country to:

- File landmark cases to protect and enforce children's rights.
- Draft and support policies to help end harmful practices and promote just, child-centered ones.
- Equip educators, health providers, and communities with training and research that turns insight into action.
- Launch community rooted pilots that prove what genuine care looks like.

Together, NCYL turns young people's lived expertise into concrete change.

Where NCYL Focuses

- Youth Justice: NCYL replaces punitive approaches with community based, health centered responses that treat children as children and sharply reduce recidivism.
- Children's Human Rights: NCYL keeps children with their families—not in custody—and secure the rights and resources they need to heal and thrive through litigation, advocacy, and coalition action.
- Education: NCYL centers youth to ensure equitable learning and safe, supportive schools for every child—especially those facing disability, racism, or poverty.
- Health: NCYL fights to ensure access to comprehensive physical, mental, and emotional care for every child, dismantling barriers like foster or justice involvement, bias, and poverty.
- Foster System: NCYL works to support families and communities to prevent unnecessary removals and guarantee safety, stability, and rapid family reunification when placement is unavoidable.
- Ending Child Sex Trafficking: NCYL works to end the exploitation of children and help coordinate research, policy, and practice so exploited youth can heal and thrive.

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

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.

Accounts Receivable

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

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Grants and Pledge 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 one year.

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.

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).

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.

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

Recently Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces a new impairment model, the current expected credit loss (CECL) model. The model applies to most assets that are measured at amortized cost and requires those assets to be presented at the net amount expected to be collected. In addition, credit losses on available-for-sale debt securities are to be recognized through an allowance account. ASU 2016-13 also expands existing disclosure requirements. For nonpublic entities, ASU 2019-10 delayed the effective date of ASU 2016-13, and related subsequent ASUs, to fiscal years beginning after December 15, 2022. Management has determined that the adoption did not have a significant impact on the amounts reported in the financial statements for the year ended December 31, 2024.

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.

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.

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.

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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, 2023, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through May 9, 2025, 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.

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, 2024, 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	\$ 5,007,472
Accounts receivable	908,261
Grants receivable	1,570,125
Investments	<u>12,134,309</u>
	19,620,167
Less: donor restricted funds	<u>(8,420,013)</u>
Financial assets available	<u>\$11,200,154</u>

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

4. Grants and Pledge Receivable

Grants and pledge receivable are recorded as support when committed unless designated otherwise. All grants and pledges 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, 2024. Discount rate 4.50% has been used to calculate the present value of grants and pledge receivable. Total grants and pledge receivable at December 31, 2024 of \$4,025,072 is expected to be collected as follows:

<u>Year ending December 31,</u>	
2025	\$1,570,125
2026	2,050,000
2027	<u>650,000</u>
	4,270,125
Less: unamortized discount on grants receivable	<u>(143,053)</u>
Grants and pledge receivable, net	<u>\$4,127,072</u>

5. Investments

Investments at December 31, 2024 consist of the following:

Bonds	\$ 2,116,402
Exchange traded funds	<u>10,017,907</u>
	<u>\$12,134,309</u>

6. Property and Equipment

Property and equipment at December 31, 2024 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>(731,328)</u>
	<u>\$ 3,832</u>

Depreciation expense during the year ended December 31, 2024 was \$57,278.

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

7. Right-of-Use Assets and Lease 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 three 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, 2024. No additional options have been included.

Cash paid for operating leases for the year ended December 31, 2024 was \$702,448. There were no non-cash financing transactions related to leasing during the year ended December 31, 2024.

The weighted average of remaining lease terms and weighted average of discount rates for financing leases as of December 31, 2024 were 1.77 years and 2.88%, respectively.

Future maturities of the lease liabilities as of December 31, 2024, is as follows:

<u>Year ending December 31,</u>	
2025	\$ 227,373
2026	225,978
2027	<u>28,461</u>
Total lease payments	481,812
Less: present value discount	<u>(230,679)</u>
	<u>\$ 251,133</u>

Lease expense under operating leases for the year ended December 31, 2024 was \$746,644.

The above maturities reflect rental agreements in effect as of December 31, 2024. NCYL continually renegotiates its lease agreements; therefore, future maturity amounts may change.

Assets related to the operating lease at December 31, 2024 consist of the following:

ROU asset balance at January 1, 2024	\$ 920,824
Less: accumulated amortization	<u>(697,255)</u>
ROU asset balance at December 31, 2024	<u>\$ 223,569</u>

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

8. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2024 consist of the following:

Youth Justice - CA	\$3,612,806
Compassionate Ed Systems – CA	1,099,721
Child Trafficking	728,546
Immigration	632,929
Reproductive Health	520,710
Education	453,333
Child Welfare	384,458
Adolescent Health	266,417
Eliminating Fines and Fees	203,125
Youth Justice – CO	183,096
FosterED AZ	166,668
	<u>\$8,251,809</u>

For the year ended December 31, 2024, net assets with donor restrictions released from purpose restrictions were \$11,505,951.

9. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2024 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$10,017,907	\$ -	\$ -	\$10,017,907
Exchange trade funds	1,346,921			1,346,921
Bond funds	768,929			768,929
Equities	518			518
Cash	34	-	-	34
	<u>\$12,134,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,134,309</u>

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

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

9. Fair Value Measurements, continued

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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Grants commitments – new	\$ -	\$	\$7,697,200	\$7,697,200
Donated services		<u>1,268,284</u>		<u>1,268,284</u>
	<u>\$ -</u>	<u>\$1,268,284</u>	<u>\$7,697,200</u>	<u>\$8,965,484</u>

The fair value of grants 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.

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, 2024 was \$1,268,284.

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, 2024. Employer contributions under this plan for the year ended December 31, 2024 were \$449,723.

ADDITIONAL INFORMATION

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
National Center for Youth Law

We have audited, in accordance with the 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, the financial statements of National Center for Youth Law (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2024, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Center for Youth Law's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Center for Youth Law's internal control. Accordingly, we do not express an opinion on the effectiveness of National Center for Youth Law's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Center for Youth Law's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***
continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Walnut Creek, California
May 9, 2025