

NATIONAL CENTER FOR YOUTH LAW

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Center for Youth Law

Report on the Financial Statements

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, 2018, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issue by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Center for Youth Law as of December 31, 2018, 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited the National Center for Youth Law's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Oakland, California
April 27, 2019

NATIONAL CENTER FOR YOUTH LAW

STATEMENT OF FINANCIAL POSITION

December 31, 2018

With comparative totals at December 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 2,418,060	\$ 1,257,267
Accounts receivable	604,199	656,578
Grants receivable (Note 4)	4,089,490	2,555,217
Prepaid expenses	161,727	109,295
Deposits	26,232	21,304
Investments (Note 5)	2,488,091	1,369,546
Property and equipment (Note 6)	185,403	252,561
TOTAL ASSETS	<u><u>\$ 9,973,202</u></u>	<u><u>\$ 6,221,768</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 228,856	\$ 167,465
Accrued payroll	165,999	113,690
Accrued vacation	421,369	256,497
Accrued liabilities other	164,703	121,500
TOTAL LIABILITIES	<u>980,927</u>	<u>659,152</u>
NET ASSETS		
Without donor restrictions	2,403,891	2,021,970
With donor restrictions (Note 7)	6,588,384	3,540,646
TOTAL NET ASSETS	<u>8,992,275</u>	<u>5,562,616</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,973,202</u></u>	<u><u>\$ 6,221,768</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, 2018

With comparative totals for the year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2018	2017
REVENUE AND SUPPORT				
Foundation grants and contracts	\$ 1,830,916	\$ 8,259,361	\$ 10,090,277	\$ 4,431,939
In-kind support (Note 10)	4,217,205		4,217,205	1,491,505
Government grants and contracts	2,422,998		2,422,998	1,476,928
Attorneys fees	187,590		187,590	434,535
Contributions	229,593		229,593	125,842
Law firms and corporate giving	49,956		49,956	42,540
Miscellaneous	4,862		4,862	15
Net assets released from restrictions (Note 7)	5,211,623	(5,211,623)	-	-
TOTAL REVENUE AND SUPPORT	14,154,743	3,047,738	17,202,481	8,003,304
EXPENSES				
Program	12,270,172		12,270,172	7,228,571
Management and general	1,070,885		1,070,885	856,271
Fundraising	427,423		427,423	291,463
TOTAL EXPENSES	13,768,480	-	13,768,480	8,376,305
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	386,263	3,047,738	3,434,001	(373,001)
OTHER CHANGES				
Interest and dividend income	32,837		32,837	27,797
(Loss) gain on investments	(37,179)		(37,179)	124,181
TOTAL OTHER CHANGES	(4,342)	-	(4,342)	151,978
CHANGE IN NET ASSETS	381,921	3,047,738	3,429,659	(221,023)
NET ASSETS, BEGINNING OF YEAR	2,021,970	3,540,646	5,562,616	5,783,639
NET ASSETS, END OF YEAR	\$ 2,403,891	\$ 6,588,384	\$ 8,992,275	\$ 5,562,616

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, 2018

With comparative totals for the year ended December 31, 2017

	Juvenile Justice	Health and Information	Education Civil Rights Alliance	Legal Strategies	Immigration	FosterEd Arizona	FosterEd California	Other Program	Total Program Activities	Management and General	Fundraising	Total Expenses	
												2018	2017
Salaries	\$ 538,254	\$ 523,002	\$ 189,253	\$ 849,677	\$ 237,717	\$ 1,168,968	\$ 1,002,951	\$ 93,396	\$ 4,603,218	\$ 565,255	\$ 292,172	\$ 5,460,645	\$ 3,772,289
Employee benefits	92,402	106,722	25,679	125,046	36,849	244,731	179,497	19,057	829,983	103,321	44,894	978,198	706,211
Payroll taxes	39,708	39,011	13,961	62,769	17,230	86,684	74,224	6,779	340,366	43,207	21,555	405,128	281,793
Total personnel costs	670,364	668,735	228,893	1,037,492	291,796	1,500,383	1,256,672	119,232	5,773,567	711,783	358,621	6,843,971	4,760,293
In-kind legal services (Note 10)	12,336	3,295		4,029,010				70,627	4,115,268	101,937		4,217,205	1,491,505
Grants	40,000	495,871					10,500	82,660	629,031			629,031	653,123
Occupancy	61,154	44,418	28,574	101,103	24,239	66,329	44,883	10,335	381,035	50,747	25,855	457,637	225,810
Travel	63,360	39,665	36,968	51,569	7,655	67,736	105,059	15,013	387,025	18,800	8,552	414,377	352,317
Fees for service	5,251	77,395	862	6,798	31,748	145,963	35,221	32,743	335,981	41,852	6,858	384,691	216,535
Information technology	16,257	13,509	3,548	21,464	8,690	71,930	97,594	4,548	237,540	51,329	8,568	297,437	255,757
Office expenses	18,944	27,594	10,237	31,624	9,228	41,373	32,394	9,206	180,600	32,438	10,380	223,418	156,995
Depreciation	1,314	688	339	1,213	548	60,890	61,043	22	126,057	713	519	127,289	100,152
Conferences and meetings	11,487	10,062	4,205	3,701	1,237	5,569	15,754	2,769	54,784	21,541	5,542	81,867	78,162
Insurance	1,379	1,611	278	1,445	836	3,692	5,149	44	14,434	18,344	557	33,335	29,837
Dues, licenses, and service fees	1,716	2,433	1,236	7,942	1,128	967	3,790	1,044	20,256	5,004	1,878	27,138	13,872
Bad debt expense									13,207			13,207	-
Accounting	1					588	588	24	1,201	11,362		12,563	23,483
Bank fees	2	3				33	77	71	186	5,008		5,194	5,898
Advertising and promotion									-	15	93	108	49
Legal									-	12		12	11,088
Interest expense									-			-	1,429
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 903,565	\$ 1,385,279	\$ 315,140	\$ 5,293,361	\$ 377,105	\$ 1,965,453	\$ 1,681,931	\$ 348,338	\$ 12,270,172	\$ 1,070,885	\$ 427,423	\$ 13,768,480	
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 1,354,867	\$ 1,778,805	\$ 154,923	\$ 195,312	\$ -	\$ 1,200,268	\$ 1,136,329	\$ 1,408,067	\$ 7,228,571	\$ 856,271	\$ 291,463		\$ 8,376,305

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, 2018

With comparative totals for the year ended December 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,429,659	\$ (221,023)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	127,289	100,152
Loss (gain) on investments	37,179	(124,181)
Reinvested interest and dividends	(31,623)	(27,515)
(Increase) decrease in operating assets:		
Accounts receivable	52,379	(557,062)
Grants receivable	(1,534,273)	(39,974)
Prepaid expenses	(52,432)	(52,851)
Deposits	(4,928)	(12,177)
Increase (decrease) in operating liabilities:		
Accounts payable	61,391	38,528
Accrued payroll	52,309	31,932
Accrued vacation	164,872	45,527
Accrued liabilities other	43,203	9,576
	2,345,025	(809,068)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	724,114	430,920
Purchase of investments	(1,848,215)	(3,560)
Purchase of property and equipment	(60,131)	(36,263)
	(1,184,232)	391,097
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,160,793	(417,971)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,257,267	1,675,238
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,418,060	\$ 1,257,267

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

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

The National Center for Youth Law (“NCYL”) is a law firm that advances justice by defending the rights of children and improving the systems impacting their lives. We focus on complex challenges that disproportionately impact children and communities of color and on solutions that require multiple public systems to change their policies, practices and culture. For almost five decades, we have led cross-sector campaigns that weave together research, public awareness, demonstration projects, policy advocacy, coalition building, technical assistance, and litigation, when necessary.

NCYL lead campaigns that change laws and regulations, redesign government services, and hold public agencies accountable for the wellbeing of children in their care. Current campaigns include.

- Ensuring all youth who are in foster care, homeless, and involved in the youth justice system receive the educational opportunities they need to graduate from high school with a full array of college and career opportunities
- Protecting the civil rights of students and ensuring schools are safe, empowering places for all children working with the media to expose agencies that are failing kids in their care;
- Ending the criminalization of survivors of child sex trafficking and ensuring they get the services they need to heal and lead healthy, productive lives
- Empowering youth in foster care to make decisions about their bodies and futures by ensuring access to reproductive health care
- Ensuring youth in foster care receive effective mental health services rather than harmful and unnecessary psychotropic medications
- Ending the incarceration of youth as adults, reducing the number of children involved in the youth justice system, and eliminating juvenile fines and fees
- Ending the unconstitutional detention and protecting the due process rights of children in federal immigration custody

Through NCYL’s diverse campaigns, NCYL protects and advances the rights of children and youth by changing policy, practice, and culture within public agencies, improving communication between systems, and deepening collaboration between public systems and the communities they serve. We also support the advocacy efforts of public interest law firms by providing technical assistance to public interest attorneys. For almost five decades, we have ensured that government agencies effectively serve children in their care by:

- Helping public agencies rethink and redesign their services
- Embedding staff within public agencies (e.g. child welfare, school districts) to help them redesign service delivery
- Drafting and advocating for new laws and regulations that incentivize and fund public agencies to improve outcomes for children and youth
- Operating demonstration sites in which we work directly with children and families to launch and evaluate innovative services
- Raising public awareness through the media
- Bringing strategic lawsuits to catalyze and accelerate system change when necessary

continued

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.

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.

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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 two thousand dollars and the useful life is greater than one year.

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 8).

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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.

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted.

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. NCYL's financial statements for year-ended December 31, 2018 are presented in accordance with ASU 2016-14. Please see Note 3 for liquidity and available of resources disclosure.

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, 2017, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through April 27, 2019, 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 meets bi-annually to review all financial aspects of the organization and receives financial advice from NCYL's financial advisors on investment results, risk assessment, and recommendations on 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, 2018, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$2,418,060
Accounts receivable, net	604,199
Grants receivable, available within one year	2,727,490
Investments	<u>1,161,270</u>
	<u>\$6,911,019</u>

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

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, 2018. Unamortized discount on multi-year grants receivable is immaterial and has not been recorded. Total grants receivable at December 31, 2018 of \$4,089,490 is expected to be collected as follows:

<u>Year ending December 31,</u>	
2019	\$2,727,490
2020	<u>1,362,000</u>
	<u>\$4,089,490</u>

5. Investments

Investments at December 31, 2018 consist of the following:

Bonds	\$1,982,251
Equities	<u>505,840</u>
	<u>\$2,488,091</u>

6. Property and Equipment

Property and equipment at December 31, 2018 consist of the following:

Developed software	\$ 394,259
Furniture and equipment	79,217
Law library	57,873
Leasehold improvement	<u>9,350</u>
	540,699
Less: accumulated depreciation	<u>(355,296)</u>
	<u>\$ 185,403</u>

Depreciation expense during the year ended December 31, 2018 was \$127,289.

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

7. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2018 consist of the following:

FosterEd – California	\$2,524,445
CA Youth Justice	1,198,750
Immigration	904,583
Fine and Fees	577,778
FosterEd – Arizona	558,333
CSEC	385,000
ECRA	200,000
Reproductive Health	181,250
Legal Strategies	37,500
Child Welfare	11,750
Summer Program	7,500
Fiza Fellowship	1,495
	<u>\$6,588,384</u>

For the year ended December 31, 2018, net assets with donor restrictions released from purpose restrictions were \$5,211,623.

8. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2018 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds				
Large blend	\$ 375,224	\$ -	\$ -	\$ 375,224
World large	128,650			128,650
Large value	1,011			1,011
Large core	<u>955</u>			<u>955</u>
Total equity funds	<u>505,840</u>	<u>-</u>	<u>-</u>	<u>505,840</u>
Bonds				
Government	1,326,821			1,326,821
Short-term bond	492,416			492,416
Intermediate-term bond	<u>163,014</u>			<u>163,014</u>
Total bond funds	<u>1,982,251</u>	<u>-</u>	<u>-</u>	<u>1,982,251</u>
Total exchange traded funds	<u>\$2,488,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,488,091</u>

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

8. Fair Value Measurements, continued

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

The table below presents transactions measured at fair value on a non-recurring basis during the year ended December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Grants commitments – new	\$ -	\$ -	\$4,089,490	\$4,089,490
Donated services		<u>4,217,205</u>		<u>4,217,205</u>
	<u>\$ -</u>	<u>\$4,217,205</u>	<u>\$4,089,490</u>	<u>\$8,306,695</u>

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

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 commitment and based on evaluating the credit worthiness of the grantor (Level 3 inputs).

9. 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 four offices and a copier under operating lease. The lease term for the main Oakland office extends to December 31, 2019. 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>	
2019	\$441,585
2020	156,341
2022	<u>4,806</u>
	<u>\$602,732</u>

Rent expense under the operating lease for the year ended December 31, 2018 was \$457,637.

continued

NATIONAL CENTER FOR YOUTH LAW

NOTES TO FINANCIAL STATEMENTS

10. 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 staff attorneys and law clerks. Total amount of in-kind support for the year ended December 31, 2018 was \$4,217,205.

Legal fees	\$2,418,848
Legal fees and expenses	1,664,313
Volunteer staff attorney	68,159
Law clerks	<u>65,885</u>
	<u>\$4,217,205</u>

11. 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, 2018. Employer contributions under this plan for the year ended December 31, 2018 were \$207,827.