

SOUTHERN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

With Independent Auditor's Report Thereon

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Southern Center for Human Rights

We have audited the accompanying financial statements of Southern Center for Human Rights (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 aspects, the financial position of Southern Center for Human Rights, as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Morrow, Georgia
April 11, 2018

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	ASSETS	
	2017	2016
CURRENT ASSETS		
Cash	\$ 306,830	\$ 315,542
Investments	7,327,163	6,533,665
Contributions receivable	140,269	17,628
Pledges receivable	430,000	37,500
Prepays	<u>10,376</u>	<u>29,895</u>
TOTAL CURRENT ASSETS	8,214,638	6,934,230
FIXED ASSETS		
Land	73,335	73,335
Building and improvements	936,048	936,048
Capital improvements	10,088	10,088
Furniture, fixtures and equipment	85,204	69,096
Automobiles	116,668	98,768
Accumulated depreciation	<u>(600,870)</u>	<u>(547,195)</u>
TOTAL FIXED ASSETS	<u>620,473</u>	<u>640,140</u>
TOTAL ASSETS	<u>\$ 8,835,111</u>	<u>\$ 7,574,370</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 43,672	\$ 50,085
Accrued expenses	<u>6,222</u>	<u>3,634</u>
TOTAL CURRENT LIABILITIES	<u>49,894</u>	<u>53,719</u>
TOTAL LIABILITIES	<u>49,894</u>	<u>53,719</u>
NET ASSETS		
Unrestricted	7,266,837	5,904,855
Temporarily restricted	<u>1,518,380</u>	<u>1,615,796</u>
TOTAL NET ASSETS	<u>8,785,217</u>	<u>7,520,651</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,835,111</u>	<u>\$ 7,574,370</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORTS		
Investment revenue	\$ 1,145,099	\$ 511,990
Foundation grants	959,139	655,619
Individual contributions	697,301	557,492
Special events, net	383,389	312,698
Attorneys fees	315,371	32,742
Grant pass through	10,975	1,658
Other revenue	1,011	750
Gain on disposal of fixed asset	-	4,583
Net assets released from restriction	<u>626,974</u>	<u>961,011</u>
 TOTAL REVENUES, GAINS AND OTHER SUPPORTS	 4,139,259	 3,038,543
 EXPENSES		
Program activities	2,381,624	1,898,719
Management and general	244,924	267,943
Fundraising	<u>150,729</u>	<u>171,563</u>
 TOTAL EXPENSES	 <u>2,777,277</u>	 <u>2,338,225</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 1,361,982	 700,318
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Foundation grants	509,558	540,417
Sponsorships	20,000	20,000
Net assets released from restriction	<u>(626,974)</u>	<u>(961,011)</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>(97,416)</u>	 <u>(400,594)</u>
 CHANGE IN NET ASSETS	 1,264,566	 299,724
 NET ASSETS AT THE BEGINNING OF THE YEAR	 <u>7,520,651</u>	 <u>7,220,927</u>
 NET ASSETS AT THE END OF THE YEAR	 <u>\$ 8,785,217</u>	 <u>\$ 7,520,651</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Program activities		Management and general		Fundraising		Totals	
	2017	2016	2017	2016	2017	2016	2017	2016
Salaries	\$ 1,119,969	\$ 1,018,396	\$ 111,476	\$ 130,431	\$ 85,090	\$ 76,849	\$ 1,316,535	\$ 1,225,676
Payroll taxes and benefits	347,942	342,519	61,963	57,939	38,232	34,824	448,137	435,282
Litigation expenses	382,501	125,649	-	-	-	-	382,501	125,649
Office expenses	189,839	157,084	6,427	7,735	2,832	10,449	199,098	175,268
Depreciation	44,221	44,864	6,633	6,729	4,422	4,486	55,276	56,079
Staff development	50,857	32,008	313	6,236	-	3,325	51,170	41,569
Development	34,408	25,763	1,574	1,040	9,502	31,109	45,484	57,912
Occupancy expenses	25,926	24,497	5,050	4,772	2,694	2,544	33,670	31,813
Computer consulting	31,700	22,203	-	3,210	-	1,337	31,700	26,750
Professional fees	686	-	25,629	22,272	86	-	26,401	22,272
Insurance	22,299	22,228	1,840	1,678	469	573	24,608	24,479
Grant pass through	24,015	4,266	-	-	-	-	24,015	4,266
Public policy	23,791	4,790	-	-	-	-	23,791	4,790
Telephone	17,647	9,304	2,206	1,813	2,206	967	22,059	12,084
Repairs and maintenance	15,587	18,594	2,759	2,610	1,471	1,392	19,817	22,596
Postage and shipping	15,763	6,875	1,436	1,340	1,436	714	18,635	8,929
Office supplies	13,761	23,015	1,720	3,974	1,720	2,347	17,201	29,336
Service charges	-	-	15,329	15,512	-	-	15,329	15,512
Travel expenses	13,048	8,492	569	652	569	647	14,186	9,791
Auto expense	7,664	8,172	-	-	-	-	7,664	8,172
TOTAL EXPENSES	\$ 2,381,624	\$ 1,898,719	\$ 244,924	\$ 267,943	\$ 150,729	\$ 171,563	\$ 2,777,277	\$ 2,338,225

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

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$1,264,566	\$ 299,724
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities		
Depreciation	55,276	56,079
Unrealized gain on investments	(860,363)	(347,209)
Realized gain on investments	(142,140)	(30,850)
Gain on disposal of assets	-	(4,583)
(Increase) decrease in operating assets		
Contributions receivable	(122,641)	(13,813)
Pledges receivable	(392,500)	745,947
Prepays	19,519	(9,894)
(Decrease) increase in operating liabilities		
Accounts payable	(6,413)	19,536
Accrued expenses	<u>2,588</u>	<u>3,634</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(182,108)	718,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	1,674,306	1,063,339
Purchase of investments	(1,465,301)	(1,708,916)
Purchase of fixed assets	(35,609)	(48,091)
Proceeds from disposal of fixed assets	<u>-</u>	<u>4,931</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	173,396	(688,737)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	(8,712)	29,834
CASH AT THE BEGINNING OF THE YEAR	<u>315,542</u>	<u>285,708</u>
CASH AT THE END OF THE YEAR	<u>\$ 306,830</u>	<u>\$ 315,542</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. ORGANIZATION

Southern Center for Human Rights (“SCHR”) was incorporated in 1978 under the Tennessee General Corporation Act as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified SCHR as a publicly supported charitable organization which allows donors to SCHR to take the maximum charitable contribution deduction. SCHR, located in Atlanta, Georgia, provides free legal representation to poor and disadvantaged people facing the death penalty or subject to unconstitutional conditions in prisons or jails throughout the Southeastern United States. SCHR is also engaged in efforts to improve indigent defense systems and to bring about greater independence of the judiciary. In addition, SCHR promotes the advancement of human and civil rights through the performance of informative research and the publication of various educational materials including manuals for lawyers engaged in capital defense and/or human rights litigation in the South.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

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

Unrestricted net assets – net assets not subject to donor imposed restrictions.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of SCHR and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are reported.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Estimates

Management of SCHR makes estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with GAAP. Actual results could differ from these estimates.

Fair value of financial instruments

The financial instruments shown as assets and liabilities in the statements of financial position are traditional in nature. The carrying value of cash and cash equivalents and all other financial instruments, including receivables and payables, approximate their fair value.

Cash and cash equivalents

For financial statement purposes, highly liquid investments with original maturities of three months or less when purchased are reported as cash and cash equivalents. For the years ended December 31, 2017 and 2016, SCHR had no cash equivalents.

Investments

Investments in equity and debt securities are reported at fair value with realized and unrealized gains and losses included in the statements of activities. Realized and unrealized gains or losses on marketable securities are determined by using specific identification.

Fixed assets

Fixed assets are stated on the basis of cost with the exception of donated items, which are stated at fair market value at the date of donation. Expenditures for renewals and improvements are charged to the property accounts. Expenditures such as maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to operations. The cost and related accumulated depreciation are removed from the accounts for equipment sold or retired. Acquisitions that have an estimated useful life greater than one year are capitalized and are depreciated on the straight-line basis. Estimated useful lives are as follows:

<u>Asset Category</u>	<u>Useful Lives</u>
Building and improvements	31.5 – 39.5 years
Furniture, fixtures and equipment	5 – 7 years
Automobiles	5 years
Software	3 years

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net assets

Temporarily restricted net assets at December 31, 2017 and 2016 consisted of the following grants and contributions restricted for time, internship program, event sponsorships and other program specific purposes.

	2017	2016
Restricted to create and fund fellowships	\$ 745,130	\$ 711,019
Restricted for time	497,917	306,189
Restricted to support attorney salaries	158,554	158,554
Restricted to support internships	96,779	112,500
Restricted for event sponsorship	20,000	20,000
Restricted for capital unit expenses	<u> -</u>	<u> 307,534</u>
 Total Temporarily Restricted Funds	 <u>\$ 1,518,380</u>	 <u>\$ 1,615,796</u>

Contributed services

SCHR receives contributed services from various individuals, including its executive director, that have not been recorded in the financial statements. In addition, entry level staff attorneys provide their services at approximately \$40,000 per year, which is substantially less than the market value of such services. Generally, top law school graduates can receive starting salaries in excess of \$120,000 and typically earn significantly more after a few years of experience. During the current year, marketing services of \$6,000 were contributed.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. For purposes of complying with restricted grants, the SCHR allocates management and fundraising expenses to four major programs: human rights of prisoners, capital punishment cases, judicial independence and indigent defense.

Income taxes

SCHR qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is only subject to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose. SCHR had no income from unrelated activities and has no income taxes due as of December 31, 2017 and 2016.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income taxes - continued

SCHR's application of ASC 740 regarding uncertain tax positions had no effect on its financial position as management believes SCHR has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. SCHR would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. SCHR is no longer subject to examination by federal, state or local tax authorities for periods before 2014.

Subsequent events

Subsequent events have been evaluated through April 11, 2018, which is the date the financial statements were available to be issued.

3. INVESTMENTS

Investments as of December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Mutual Funds – Domestic Stock	\$ 3,424,678	\$ 3,060,530
Mutual Funds – International Stock	2,067,714	1,829,322
Mutual Funds – Fixed Income	1,794,202	1,643,813
Exchange-Traded Funds	29,219	-
Equity securities	<u>11,350</u>	<u>-</u>
Total	<u>\$ 7,327,163</u>	<u>\$ 6,533,665</u>

The following is a summary of investment revenue:

	<u>2017</u>	<u>2016</u>
Unrealized gain on investments	\$ 860,363	\$ 347,209
Interest and dividend revenue	162,618	152,388
Realized gain on investments	142,140	30,850
Investment fees	<u>(20,022)</u>	<u>(18,457)</u>
Total	<u>\$ 1,145,099</u>	<u>\$ 511,990</u>

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

4. FAIR VALUE MEASUREMENTS

SCHR adopted the provisions of Accounting Standards Codification 820 (“ASC 820”), Fair Value Measurements, for financial assets and liabilities. Under ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Unobservable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

The following table summarized SCHR’s financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2017:

	Total	Level 1	Level 2	Level 3
Mutual Funds:				
– Domestic Stock	\$ 3,424,678	\$ 3,424,678	\$ -	\$ -
– International Stock	2,067,714	2,067,714	-	-
– Fixed Income	1,794,202	1,794,202	-	-
Exchange-Traded Funds	29,219	29,219	-	-
Domestic Stock	<u>11,350</u>	<u>11,350</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,327,163</u>	<u>\$ 7,327,163</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarized SCHR’s financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2016:

	Total	Level 1	Level 2	Level 3
Mutual Funds:				
– Domestic Stock	\$ 3,060,530	\$ 3,060,530	\$ -	\$ -
– International Stock	1,829,322	1,829,322	-	-
– Fixed Income	<u>1,643,813</u>	<u>1,643,813</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,533,665</u>	<u>\$ 6,533,665</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

5. OPERATING LEASES

SCHR entered into a new copier lease in December 2017. The lease has a monthly payment of \$967 that is required through November 2022.

Future minimum lease payments under the operating leases are as follows:

Year ended December 31,	
2018	\$ 11,604
2019	11,604
2020	11,604
2021	11,604
2022	<u>10,637</u>
Total	<u>\$ 57,053</u>

6. SPECIAL EVENTS

SCHR held receptions or dinners in various cities in order to raise funds. The net proceeds from these events are reported as special events revenue in the accompanying statements of activities. The following are summaries of these activities for the year ended December 31, 2017 and 2016:

	<u>2017</u>		
	Revenue	Expenses	Net revenue
Frederick Douglass Dinner	\$ 359,040	\$ 107,745	\$ 251,295
Atlanta Benefit	84,645	35,556	49,089
New York	35,776	1,075	34,701
San Francisco Event	59,365	6,158	53,207
Other events	<u>-</u>	<u>4,903</u>	<u>(4,903)</u>
Total	<u>\$ 538,826</u>	<u>\$ 155,437</u>	<u>\$ 383,389</u>
	<u>2016</u>		
	Revenue	Expenses	Net revenue
Frederick Douglass Dinner	\$ 285,187	\$ 88,663	\$ 196,524
Atlanta Benefit	80,180	31,390	48,790
San Francisco Event	51,890	2,300	49,590
New York	17,360	566	16,794
Other events	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total	<u>\$ 435,617</u>	<u>\$ 122,919</u>	<u>\$ 312,698</u>

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

7. EMPLOYEE BENEFIT PLAN

SCHR adopted a defined contribution retirement plan effective April 1, 2001. Contributions from SCHR begin after one year of service and are 4% of each participant's compensation as defined in the summary plan description. All employees are eligible to participate in the plan upon employment and employees become vested after three years. During the years ended December 31, 2017 and 2016, SCHR contributed \$43,161 and \$39,822, respectively, to the plan.

8. CONCENTRATION OF RISK

SCHR maintains its cash in accounts, which at times may exceed federally insured limits. SCHR has not experienced any losses in such accounts. Management believes it is not exposed to any undue credit risk with regards to the cash in excess of federally insured limits.