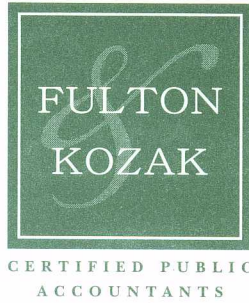


SOUTHERN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

With Independent Auditors' Report Thereon



INDEPENDENT AUDITORS' 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, 2012 and 2011, 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 audit. We conducted our audit 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, 2012 and 2011, 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
March 18, 2013

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

| ASSETS | | |
|---|----------------------------|----------------------------|
| | 2012 | 2011 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 276,084 | \$ 187,879 |
| Investments | 3,916,688 | 3,068,781 |
| Contributions receivable | 237,126 | 184,628 |
| Pledges receivable | 494,200 | 0 |
| Prepays | <u>10,447</u> | <u>2,509</u> |
| TOTAL CURRENT ASSETS | 4,934,545 | 3,443,797 |
| Land | 73,335 | 73,335 |
| Building and improvements | 946,136 | 672,806 |
| Construction in Progress | 0 | 10,088 |
| Furniture, fixtures and equipment | 76,547 | 124,602 |
| Automobiles | 93,977 | 93,977 |
| Accumulated depreciation | <u>(474,365)</u> | <u>(482,578)</u> |
| | <u>715,630</u> | <u>492,230</u> |
| TOTAL ASSETS | <u>\$ 5,650,175</u> | <u>\$ 3,936,027</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ <u>36,026</u> | \$ <u>13,908</u> |
| TOTAL CURRENT LIABILITIES | 36,026 | 13,908 |
| NET ASSETS | | |
| Unrestricted | 4,087,977 | 3,517,830 |
| Temporarily restricted | <u>1,526,172</u> | <u>404,289</u> |
| TOTAL NET ASSETS | <u>5,614,149</u> | <u>3,922,119</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,650,175</u> | <u>\$ 3,936,027</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, 2012 AND 2011

| | 2012 | 2011 |
|--|---------------------|---------------------|
| CHANGE IN UNRESTRICTED NET ASSETS | | |
| REVENUES, GAINS AND OTHER SUPPORTS | | |
| Foundation grants | \$ 1,027,167 | \$ 1,014,250 |
| Attorneys fees | 423,193 | 90,756 |
| Grant pass through | 353,951 | 346,048 |
| Individual contributions | 346,417 | 295,389 |
| Special events, net | 257,496 | 238,392 |
| Investment income | 200,638 | (5,474) |
| Other income | 138,017 | 23,029 |
| Loss from disposal of fixed assets | (5,190) | 0 |
| Net assets released from restriction | <u>242,500</u> | <u>0</u> |
| TOTAL REVENUES, GAINS AND OTHER SUPPORTS | 2,984,189 | 2,002,390 |
| EXPENSES | | |
| Program activities | 1,907,132 | 1,850,701 |
| Management and general | 309,636 | 299,494 |
| Fundraising | <u>197,274</u> | <u>168,774</u> |
| TOTAL EXPENSES | 2,414,042 | 2,318,969 |
| CHANGE IN UNRESTRICTED NET ASSETS | 570,147 | (316,579) |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | |
| Individual contributions | 1,364,383 | 245,800 |
| Net assets released from restriction | <u>(242,500)</u> | <u>0</u> |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | <u>1,121,883</u> | <u>245,800</u> |
| CHANGE IN NET ASSETS | 1,692,030 | (70,779) |
| NET ASSETS AT THE BEGINNING OF THE YEAR | <u>3,922,119</u> | <u>3,992,898</u> |
| NET ASSETS AT THE END OF THE YEAR | <u>\$ 5,614,149</u> | <u>\$ 3,922,119</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, 2012 AND 2011

| | Program activities | | Management and general | | Fundraising | | Totals | |
|----------------------------|---------------------|---------------------|------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Salaries | \$ 773,065 | \$ 783,986 | \$ 172,200 | \$ 171,059 | \$ 105,199 | \$ 81,599 | \$ 1,050,464 | \$ 1,036,644 |
| Payroll taxes and benefits | 288,436 | 334,013 | 67,170 | 63,191 | 39,514 | 54,163 | 395,120 | 451,367 |
| Grant pass through | 356,951 | 346,087 | 0 | 0 | 0 | 0 | 353,951 | 346,087 |
| Litigation expenses | 271,422 | 167,821 | 0 | 0 | 0 | 0 | 271,422 | 167,821 |
| Office expenses | 41,095 | 41,925 | 8,827 | 9,666 | 5,107 | 958 | 55,029 | 52,549 |
| Depreciation | 35,373 | 32,129 | 7,810 | 7,093 | 2,756 | 2,504 | 45,939 | 41,726 |
| Development | 0 | 0 | 0 | 0 | 31,756 | 13,027 | 31,756 | 13,027 |
| Office supplies | 22,590 | 15,901 | 5,261 | 3,009 | 3,094 | 2,575 | 30,945 | 21,485 |
| Occupancy expenses | 20,200 | 25,789 | 4,704 | 4,879 | 2,767 | 4,182 | 27,671 | 34,850 |
| Computer consulting | 16,223 | 21,199 | 3,779 | 4,010 | 2,223 | 3,439 | 22,225 | 28,648 |
| Staff development | 21,180 | 14,477 | 637 | 23 | 0 | 20 | 21,817 | 14,520 |
| Repairs and maintenance | 16,635 | 17,532 | 2,891 | 2,177 | 1,700 | 1,865 | 21,226 | 21,574 |
| Service charges | 0 | 0 | 14,295 | 8,404 | 0 | 0 | 14,295 | 8,404 |
| Professional fees | 0 | 0 | 13,695 | 12,745 | 0 | 0 | 13,695 | 12,745 |
| Insurance | 9,014 | 9,678 | 2,999 | 8,056 | 0 | 0 | 12,013 | 17,734 |
| Postage and shipping | 8,638 | 7,039 | 2,011 | 1,332 | 1,183 | 1,141 | 11,832 | 9,512 |
| Telephone | 8,316 | 14,668 | 1,937 | 2,775 | 1,139 | 2,379 | 11,392 | 19,822 |
| Travel expenses | 6,670 | 5,821 | 1,420 | 1,075 | 836 | 922 | 8,926 | 7,818 |
| Auto expense | 6,350 | 5,231 | 0 | 0 | 0 | 0 | 6,350 | 5,231 |
| Public Policy | 4,974 | 2,816 | 0 | 0 | 0 | 0 | 4,974 | 2,816 |
| AWRN program expenses | 0 | 4,589 | 0 | 0 | 0 | 0 | 0 | 4,589 |
| TOTAL EXPENSES | \$ 1,907,132 | \$ 1,850,701 | \$ 309,636 | \$ 299,494 | \$ 197,274 | \$ 168,774 | \$ 2,414,042 | \$ 2,318,969 |

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, 2012 AND 2011

| | 2012 | 2011 |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$1,692,030 | (70,779) |
| Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities | | |
| Depreciation | 45,939 | 41,726 |
| Unrealized gain on investments | (84,016) | 103,584 |
| Loss on disposal of fixed assets | 5,190 | 0 |
| (Increase) decrease in operating assets | | |
| Contributions receivable | (52,498) | (71,594) |
| Pledges receivable | (494,200) | 0 |
| Prepays | (7,938) | 174 |
| Decrease (increase) in operating liabilities | | |
| Accounts payable | 22,118 | (5,861) |
| Accrued expenses | 0 | (10,469) |
| Deferred revenue | <u>0</u> | <u>(110,000)</u> |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | 1,126,625 | (123,219) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (763,891) | (537,444) |
| Purchase of fixed assets | (274,654) | (22,314) |
| Proceeds from disposal of fixed assets | <u>125</u> | <u>0</u> |
| NET CASH USED IN INVESTING ACTIVITIES | (1,038,420) | (559,758) |
| CASH FLOWS FROM FINANCING ACTIVITIES | <u>0</u> | <u>0</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 88,205 | (682,977) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>187,879</u> | <u>870,856</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 276,084</u> | <u>\$ 187,879</u> |
| SUPPLEMENTAL DISCLOSURE | | |
| Cash paid for interest | <u>\$ 0</u> | <u>\$ 0</u> |

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

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. ORGANIZATION

Southern Center for Human Rights (the "Center") 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 the Center as a publicly supported charitable organization which allows donors to the Center to take the maximum charitable contribution deduction. The Center, 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. The Center is also engaged in efforts to improve indigent defense systems and to bring about greater independence of the judiciary. In addition, the Center 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

• **Basis of accounting**

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

• **Basis of presentation of financial statements**

In accordance with ASC 958-210-45, *Financial Statements of Not-for-Profit Organizations*, the financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets.

• **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ materially from those 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.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Investments**

Investments in equity and debt securities are reported at fair value with realized and unrealized gains and losses included in the statement 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:

| Asset Category | Useful Lives |
|-----------------------------------|-------------------|
| Building and improvements | 31.5 – 39.5 years |
| Furniture, fixtures and equipment | 5 – 7 years |
| Automobiles | 5 years |
| Software | 3 years |

- **Net assets**

Southern Center for Human Rights' net assets and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified as unrestricted and temporarily restricted as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

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

- **Contributions**

The Center reports gifts of cash and other assets as restricted support if received with donor stipulations that limit the use of the donated assets and the restriction has not expired in the same period the contribution was received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Contributed services**

The Center 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 \$103,000 and typically earn significantly more after a few years of experience.

• **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 Center allocates management and fundraising expenses to four major programs: Human rights of prisoners, capital punishment cases, judicial independence and indigent defense.

• **Income taxes**

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC is subject to federal income tax. Accordingly, no provision for income taxes has been made.

3. INVESTMENTS

Investments as of December 31, 2012 and 2011 are summarized as follows:

| | <u>2012</u> | <u>2011</u> |
|------------------------------------|---------------------|---------------------|
| Mutual funds | \$ 2,635,029 | \$ 2,009,678 |
| Government fixed income securities | 825,311 | 599,919 |
| Alternative investments | 456,348 | 459,184 |
| Equity securities | <u>0</u> | <u>0</u> |
| Total | <u>\$ 3,916,688</u> | <u>\$ 3,068,781</u> |

The following is a summary of investment income (loss):

| | <u>2012</u> | <u>2011</u> |
|--------------------------------|-------------------|-------------------|
| Interest and dividend income | \$ 130,655 | \$ 85,283 |
| Realized loss on investments | 23,984 | 48,808 |
| Unrealized gain on investments | 84,016 | (103,584) |
| Investment fees | <u>(38,017)</u> | <u>(35,981)</u> |
| Total | <u>\$ 200,638</u> | <u>\$ (5,474)</u> |

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS –Continued

4. FAIR VALUE MEASUREMENTS

During the year ended December 31, 2009, the Center 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 the Center’s financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2012:

| | Total | Level 1 | Level 2 | Level 3 |
|------------------------------------|---------------------|---------------------|----------------|-------------------|
| Mutual funds | \$ 2,635,029 | \$ 2,635,029 | \$ 0 | \$ 0 |
| Government fixed income securities | 825,311 | 825,311 | 0 | 0 |
| Alternative investments | <u>456,348</u> | <u>0</u> | <u>0</u> | <u>456,348</u> |
| | <u>\$ 3,916,688</u> | <u>\$ 3,460,340</u> | <u>\$ 0</u> | <u>\$ 456,348</u> |

The following table summarized the Center’s financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2011:

| | Total | Level 1 | Level 2 | Level 3 |
|------------------------------------|---------------------|---------------------|----------------|-------------------|
| Mutual funds | \$ 2,009,678 | \$ 2,009,678 | \$ 0 | \$ 0 |
| Government fixed income securities | 599,919 | 599,919 | 0 | 0 |
| Alternative investments | <u>459,184</u> | <u>0</u> | <u>0</u> | <u>459,184</u> |
| | <u>\$ 3,068,781</u> | <u>\$ 2,609,597</u> | <u>\$ 0</u> | <u>\$ 459,184</u> |

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

4. FAIR VALUE MEASUREMENTS (Continued)

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs (Level 3) during the fiscal years ended December 31, 2012 and 2011:

| | 2012 | 2011 |
|-----------------------------|------------|------------|
| Beginning balance | \$ 459,184 | \$ 463,926 |
| Change in unrealized losses | (2,836) | (4,742) |
| Ending balance | \$ 456,348 | \$ 459,184 |

The following pertains to the valuation method for the Center's alternative investments. The Board Valuation Committee of the Master Fund oversees, and the Adviser's Valuation Committee implements, the valuation of the Master Fund's investments, including interests in the Investment Funds, in accordance with written policies and procedures (the "Valuation Procedures") that the Boards of the Master Fund and the Funds have approved for purposes of determining the value of securities held by the Master Fund, including the fair value of the Master Fund's investments in Investment Funds. The valuation of the Master Fund's investments is determined as of the close of business at the end of any fiscal period, generally monthly.

5. OPERATING LEASES

The Center entered into an operating lease for a copier in March 2009. The lease has a monthly payment of \$916 that is required through February 2014.

The Center entered into another operating lease for a copier in September 2009. The lease has a monthly payment of \$267 that is required through September 2014.

The Center entered into an operating lease for additional office space on October 1, 2009. The lease has a base year monthly payment of \$1,684 with annual increases. The lease expires on February 28, 2015.

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

| Year ended June 30, | Copier 1 | Copier 2 | Office 1 |
|---------------------|-----------|----------|-----------|
| 2013 | 1,832 | 2,403 | 22,255 |
| 2014 | 0 | 0 | 22,918 |
| 2015 | 0 | 0 | 3,906 |
| Total | \$ 12,824 | \$ 5,607 | \$ 70,689 |

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

6. SPECIAL EVENTS

The Center 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, 2012:

| | 2012 | | |
|---------------------------|-----------------------|----------------------|-----------------------|
| | Income | Expenses | Net income |
| Frederick Douglass Dinner | \$ 283,711 | \$ 63,272 | \$ 220,439 |
| Atlanta Benefit | <u>46,000</u> | <u>8,943</u> | <u>37,057</u> |
| Total | <u>\$ 329,711</u> | <u>\$ 72,215</u> | <u>\$ 257,496</u> |

| | 2011 | | |
|---------------------------|-----------------------|----------------------|-----------------------|
| | Income | Expenses | Net income |
| Frederick Douglass Dinner | \$ 221,460 | \$ 48,394 | \$ 173,066 |
| Atlanta Benefit | 36,773 | 2,614 | 34,159 |
| New York Reception | 17,619 | 3,398 | 14,221 |
| Chicago Reception | 15,950 | 2,031 | 13,919 |
| Boston Event | <u>6,700</u> | <u>3,673</u> | <u>3,027</u> |
| Total | <u>\$ 298,502</u> | <u>\$ 60,110</u> | <u>\$ 238,392</u> |

7. EMPLOYEE BENEFIT PLAN

The Center adopted a defined contribution retirement plan effective April 1, 2001. Contributions from the Center 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, 2012 and 2011, the Center contributed \$43,059 and \$40,560, respectively, to the plan.

8. CONCENTRATION OF RISK

The Center maintains its cash in accounts, which at times may exceed federally insured limits. The Center 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.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 18, 2013, which is the date the financial statements were available to be issued.