

SOUTHERN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, 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 14, 2016

SOUTHERN CENTER FOR HUMAN RIGHTS
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2015 AND 2014

	ASSETS		2015	2014
CURRENT ASSETS				
Cash		\$	285,708	\$ 696,714
Investments			5,510,029	5,725,896
Contributions receivable			3,815	2,399
Pledges receivable			759,175	257,500
Prepays			<u>20,001</u>	<u>5,445</u>
TOTAL CURRENT ASSETS			6,578,728	6,687,954
PLEDGES RECEIVABLE – LONG-TERM			24,272	694,175
FIXED ASSETS				
Land			73,335	73,335
Building and improvements			936,048	936,048
Capital improvements			10,088	10,088
Furniture, fixtures and equipment			77,661	98,560
Automobiles			79,063	101,126
Accumulated depreciation			<u>(527,719)</u>	<u>(546,089)</u>
TOTAL FIXED ASSETS			<u>648,476</u>	<u>673,068</u>
TOTAL ASSETS		\$	<u>7,251,476</u>	\$ <u>8,055,197</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable		\$	<u>30,549</u>	\$ <u>29,476</u>
TOTAL CURRENT LIABILITIES			<u>30,549</u>	<u>29,476</u>
TOTAL LIABILITIES			<u>30,549</u>	<u>29,476</u>
NET ASSETS				
Unrestricted			5,204,537	5,684,501
Temporarily restricted			<u>2,016,390</u>	<u>2,341,220</u>
TOTAL NET ASSETS			<u>7,220,927</u>	<u>8,025,721</u>
TOTAL LIABILITIES AND NET ASSETS		\$	<u>7,251,476</u>	\$ <u>8,055,197</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, 2015 AND 2014

	2015	2014
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORTS		
Individual contributions	\$ 564,502	\$ 437,325
Foundation grants	359,667	1,635,000
Attorneys fees	244,050	40,366
Special events, net	223,840	239,107
Grant pass through	51,242	16,987
Gain on disposal of fixed asset	3,824	-
Other revenue	325	601
Investment revenue	(41,985)	231,609
Net assets released from restriction	<u>487,435</u>	<u>581,084</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORTS	1,892,900	3,182,079
EXPENSES		
Program activities	1,863,372	1,773,565
Management and general	389,733	368,881
Fundraising	<u>119,759</u>	<u>132,517</u>
TOTAL EXPENSES	2,372,864	2,274,963
CHANGE IN UNRESTRICTED NET ASSETS	(479,964)	907,116
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Foundation grants	142,605	1,324,225
Sponsorships	20,000	20,000
Net assets released from restriction	<u>(487,435)</u>	<u>(581,084)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(324,830)</u>	<u>763,141</u>
CHANGE IN NET ASSETS	(804,794)	1,670,257
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>8,025,721</u>	<u>6,355,464</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 7,220,927</u>	<u>\$ 8,025,721</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, 2015 AND 2014

	Program activities		Management and general		Fundraising		Totals	
	2015	2014	2015	2014	2015	2014	2015	2014
Salaries	\$ 953,121	\$ 927,424	\$ 157,339	\$ 175,747	\$ 60,195	\$ 65,554	\$ 1,170,655	\$ 1,168,725
Payroll taxes and benefits	255,295	292,868	131,118	115,064	25,031	26,333	411,444	434,265
Litigation expenses	267,500	227,028	-	-	-	-	267,500	227,028
Office expenses	108,392	107,760	12,698	18,697	693	-	121,783	126,457
Development	51,055	41,830	-	-	20,664	31,115	71,719	72,945
Grant pass through	49,552	16,987	-	-	-	-	49,552	16,987
Depreciation	38,013	34,068	8,393	7,522	2,962	2,655	49,368	44,245
Staff development	33,555	23,268	-	-	-	-	33,555	23,268
Occupancy expenses	20,332	21,706	7,820	4,570	3,128	2,285	31,280	28,561
Repairs and maintenance	17,095	11,189	7,294	2,196	1,580	1,098	25,969	14,483
Insurance	12,619	12,490	7,618	8,289	-	-	20,237	20,779
Professional fees	-	-	19,595	14,685	-	-	19,595	14,685
Office supplies	14,171	10,555	2,834	2,222	1,889	1,111	18,894	13,888
Telephone	8,422	14,727	5,359	3,100	1,531	1,550	15,312	19,377
Service charges	-	-	15,163	9,602	-	-	15,163	9,602
Computer consulting	7,202	1,613	7,201	1,613	-	-	14,403	3,226
Postage and shipping	6,952	9,195	4,424	3,941	1,264	-	12,640	13,136
Travel expenses	6,800	8,377	2,877	1,633	822	816	10,499	10,826
Auto expense	9,058	8,451	-	-	-	-	9,058	8,451
Public Policy	4,238	4,029	-	-	-	-	4,238	4,029
TOTAL EXPENSES	\$ 1,863,372	\$ 1,773,565	\$ 389,733	\$ 368,881	\$ 119,759	\$ 132,517	\$ 2,372,864	\$ 2,274,963

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, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (804,794)	\$ 1,670,257
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities		
Depreciation	49,368	44,245
Unrealized loss on investments	158,524	48,683
Gain on disposal of assets	(3,824)	-
(Increase) decrease in operating assets		
Contributions receivable	(1,416)	371,893
Pledges receivable	168,228	(637,872)
Prepays	(14,556)	(2,795)
Decrease in operating liabilities		
Accounts payable	<u>1,073</u>	<u>3,040</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(447,397)	1,497,451
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	57,343	-
Purchase of investments	-	(1,406,840)
Purchase of fixed assets	(25,969)	(34,337)
Proceeds from disposal of fixed assets	<u>5,017</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	36,391	(1,441,177)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	(411,006)	56,274
CASH AT THE BEGINNING OF THE YEAR	<u>696,714</u>	<u>640,440</u>
CASH AT THE END OF THE YEAR	<u>\$ 285,708</u>	<u>\$ 696,714</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015 and 2014, 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, 2015 and 2014 consisted of the following grants and contributions restricted for time, internship program, event sponsorships and other program specific purposes.

	2015	2014
Parden-Hutchins Fellowship/James Kwak Pledge	\$ 744,647	\$ 799,310
Open Societies Foundation	390,000	390,000
Atlantic Philanthropies	325,000	425,000
Stephen Bright Fellowship	158,554	158,554
Charles Edmondson Foundation	118,909	151,681
The Pitts Foundation	100,000	100,000
Public Welfare Foundation	87,500	262,500
Herb Block Foundation	50,000	-
Dauber Memorial Fund	25,000	-
King and Spalding	20,000	20,000
New World Foundation	10,000	-
Wallace Global Fund	8,333	-
Morton and Jane Blaustein	-	45,000
Dr. Scholl Foundation	-	10,000
Present value discount for long term pledges	<u>(21,553)</u>	<u>(20,825)</u>
 Total Temporarily Restricted Funds	 <u>\$ 2,016,390</u>	 <u>\$ 2,341,220</u>

Pledges

Pledges that are receivable in the next year are reflected as current pledges and recorded at their net realizable value. Pledge receivables due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. A discount rate of 3% was used for discounting long-term pledges receivable to give balances as of December 31, 2015 and 2014.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS –Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2015 and 2014.

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 2012.

3. INVESTMENTS

Investments as of December 31, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Mutual Funds – Domestic Stock	\$ 2,604,733	\$ 2,720,317
Mutual Funds – International Stock	1,543,850	1,594,623
Mutual Funds – Fixed Income	1,359,396	1,402,523
Equity securities	<u>2,050</u>	<u>8,433</u>
Total	<u>\$ 5,510,029</u>	<u>\$ 5,725,896</u>

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

3. INVESTMENTS - Continued

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

	2015	2014
Interest and dividend revenue	\$ 131,955	\$ 193,182
Realized gain on investments	2,385	108,945
Unrealized (loss) gain on investments	(158,524)	(48,683)
Investment fees	(17,801)	(21,835)
Total	\$ (41,985)	\$ 231,609

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, 2015:

	Total	Level 1	Level 2	Level 3
Mutual Funds				
– Domestic Stock	\$ 2,604,733	\$ 2,604,733	\$ -	\$ -
Mutual Funds				
– International Stock	1,543,850	1,543,850		
Mutual Funds				
– Fixed Income	1,359,396	1,359,396		
Equities	2,050	2,050	-	-
	\$ 5,510,029	\$ 5,510,029	\$ -	\$ -

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

4. FAIR VALUE MEASUREMENTS - Continued

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, 2014:

	Total	Level 1	Level 2	Level 3
Mutual Funds				
– Domestic Stock	\$ 2,720,317	\$ 2,720,317	\$ -	\$ -
Mutual Funds				
– International Stock	1,594,623	1,594,623		
Mutual Funds				
– Fixed Income	1,402,523	1,402,523		
Equities	<u>8,433</u>	<u>8,433</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,725,896</u>	<u>\$ 5,725,896</u>	<u>\$ -</u>	<u>\$ 0</u>

During the fiscal year ended December 31, 2014, SCHR liquidated its total investment in a Level 3 investment into a Level 1 investment. The financial result is as follows:

	<u>2014</u>
Beginning balance	\$ 379,226
Change in unrealized losses	(43,855)
Transferred to new investment	<u>(335,371)</u>
Ending balance	<u>\$ -</u>

The following pertains to the valuation method for SCHR'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.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

5. OPERATING LEASES

SCHR entered into an operating lease for a copier in August 2013. The lease has a monthly payment of \$1,026 that is required through August 2018.

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

Year ended June 30,	
2016	\$ 12,308
2017	12,308
2018	<u>9,231</u>
Total	<u>\$ 33,847</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, 2015 and 2014:

	<u>2015</u>		
	Revenue	Expenses	Net revenue
Frederick Douglass Dinner	\$ 250,912	\$ 99,436	\$ 151,476
Atlanta Benefit	56,085	33,482	22,603
New York	14,800	4,005	10,795
San Francisco Event	<u>44,220</u>	<u>5,254</u>	<u>38,966</u>
Total	<u>\$ 366,017</u>	<u>\$ 142,177</u>	<u>\$ 223,840</u>
	<u>2014</u>		
	Revenue	Expenses	Net revenue
Frederick Douglass Dinner	\$ 226,463	\$ 71,994	\$ 154,469
Atlanta Benefit	64,694	14,611	50,083
San Francisco Event	<u>38,750</u>	<u>4,195</u>	<u>34,555</u>
Total	<u>\$ 329,907</u>	<u>\$ 90,800</u>	<u>\$ 239,107</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, 2015 and 2014, SCHR contributed \$39,134 and \$45,589, 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.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 14, 2016, which is the date the financial statements were available to be issued.