

SOUTHERN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 20, 2017

SOUTHERN CENTER FOR HUMAN RIGHTS  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015

ASSETS		
	2016	2015
<b>CURRENT ASSETS</b>		
Cash	\$ 315,542	\$ 285,708
Investments	6,533,665	5,510,029
Contributions receivable	17,628	3,815
Pledges receivable	37,500	759,175
Prepays	<u>29,895</u>	<u>20,001</u>
<b>TOTAL CURRENT ASSETS</b>	<b>6,934,230</b>	<b>6,578,728</b>
<b>PLEDGES RECEIVABLE – LONG-TERM</b>	<b>-</b>	<b>24,272</b>
<b>FIXED ASSETS</b>		
Land	73,335	73,335
Building and improvements	936,048	936,048
Capital improvements	10,088	10,088
Furniture, fixtures and equipment	69,096	77,661
Automobiles	98,768	79,063
Accumulated depreciation	<u>(547,195)</u>	<u>(527,719)</u>
<b>TOTAL FIXED ASSETS</b>	<b><u>640,140</u></b>	<b><u>648,476</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,574,370</u></b>	<b><u>\$ 7,251,476</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 50,085	\$ 30,549
Accrued expenses	<u>3,634</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>53,719</u></b>	<b><u>30,549</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>53,719</u></b>	<b><u>30,549</u></b>
<b>NET ASSETS</b>		
Unrestricted	5,904,855	5,204,537
Temporarily restricted	<u>1,615,796</u>	<u>2,016,390</u>
<b>TOTAL NET ASSETS</b>	<b><u>7,520,651</u></b>	<b><u>7,220,927</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,574,370</u></b>	<b><u>\$ 7,251,476</u></b>

*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, 2016 AND 2015

	2016	2015
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORTS		
Foundation grants	\$ 655,619	\$ 359,667
Individual contributions	557,492	564,502
Investment revenue	511,990	(41,985)
Special events, net	312,698	223,840
Attorneys fees	32,742	244,050
Gain on disposal of fixed asset	4,583	3,824
Grant pass through	1,658	51,242
Other revenue	750	325
Net assets released from restriction	<u>961,011</u>	<u>487,435</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORTS	3,038,543	1,892,900
EXPENSES		
Program activities	1,898,719	1,863,372
Management and general	267,943	389,733
Fundraising	<u>171,563</u>	<u>119,759</u>
TOTAL EXPENSES	<u>2,338,225</u>	<u>2,372,864</u>
CHANGE IN UNRESTRICTED NET ASSETS	700,318	(479,964)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Foundation grants	540,417	142,605
Sponsorships	20,000	20,000
Net assets released from restriction	<u>(961,011)</u>	<u>(487,435)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(400,594)</u>	<u>(324,830)</u>
CHANGE IN NET ASSETS	299,724	(804,794)
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>7,220,927</u>	<u>8,025,721</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 7,520,651</u>	<u>\$ 7,220,927</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, 2016 AND 2015

	Program activities		Management and general		Fundraising		Totals	
	2016	2015	2016	2015	2016	2015	2016	2015
Salaries	\$ 1,018,396	\$ 953,121	\$ 130,431	\$ 157,339	\$ 76,849	\$ 60,195	\$ 1,225,676	\$ 1,170,655
Payroll taxes and benefits	342,519	255,295	57,939	131,118	34,824	25,031	435,282	411,444
Office expenses	157,084	108,392	7,735	12,698	10,449	693	175,268	121,783
Litigation expenses	125,649	267,500	-	-	-	-	125,649	267,500
Development	25,763	51,055	1,040	-	31,109	20,664	57,912	71,719
Depreciation	44,864	38,013	6,729	8,393	4,486	2,962	56,079	49,368
Staff development	32,008	33,555	6,236	-	3,325	-	41,569	33,555
Occupancy expenses	24,497	20,332	4,772	7,820	2,544	3,128	31,813	31,280
Office supplies	23,015	14,171	3,974	2,834	2,347	1,889	29,336	18,894
Computer consulting	22,203	7,202	3,210	7,201	1,337	-	26,750	14,403
Insurance	22,228	12,619	1,678	7,618	573	-	24,479	20,237
Repairs and maintenance	18,594	17,095	2,610	7,294	1,392	1,580	22,596	25,969
Professional fees	-	-	22,272	19,595	-	-	22,272	19,595
Service charges	-	-	15,512	15,163	-	-	15,512	15,163
Telephone	9,304	8,422	1,813	5,359	967	1,531	12,084	15,312
Travel expenses	8,492	6,800	652	2,877	647	822	9,791	10,499
Postage and shipping	6,875	6,952	1,340	4,424	714	1,264	8,929	12,640
Auto expense	8,172	9,058	-	-	-	-	8,172	9,058
Public Policy	4,790	4,238	-	-	-	-	4,790	4,238
Grant pass through	4,266	49,552	-	-	-	-	4,266	49,552
<b>TOTAL EXPENSES</b>	<b>\$ 1,898,719</b>	<b>\$ 1,863,372</b>	<b>\$ 267,943</b>	<b>\$ 389,733</b>	<b>\$ 171,563</b>	<b>\$ 119,759</b>	<b>\$ 2,338,225</b>	<b>\$ 2,372,864</b>

*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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 299,724	\$ (804,794)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	56,079	49,368
Unrealized (gain)/loss on investments	(347,209)	158,524
Realized (gain)/loss on investments	(30,850)	(2,385)
Gain on disposal of assets	(4,583)	(3,824)
(Increase) decrease in operating assets		
Contributions receivable	(13,813)	(1,416)
Pledges receivable	745,947	168,228
Prepays	(9,894)	(14,556)
Increase in operating liabilities		
Accounts payable	19,536	1,073
Accrued expenses	<u>3,634</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	718,571	(449,782)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	1,063,339	59,728
Purchase of investments	(1,708,916)	-
Purchase of fixed assets	(48,091)	(25,969)
Proceeds from disposal of fixed assets	<u>4,931</u>	<u>5,017</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(688,737)	38,776
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	29,834	(411,006)
CASH AT THE BEGINNING OF THE YEAR	<u>285,708</u>	<u>696,714</u>
CASH AT THE END OF THE YEAR	<u>\$ 315,542</u>	<u>\$ 285,708</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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, 2016 and 2015, 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, 2016 and 2015 consisted of the following grants and contributions restricted for time, internship program, event sponsorships and other program specific purposes.

	2016	2015
Parden-Hutchins Fellowship/James Kwak Pledge	\$ 711,019	\$ 744,647
Atlantic Philanthropies	307,534	325,000
Public Welfare Foundation	247,917	87,500
Stephen Bright Fellowship	158,554	158,554
The Pitts Foundation	100,000	100,000
Wallace Global Fund	25,000	8,333
Herb Block Foundation	24,272	50,000
King and Spalding	20,000	20,000
Albert & Elaine Borchard Foundation	12,500	-
John & Marcia Goldman Foundation	9,000	-
Open Societies Foundation	-	390,000
Charles Edmondson Foundation	-	118,909
Dauber Memorial Fund	-	25,000
New World Foundation	-	10,000
Present value discount for long term pledges	<u>-</u>	<u>(21,553)</u>
<b>Total Temporarily Restricted Funds</b>	<b><u>\$ 1,615,796</u></b>	<b><u>\$ 2,016,390</u></b>

**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, 2016 and 2015.

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, 2016 and 2015.

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 2013.

**Reclassifications**

Certain reclassifications have been made to the prior year's financial statements to conform them to the current year's presentation.

**3. INVESTMENTS**

Investments as of December 31, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Mutual Funds – Domestic Stock	\$ 3,060,530	\$ 2,604,733
Mutual Funds – International Stock	1,829,322	1,543,850
Mutual Funds – Fixed Income	1,643,813	1,359,396
Equity securities	-	<u>2,050</u>
Total	<u>\$ 6,533,665</u>	<u>\$ 5,510,029</u>

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS – Continued

**3. INVESTMENTS – Continued**

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

	2016	2015
Unrealized gain (loss) on investments	\$ 347,209	\$ (158,524)
Interest and dividend revenue	152,388	131,955
Realized gain on investments	30,850	2,385
Investment fees	(18,457)	(17,801)
 Total	 \$ 511,990	 \$ (41,985)

**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, 2016:

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

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, 2015:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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	<u>2,050</u>	<u>2,050</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,510,029</u>	<u>\$ 5,510,029</u>	<u>\$ -</u>	<u>\$ -</u>

**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 December 31,	
2017	\$ 12,308
2018	<u>9,231</u>
Total	<u>\$ 21,539</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, 2016 and 2015:

	<u>2016</u>		
	Revenue	Expenses	Net revenue
Frederick Douglass Dinner	\$ 285,187	\$ 88,663	\$ 196,524
Atlanta Benefit	80,180	31,390	48,790
New York	17,360	566	16,794
San Francisco Event	51,890	2,300	49,590
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

**6. SPECIAL EVENTS – Continued**

	2015		
	Revenue	Expenses	Net revenue
Frederick Douglass Dinner	\$ 250,912	\$ 99,436	\$ 151,476
Atlanta Benefit	56,085	33,482	22,603
San Francisco Event	44,220	5,254	38,966
New York	14,800	4,005	10,795
Total	<u>\$ 366,017</u>	<u>\$ 142,177</u>	<u>\$ 223,840</u>

**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, 2016 and 2015, SCHR contributed \$39,822 and \$39,134, 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 20, 2017, which is the date the financial statements were available to be issued.