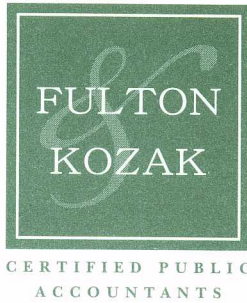


SOUTHERN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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, 2013 and 2012, 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**

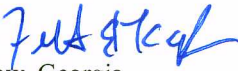
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2013 and 2012, 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 16, 2014

SOUTHERN CENTER FOR HUMAN RIGHTS  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012

	ASSETS	
	2013	2012
CURRENT ASSETS		
Cash	\$ 640,440	\$ 276,084
Investments	4,367,739	3,916,688
Contributions receivable	374,292	237,126
Pledges receivable	216,716	494,200
Prepays	<u>2,650</u>	<u>10,447</u>
TOTAL CURRENT ASSETS	5,601,837	4,934,545
CONTRIBUTIONS RECEIVABLE – LONG-TERM	97,087	-
FIXED ASSETS		
Land	73,335	73,335
Building and improvements	936,048	936,048
Capital improvements	10,088	10,088
Furniture, fixtures and equipment	83,424	76,547
Automobiles	93,977	93,977
Accumulated depreciation	<u>(513,896)</u>	<u>(474,365)</u>
TOTAL FIXED ASSETS	682,976	715,630
TOTAL ASSETS	<u>\$ 6,381,900</u>	<u>\$ 5,650,175</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ <u>26,436</u>	\$ <u>36,026</u>
TOTAL CURRENT LIABILITIES	26,436	36,026
TOTAL LIABILITIES	<u>26,436</u>	<u>36,026</u>
NET ASSETS		
Unrestricted	4,777,385	4,087,977
Temporarily restricted	<u>1,578,079</u>	<u>1,526,172</u>
TOTAL NET ASSETS	<u>6,355,464</u>	<u>5,614,149</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,381,900</u>	<u>\$ 5,650,175</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, 2013 AND 2012

	2013	2012
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORTS		
Foundation grants	\$ 1,145,767	\$ 1,027,167
Investment income	375,712	200,638
Individual contributions	368,524	346,417
Attorneys fees	321,181	423,193
Special events, net	263,492	257,496
Other income	172,816	138,017
Grant pass through	-	353,951
Loss from disposal of fixed assets	-	(5,190)
Net assets released from restriction	<u>382,905</u>	<u>242,500</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORTS	3,030,397	2,984,189
EXPENSES		
Program activities	1,828,493	1,907,132
Management and general	345,765	309,636
Fundraising	<u>166,731</u>	<u>197,274</u>
TOTAL EXPENSES	2,340,989	2,414,042
CHANGE IN UNRESTRICTED NET ASSETS	689,408	570,147
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Individual contributions	434,812	1,364,383
Net assets released from restriction	<u>(382,905)</u>	<u>(242,500)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>51,907</u>	<u>1,121,883</u>
CHANGE IN NET ASSETS	741,315	1,692,030
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>5,614,149</u>	<u>3,922,119</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 6,355,464</u>	<u>\$ 5,614,149</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, 2013 AND 2012

	Program activities		Management and general		Fundraising		Totals	
	2013	2012	2013	2012	2013	2012	2013	2012
Salaries	\$ 920,502	\$ 773,065	\$ 187,190	\$ 172,200	\$ 91,325	\$ 105,199	\$ 1,199,017	\$ 1,050,464
Payroll taxes and benefits	332,253	288,436	83,479	67,170	34,537	39,514	450,269	395,120
Litigation expenses	252,503	271,422	-	-	-	-	252,503	271,422
Office expenses	76,632	41,095	4,453	8,827	838	5,107	81,923	55,029
Repairs and maintenance	36,839	16,635	6,788	2,891	2,624	1,700	46,251	21,226
Grant pass through	45,246	356,951	-	-	-	-	45,246	356,951
Depreciation	30,439	35,373	6,720	7,810	2,372	2,756	39,531	45,939
Office supplies	25,867	22,590	6,540	5,261	2,616	3,094	35,023	30,945
Occupancy expenses	20,326	20,200	5,219	4,704	1,923	2,767	27,468	27,671
Development	-	-	-	-	25,982	31,756	25,982	31,756
Computer consulting	16,063	16,223	4,036	3,779	1,670	2,223	21,769	22,225
Staff development	19,920	21,180	-	637	-	-	19,920	21,817
Telephone	13,863	8,316	3,483	1,937	1,441	1,139	18,787	11,392
Insurance	10,033	9,014	5,592	2,999	-	-	15,625	12,013
Professional fees	-	-	14,834	13,695	-	-	14,834	13,695
Service charges	-	-	13,817	14,295	-	-	13,817	14,295
Postage and shipping	7,902	8,638	2,029	2,011	747	1,183	10,678	11,832
Travel expenses	6,813	6,670	1,585	1,420	656	836	9,054	8,926
Auto expense	8,599	6,350	-	-	-	-	8,599	6,350
Public Policy	4,693	4,974	-	-	-	-	4,693	4,974
<b>TOTAL EXPENSES</b>	<b>\$ 1,828,493</b>	<b>\$ 1,907,132</b>	<b>\$ 345,765</b>	<b>\$ 309,636</b>	<b>\$ 166,731</b>	<b>\$ 197,274</b>	<b>\$ 2,340,989</b>	<b>\$ 2,414,042</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, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 741,315	\$ 1,692,030
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities		
Depreciation	39,531	45,939
Unrealized gain on investments	(97,212)	(84,016)
Loss on disposal of fixed assets	-	5,190
(Increase) decrease in operating assets		
Contributions receivable	(234,253)	(52,498)
Pledges receivable	277,484	(494,200)
Prepays	7,797	(7,938)
Decrease (increase) in operating liabilities		
Accounts payable	<u>(9,590)</u>	<u>22,118</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	725,072	1,126,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(353,839)	(763,891)
Purchase of fixed assets	(6,877)	(274,654)
Proceeds from disposal of fixed assets	<u>-</u>	<u>125</u>
NET CASH USED IN INVESTING ACTIVITIES	(360,716)	(1,038,420)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	364,356	88,205
CASH AT THE BEGINNING OF THE YEAR	<u>276,084</u>	<u>187,879</u>
CASH AT THE END OF THE YEAR	\$ <u>640,440</u>	\$ <u>276,084</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ <u>-</u>	\$ <u>-</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**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**

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").

Center 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 Center 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 Center 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**

**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. For the years ended December 31, 2013 and 2012, the Center 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 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:

<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**

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.

**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. At December 31, 2013, tax years 2012, 2011, and 2010 remained open for possible examination by the IRS.

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS –Continued

**3. INVESTMENTS**

Investments as of December 31, 2013 and 2012 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Mutual funds	\$ 3,336,318	\$ 2,635,029
Government fixed income securities	639,957	825,311
Alternative investments	379,226	456,348
Equity securities	<u>12,238</u>	<u>-</u>
Total	<u>\$ 4,367,739</u>	<u>\$ 3,916,688</u>

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

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 178,110	\$ 130,655
Realized loss on investments	136,670	23,984
Unrealized gain on investments	97,212	84,016
Investment fees	<u>(36,280)</u>	<u>(38,017)</u>
Total	<u>\$ 375,712</u>	<u>\$ 200,638</u>

**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.



SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS -Continued

**4. FAIR VALUE MEASUREMENTS (Continued)**

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, 2013:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual funds	\$ 3,336,318	\$ 3,336,318	\$ -	\$ -
Government fixed income securities	639,957	639,957	-	-
Alternative investments	379,226	-	-	379,226
Equities	<u>12,238</u>	<u>12,238</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,367,739</u>	<u>\$ 3,988,513</u>	<u>\$ -</u>	<u>\$ 379,226</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, 2012:

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

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 456,348	\$ 459,184
Change in unrealized losses	<u>(77,122)</u>	<u>(2,836)</u>
Ending balance	<u>\$ 379,226</u>	<u>\$ 456,348</u>

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



SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS -Continued

**4. FAIR VALUE MEASUREMENTS (Continued)**

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 August 2013. The lease has a monthly payment of \$1,025.70 that is required through August 2018.

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,	
2014	\$ 37,629
2015	16,214
2016	12,308
2017	12,308
2018	<u>9,231</u>
Total	<u>\$ 87,690</u>

**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, 2013:

	<u>2013</u>		
	Income	Expenses	Net income
Frederick Douglass Dinner	\$ 267,300	\$ 53,234	\$ 214,066
Atlanta Benefit	<u>64,148</u>	<u>14,722</u>	<u>49,426</u>
Total	<u>\$ 331,448</u>	<u>\$ 67,956</u>	<u>\$ 263,492</u>

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS -Continued

**6. SPECIAL EVENTS - Continued**

	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>

**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, 2013 and 2012, the Center contributed \$43,446 and \$43,059, 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.

**9. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 16, 2014, which is the date the financial statements were available to be issued.