

SOUTHERN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Southern Center for Human Rights, as of December 31, 2018 and 2017, 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
May 1, 2019

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	ASSETS		2018	2017
CURRENT ASSETS				
Cash		\$	508,998	\$ 306,830
Investments			7,215,972	7,327,163
Contributions receivable			62,732	140,269
Pledges receivable			12,750	430,000
Other receivables			5,783	-
Prepays			<u>8,521</u>	<u>10,376</u>
TOTAL CURRENT ASSETS			7,814,756	8,214,638
PROPERTY, PLANT AND EQUIPMENT				
Land			73,335	73,335
Building and improvements			950,636	946,136
Furniture, fixtures and equipment			59,875	85,204
Automobiles			116,668	116,668
Other assets			12,875	-
Accumulated depreciation			<u>(640,767)</u>	<u>(600,870)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT			<u>572,622</u>	<u>620,473</u>
TOTAL ASSETS		\$	<u>8,387,378</u>	\$ <u>8,835,111</u>
	LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES				
Accounts payable		\$	105,205	\$ 43,672
Deferred revenue			20,000	-
Accrued expenses			<u>9,685</u>	<u>6,222</u>
TOTAL CURRENT LIABILITIES			<u>134,890</u>	<u>49,894</u>
TOTAL LIABILITIES			<u>134,890</u>	<u>49,894</u>
NET ASSETS				
Without donor restrictions				
Undesignated			6,692,828	6,646,364
Investment in property, plant and equipment, net			<u>572,622</u>	<u>620,473</u>
Total net assets without donor restrictions			7,265,450	7,266,837
With donor restrictions			<u>987,038</u>	<u>1,518,380</u>
TOTAL NET ASSETS			<u>8,252,488</u>	<u>8,785,217</u>
TOTAL LIABILITIES AND NET ASSETS		\$	<u>8,387,378</u>	\$ <u>8,835,111</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Foundation grants	\$ 1,180,999	\$ 331,048	\$ 1,512,047
Individual contributions	853,732	-	853,732
Attorney fees	506,943	-	506,943
Special events, net	430,285	-	430,285
Other revenue	124	-	124
Loss on disposal of fixed assets	(6,933)	-	(6,933)
Investment revenue	<u>(528,357)</u>	<u>-</u>	<u>(528,357)</u>
Public support and revenue	2,436,793	331,048	2,767,841
Net assets released from restrictions	<u>862,390</u>	<u>(862,390)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>3,299,183</u>	<u>(531,342)</u>	<u>2,767,841</u>
EXPENSES			
Program services	2,725,165	-	2,725,165
Management and general	296,890	-	296,890
Fundraising	<u>278,515</u>	<u>-</u>	<u>278,515</u>
TOTAL EXPENSES	<u>3,300,570</u>	<u>-</u>	<u>3,300,570</u>
CHANGES IN NET ASSETS	(1,387)	(531,342)	(532,729)
NET ASSETS:			
AT BEGINNING OF YEAR	<u>7,266,837</u>	<u>1,518,380</u>	<u>8,785,217</u>
AT END OF YEAR	<u>\$ 7,265,450</u>	<u>\$ 987,038</u>	<u>\$ 8,252,488</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Foundation grants	\$ 959,139	\$ 509,558	\$ 1,468,697
Individual contributions	697,301	-	697,301
Special events, net	383,389	-	383,389
Attorney fees	315,371	-	315,371
Sponsorships	-	20,000	20,000
Grant pass through	10,975	-	10,975
Other revenue	1,011	-	1,011
Investment revenue	<u>1,145,099</u>	<u>-</u>	<u>1,145,099</u>
Public support and revenue	3,512,285	529,558	4,041,843
Net assets released from restrictions	<u>626,974</u>	<u>(626,974)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>4,139,259</u>	<u>(97,416)</u>	<u>4,041,843</u>
EXPENSES			
Program services	2,381,624	-	2,381,624
Management and general	244,924	-	244,924
Fundraising	<u>150,729</u>	<u>-</u>	<u>150,729</u>
TOTAL EXPENSES	<u>2,777,277</u>	<u>-</u>	<u>2,777,277</u>
CHANGES IN NET ASSETS	1,361,982	(97,416)	1,264,566
NET ASSETS:			
AT BEGINNING OF YEAR	<u>5,904,855</u>	<u>1,615,796</u>	<u>7,520,651</u>
AT END OF YEAR	<u>\$ 7,266,837</u>	<u>\$ 1,518,380</u>	<u>\$ 8,785,217</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, 2018 AND 2017

	Program activities			Management and general			Fundraising			Totals	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
Salaries	\$ 1,140,627	\$ 1,107,864	\$ 152,893	\$ 111,476	\$ 138,924	\$ 83,745	\$ 1,432,444	\$ 1,303,085			
Litigation expenses	538,902	382,313	-	-	-	-	538,902	382,313			
Payroll taxes and benefits	387,918	367,098	53,388	62,845	48,491	40,458	489,797	470,401			
Professional fees	135,171	686	46,128	25,629	23,395	86	204,694	26,401			
Office expenses	115,824	187,341	4,231	6,114	11,619	2,520	131,674	195,975			
Staff development	61,300	50,857	2,645	313	1,256	-	65,201	51,170			
Depreciation	46,167	44,221	6,354	6,633	5,771	4,422	58,292	55,276			
Office supplies	38,862	13,761	10,023	1,720	6,242	1,720	55,127	17,201			
Marketing	41,440	34,408	-	1,574	8,368	9,502	49,808	45,484			
Grant pass through	48,390	24,015	-	-	-	-	48,390	24,015			
Computer consulting	30,783	31,700	4,237	-	3,848	-	38,868	31,700			
Insurance	25,120	22,299	3,457	1,840	3,141	469	31,718	24,608			
Public policy	31,195	23,791	-	-	-	-	31,195	23,791			
Occupancy expenses	24,353	25,926	3,352	5,050	3,044	2,694	30,749	33,670			
Telephone	20,523	17,647	2,736	2,206	2,333	2,206	25,592	22,059			
Service charges	25	-	3,522	15,329	16,613	-	20,160	15,329			
Repairs and maintenance	13,915	15,587	1,915	2,759	1,739	1,471	17,569	19,817			
Auto expense	13,105	7,664	-	-	-	-	13,105	7,664			
Postage and shipping	10,035	15,763	1,126	1,436	1,638	1,436	12,799	18,635			
Travel expenses	1,510	8,683	883	-	2,093	-	4,486	8,683			
TOTAL EXPENSES	\$ 2,725,165	\$ 2,381,624	\$ 296,890	\$ 244,924	\$ 278,515	\$ 150,729	\$ 3,300,570	\$ 2,777,277			

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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (532,729)	\$ 1,264,566
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	58,292	55,276
Unrealized loss (gain) on investments	849,001	(860,363)
Realized gain on investments	(151,173)	(142,140)
Loss on disposal of assets	6,933	-
Decrease (increase) in operating assets		
Contributions receivable	77,537	(122,641)
Pledges receivable	417,250	(392,500)
Other receivables	(5,783)	-
Prepays	1,855	19,519
Increase (decrease) in operating liabilities		
Accounts payable	61,533	(6,413)
Deferred revenue	20,000	-
Accrued expenses	<u>3,463</u>	<u>2,588</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	806,179	(182,108)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	1,001,500	1,674,306
Purchase of investments	(1,588,137)	(1,465,301)
Purchase of fixed assets	<u>(17,374)</u>	<u>(35,609)</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(604,011)	173,396
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	202,168	(8,712)
CASH AT THE BEGINNING OF THE YEAR	<u>306,830</u>	<u>315,542</u>
CASH AT THE END OF THE YEAR	<u>\$ 508,998</u>	<u>\$ 306,830</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. ORGANIZATION

Southern Center for Human Rights (“SCHR”) was incorporated in 1978 under the Tennessee General Corporation Act as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified SCHR as a publicly supported charitable organization which allows donors to SCHR to take the maximum charitable contribution deduction. SCHR, located in Atlanta, Georgia, is working for equality, justice, and dignity in our criminal justice system. SCHR’s mission is to end capital punishment, mass incarceration, and other criminal justice practices that are used to control the lives of poor people, people of color, and other marginalized groups in the Southern United States. SCHR does this through death penalty representation, impact litigation, policy advocacy, and public education.

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, revenues and expenses, and 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization. These net assets may be used at the discretion of SCHR’s management and the board of directors.

Investment in property, plant and equipment, net – Assets invested by SCHR in building, furniture and equipment, net of accumulated depreciation.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of accounting – continued

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are reported.

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.

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.

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.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Functional allocation of expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office expenses, occupancy, payroll taxes and benefits, and certain salaries which are allocated on the basis of estimates of time and effort.

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, 2018 and 2017.

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 2015.

In-kind services

Many individuals volunteer time and perform a variety of tasks that assist SCHR with various administrative, fundraising and program tasks. The value of these services has not been reflected in the financial states since they do not meet the criteria for recognition.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

New accounting pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. SCHR has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications

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

Subsequent events

Subsequent events have been evaluated through May 1, 2019, which is the date the financial statements were available to be issued.

3. AVAILABILITY AND LIQUIDITY

The following represents SCHR’s financial assets at December 31, 2018 and 2017, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, perpetual endowments and accumulated earnings net of appropriations within one year or because the governing board has set aside the funds for specific contingency reserves and projects or a long-term investment as board designated endowments.

	2018	2017
Financial assets:		
Cash and cash equivalents	\$ 508,998	\$ 306,830
Investments	7,215,972	7,327,163
Contributions receivable	62,732	140,269
Pledges receivable	12,750	430,000
Other receivables	5,783	-
Financial assets at year-end	7,806,235	8,204,262
Less amounts unavailable to be used within one year:		
Net assets with donor restrictions	780,448	861,298
Financial assets available to meet general expenditures over the next year	\$ 7,025,787	\$ 7,342,964

Southern Center for Human Rights’ goal is to maintain financial assets sufficient to meet at least one year in operating expenses. It seeks to prudently allocate these funds among cash and longer-term investments.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

4. NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Restricted to create and fund fellowships	\$ 699,546	\$ 745,130
Restricted to support attorney salaries	158,554	158,554
Restricted to support internships	40,172	96,779
Restricted for public policy	88,766	-
Restricted for time	-	497,917
Restricted for event sponsorship	<u>-</u>	<u>20,000</u>
	<u>\$ 987,038</u>	<u>\$ 1,518,380</u>

Net assets with donor restrictions released from restrictions were as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Restricted to create and fund fellowships	\$ 169,632	\$ 50,447
Restricted to support internships	56,607	15,721
Restricted for public policy	111,234	-
Restricted for time	497,917	540,806
Restricted for other	7,000	-
Restricted for event sponsorship	<u>20,000</u>	<u>20,000</u>
	<u>\$ 862,390</u>	<u>\$ 626,974</u>

5. INVESTMENTS

Investments as of December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Mutual Funds – Domestic Stock	\$ 3,121,895	\$ 3,424,678
Mutual Funds – International Stock	2,185,510	2,067,714
Mutual Funds – Fixed Income	1,908,567	1,794,202
Exchange-Traded Funds	-	29,219
Equity securities	<u>-</u>	<u>11,350</u>
Total	<u>\$ 7,215,972</u>	<u>\$ 7,327,163</u>

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

5. INVESTMENTS – continued

The following is a summary of investment revenue:

	<u>2018</u>	<u>2017</u>
Unrealized gain on investments	\$ (849,001)	\$ 860,363
Interest and dividend revenue	191,796	162,618
Realized gain on investments	151,173	142,140
Investment fees	<u>(22,325)</u>	<u>(20,022)</u>
Total	<u>\$ (528,357)</u>	<u>\$ 1,145,099</u>

6. 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.

At December 31, 2018 and 2017, all investments were considered Level 1.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

7. 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, 2018 and 2017:

	2018		
	Revenue	Expenses	Net revenue
Frederick Douglass Dinner	\$ 395,315	\$ 101,788	\$ 293,527
Atlanta Benefit	106,865	33,771	73,094
New York	25,930	388	25,542
San Francisco Event	<u>44,600</u>	<u>6,478</u>	<u>38,122</u>
Total	<u>\$ 572,710</u>	<u>\$ 142,425</u>	<u>\$ 430,285</u>
	2017		
	Revenue	Expenses	Net revenue
Frederick Douglass Dinner	\$ 359,040	\$ 107,745	\$ 251,295
Atlanta Benefit	84,645	35,556	49,089
San Francisco Event	59,365	6,158	53,207
New York	35,776	1,075	34,701
Other events	<u>-</u>	<u>4,903</u>	<u>(4,903)</u>
Total	<u>\$ 538,826</u>	<u>\$ 155,437</u>	<u>\$ 383,389</u>

8. OPERATING LEASES

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

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

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

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

9. 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, 2018 and 2017, SCHR contributed \$38,557 and \$43,161, respectively, to the plan.

10. 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.