

SOUTHERN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

With Independent Auditor's Report Thereon

SOUTHERN CENTER FOR HUMAN RIGHTS
DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Southern Center for Human Rights

Opinion

We have audited the accompanying financial statements of Southern Center for Human Rights, ("SCHR"), (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Center for Human Rights as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SCHR and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SCHR's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SCHR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCHR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ju Han & Kozak LLC

Morrow, Georgia
May 4, 2023

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS		
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,286,590	\$ 2,118,493
Investments	7,561,759	9,027,859
Contributions receivable	50	550
Unconditional promises to give	458,258	458,330
Other receivables	7,896	7,178
Prepays	<u>5,134</u>	<u>6,628</u>
TOTAL CURRENT ASSETS	9,319,687	11,619,038
PROPERTY, PLANT AND EQUIPMENT		
Land	600,000	600,000
Building and improvements	3,784,796	3,722,764
Furniture, fixtures and equipment	71,980	75,334
Automobiles	146,026	146,026
Other assets	-	4,292
Accumulated depreciation	<u>(507,880)</u>	<u>(388,472)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	4,094,922	4,159,944
LONG TERM UNCONDITIONAL PROMISES TO GIVE	-	100,000
OPERATING LEASE RIGHT-OF-USE ASSETS	<u>44,113</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 13,458,722</u>	<u>\$ 15,878,982</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 148,362	\$ 60,615
Deferred revenue	20,000	20,000
Accrued expenses	116,411	103,204
Operating leases liability – current portion	<u>11,244</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>296,017</u>	<u>183,819</u>
OPERATING LEASES LIABILITY – LONG TERM	<u>32,869</u>	<u>-</u>
TOTAL LIABILITIES	328,886	183,819
NET ASSETS		
Without donor restrictions	11,104,995	13,216,517
With donor restrictions	<u>2,024,841</u>	<u>2,478,646</u>
TOTAL NET ASSETS	<u>13,129,836</u>	<u>15,695,163</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,458,722</u>	<u>\$ 15,878,982</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Foundation grants	\$ 1,232,000	\$ 1,124,800	\$ 2,356,800
Individual and business contributions	1,142,938	25,000	1,167,938
Attorney fees	761,905	-	761,905
Special events, net	363,498	-	363,498
Gifts in-kind	15,000	-	15,000
Other income	6,194	-	6,194
Investment loss	<u>(1,537,794)</u>	<u>-</u>	<u>(1,537,794)</u>
Public support and revenue	1,983,741	1,149,800	3,133,541
Net assets released from restrictions	<u>1,603,605</u>	<u>(1,603,605)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	3,587,346	(453,805)	3,133,541
EXPENSES			
Program services	4,672,448	-	4,672,448
Supporting services:			
Management and general	478,380	-	478,380
Fundraising	<u>548,040</u>	<u>-</u>	<u>548,040</u>
Total supporting services	<u>1,026,420</u>	<u>-</u>	<u>1,026,420</u>
TOTAL EXPENSES	<u>5,698,868</u>	<u>-</u>	<u>5,698,868</u>
CHANGES IN NET ASSETS	(2,111,522)	(453,805)	(2,565,327)
NET ASSETS:			
AT BEGINNING OF YEAR	<u>13,216,517</u>	<u>2,478,646</u>	<u>15,695,163</u>
AT END OF YEAR	<u>\$ 11,104,995</u>	<u>\$ 2,024,841</u>	<u>\$ 13,129,836</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Foundation grants	\$ 387,500	\$ 1,105,028	\$ 1,492,528
Individual and business contributions	1,489,339	595,000	2,084,339
Attorney fees	24,616	-	24,616
Special events, net	419,057	-	419,057
Investment revenue	1,142,331	-	1,142,331
Public support and revenue	3,462,843	1,700,028	5,162,871
Net assets released from restrictions	1,684,099	(1,684,099)	-
TOTAL PUBLIC SUPPORT AND REVENUE	5,146,942	15,929	5,162,871
EXPENSES			
Program services	3,852,233	-	3,852,233
Supporting services:			
Management and general	409,268	-	409,268
Fundraising	415,410	-	415,410
Total supporting services	824,678	-	824,678
TOTAL EXPENSES	4,676,911	-	4,676,911
OPERATING EXCESS	470,031	15,929	485,960
NONOPERATING CHANGES			
Gain on sale of building	(2,471)	-	(2,471)
CHANGES IN NET ASSETS	467,560	15,929	483,489
NET ASSETS:			
AT BEGINNING OF YEAR	12,748,957	2,462,717	15,211,674
AT END OF YEAR	\$ 13,216,517	\$ 2,478,646	\$ 15,695,163

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

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Capital Litigation</u>	<u>Impact Litigation</u>	<u>Public Policy</u>	<u>Reentry</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 953,796	\$ 1,271,084	\$ 804,382	\$ 119,035	\$ 3,148,297	\$ 335,224	\$ 375,811	\$3,859,332
Professional	31,075	94,538	233,398	1,739	360,750	88,034	19,994	468,778
Travel	142,177	62,935	42,657	1,722	249,491	4,421	19,955	273,867
Litigation	98,162	102,979	5,889	349	207,379	-	-	207,379
Depreciation & amortization	31,294	41,892	26,416	3,939	103,541	11,054	12,465	127,060
Office expenses	22,677	29,980	19,835	2,687	75,179	9,557	32,439	117,175
Office supplies	19,173	25,586	21,846	1,928	68,533	14,576	26,594	109,703
Sub-grants	-	-	102,500	-	102,500	-	-	102,500
Occupancy	19,048	25,498	16,078	2,397	63,021	6,728	7,587	77,336
Outreach & engagement	703	993	51,417	2,788	55,901	-	-	55,901
Staff development	10,896	25,037	11,963	367	48,263	3,094	3,283	54,640
Insurance	14,359	18,597	10,562	1,575	45,093	4,420	4,984	54,497
Interns	-	25,587	22,510	-	48,097	-	-	48,097
Client and reentry resources	21,053	8,696	2,640	15,062	47,451	-	-	47,451
Printing	1,247	23,032	1,602	1,155	27,036	96	17,709	44,841
Marketing	3,594	4,818	3,376	452	12,240	-	26,507	38,747
Miscellaneous	370	1,023	8,121	162	9,676	1,176	712	11,564
TOTAL EXPENSES	<u>\$ 1,369,624</u>	<u>\$ 1,762,275</u>	<u>\$ 1,385,192</u>	<u>\$ 155,357</u>	<u>\$ 4,672,448</u>	<u>\$ 478,380</u>	<u>\$ 548,040</u>	<u>\$5,698,868</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Capital Litigation</u>	<u>Impact Litigation</u>	<u>Public Policy</u>	<u>Reentry</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 805,060	\$ 1,259,699	\$ 604,214	\$ 106,347	\$ 2,775,320	\$ 285,969	\$ 308,957	\$3,370,246
Professional	22,692	24,538	58,300	1,806	107,336	74,172	14,533	196,041
Travel	96,240	38,147	13,067	1,101	148,555	512	500	149,567
Litigation	81,592	97,691	839	137	180,259	-	-	180,259
Depreciation & amortization	31,566	49,266	23,526	4,125	108,483	11,203	12,112	131,798
Office expenses	18,748	34,996	14,032	2,563	70,339	8,866	22,318	101,523
Office supplies	14,485	26,346	15,874	1,754	58,459	12,670	16,437	87,566
Sub-grants	14,550	22,700	20,850	1,900	60,000	-	-	60,000
Occupancy	17,922	27,971	13,357	2,342	61,592	6,360	6,877	74,829
Outreach & engagement	2,202	3,436	20,516	288	26,442	-	-	26,442
Staff development	21,792	31,451	12,005	1,888	67,136	1,777	1,907	70,820
Insurance	16,739	22,010	7,005	1,228	46,982	3,336	3,607	53,925
Interns	4,442	30,681	343	12	35,478	-	-	35,478
Client and reentry resources	15,185	3,226	41	8,288	26,740	-	-	26,740
Printing	3	30,656	142	1,250	32,051	-	1,601	33,652
Marketing	7,603	11,862	5,669	993	26,127	1,421	26,169	53,717
Miscellaneous	1,255	2,034	5,006	139	8,434	2,982	392	11,808
Class action payouts	-	12,500	-	-	12,500	-	-	12,500
TOTAL EXPENSES	<u>\$ 1,172,076</u>	<u>\$ 1,729,210</u>	<u>\$ 814,786</u>	<u>\$ 136,161</u>	<u>\$ 3,852,233</u>	<u>\$ 409,268</u>	<u>\$ 415,410</u>	<u>\$4,676,911</u>

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(2,565,327)	\$ 483,489
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation	127,054	131,798
Donated securities	(68,709)	(154,999)
Reinvested dividends	(150,089)	(178,563)
Unrealized loss (gain) on investments	2,788,242	(594,092)
Realized gain on investments	(1,079,834)	(364,582)
Loss on disposal of assets	-	2,471
Decrease (increase) in operating assets		
Contributions receivable	500	-
Unconditional promises to give	100,072	510,300
Other receivables	(718)	30,329
Prepays	1,494	8,095
Increase (Decrease) in operating liabilities		
Accounts payable	87,747	(14,505)
Deferred revenue	-	(10,000)
Accrued expenses	<u>13,207</u>	<u>29,053</u>
CASH (USED IN) OPERATING ACTIVITIES	(746,361)	(121,206)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	1,426,000	1,426,000
Purchase of investments	(1,449,510)	(969,239)
Purchase of fixed assets	<u>(62,032)</u>	<u>(29,657)</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(85,542)	427,104
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	-
NET CHANGE IN CASH	(831,903)	305,898
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,118,493</u>	<u>1,812,595</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$1,286,590</u>	<u>\$ 2,118,493</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, dignity, and justice for people impacted by the criminal legal system in the Deep South. SCHR fights for a world free from mass incarceration, the death penalty, the criminalization of poverty, and racial injustice.

SCHR’s Capital Litigation Unit provides direct representation to clients who are facing or who have received death sentences; consults with other capital defense teams and shares our expertise at trainings and conferences; and advocates for reforms to curtail the use of or abolish the death penalty.

SCHR’s Impact Litigation Unit files civil suits to protect our communities against numerous injustices. This includes defending people who face severe criminal charges and receive harsh sentences; people who are incarcerated as a form of wealth-based detention; and people who suffer abuse and inhumane treatment in jails and prisons.

SCHR’s Public Policy Unit develops and advocates for legislation that reforms harsh sentencing laws, provides alternatives to incarceration, abolishes the death penalty, strengthens the public defender system, and ends the criminalization of poverty. This unit works to engage and support local communities in advocating for needed criminal justice reforms.

SCHR’s Reentry Program provides support to former SCHR clients who are returning home after being released from prison. SCHR’s Client Services Advocate partners with these individuals to help remove obstacles towards housing, employment, healthcare, and social services as needed.

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:

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS - Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

Contributions received are recorded 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, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions.

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, 2022 and 2021, cash equivalents were \$808,509 and \$691,018, respectively.

Investments

Investments in equity and debt securities are reported at fair value. Investment earnings, including interest and dividend income and realized and unrealized gains and losses, are recorded in net assets without donor restriction unless their use is restricted by explicit donor stipulation. Investment revenue is presented in the statements of activities net of investment expense.

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.

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.

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. SCHR currently uses a capitalization threshold policy of \$2,500.

Estimated useful lives are as follows:

<u>Asset Category</u>	<u>Useful Lives</u>
Building and improvements	7 – 40 years
Furniture, fixtures and equipment	5 – 10 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 2022 and 2021.

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 2019.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS - Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue recognition

SCHR recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Special events

Special events consist primarily of ticket sales, sponsorships and donations. SCHR records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Performance obligations related to special events are transferred to the customer at a point in time, and is recognized at the conclusion of the event. Special event contributions are conditional promises to give and are not recognized as revenue in the financial statements until the event takes place.

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.

Recently adopted accounting guidance

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

SCHR adopted the standard effective January 1, 2022 and recognized and measured leases existing at January 1, 2022 (the beginning of the period of adoption) with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

SCHR elected the available practical expedients to account for their operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS - Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

As a result of the adoption of the new lease accounting guidance, at the beginning of 2022, SCHR recognized a lease liability and ROU of \$55,176, which represents the present value of the remaining operating lease payments of \$57,408, discounted using a risk-free rate of 1.625%.

The adoption had a material impact on SCHR's statements of financial position but did not have a material impact on the statements of activities or statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on the entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. SCHR adopted the standard on January 1, 2022, on a retrospective basis. The standard did not have a material impact on the financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent events

Subsequent events have been evaluated through May 4, 2023, which is the date the financial statements were available to be issued.

3. IN-KIND CONTRIBUTIONS

SCHR received legal services to support SCHR's mission and clients. Based on current market rates, services were valued at \$15,000 and \$0 for the years ended December 31, 2022, and 2021, respectively.

All gifts-in-kind received by SCHR for the years ended December 31, 2022, and 2021 were considered without donor restrictions and able to be used by SCHR as determined by the board of directors and management unless otherwise noted above.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

4. AVAILABILITY AND LIQUIDITY

The following represents SCHR’s financial assets at December 31, 2022, 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.

Financial assets:	
Cash and cash equivalents	\$ 1,286,590
Investments	7,561,759
Contributions receivable	50
Unconditional promises to give	458,258
Other receivables	<u>7,896</u>
Financial assets at year-end	9,314,553
Less amounts not available to be used within one year:	
Net assets with donor restrictions	2,024,841
Less net assets with time restrictions to be met in less than a year	<u>(400,000)</u>
	<u>1,624,841</u>
Financial assets available to meet general expenditures for general expenditures within one year	<u>\$ 7,689,712</u>

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.

5. INVESTMENTS

Investments as of December 31, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Mutual Funds – FTSE Social	\$ 3,291,857	\$ -
Mutual Funds – International Stock	2,377,760	2,641,350
Mutual Funds – Fixed Income	1,892,142	2,227,899
Mutual Funds – Domestic Stock	<u>-</u>	<u>4,158,610</u>
Total	<u>\$ 7,561,759</u>	<u>\$ 9,027,859</u>

The following is a summary of investment revenue:

	<u>2022</u>	<u>2021</u>
Unrealized (loss) gain on investments	\$ (2,788,242)	\$ 594,092
Realized gain on investments	1,079,834	364,582
Interest and dividend revenue	197,630	208,114
Investment fees	<u>(27,016)</u>	<u>(24,457)</u>
Total	<u>\$ (1,537,794)</u>	<u>\$ 1,142,333</u>

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS - Continued

6. NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Restricted for specific programs	\$ 764,996	\$ 1,070,797
Restricted to create and fund fellowships	637,353	733,132
Restricted for time	400,000	310,000
Restricted to support attorney salaries	200,770	308,946
Restricted for other purposes	<u>21,722</u>	<u>55,771</u>
	<u>\$ 2,024,841</u>	<u>\$ 2,478,646</u>

Net assets with donor restrictions released from restrictions were as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Restricted for specific programs	\$ 1,020,801	\$ 704,670
Restricted to create and fund fellowships	195,828	82,725
Restricted for time	210,000	790,000
Restricted to support attorney salaries	108,177	49,608
Restricted for other purposes	63,799	32,756
Restricted to support internships	<u>5,000</u>	<u>24,340</u>
	<u>\$ 1,603,605</u>	<u>\$ 1,684,099</u>

7. 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, 2022 and 2021, all investments were considered Level 1.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS - Continued

8. 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, 2022 and 2021:

	2022		
	Revenue	Expenses	Net revenue
Frederick Douglass Dinner	\$ 332,107	\$ 113,498	\$ 218,609
Atlanta Benefit	126,787	39,632	87,155
New York	16,578	-	16,578
San Francisco Event	<u>45,325</u>	<u>4,169</u>	<u>41,156</u>
 Total	 <u>\$ 520,797</u>	 <u>\$ 157,299</u>	 <u>\$ 363,498</u>
	2021		
	Revenue	Expenses	Net revenue
Frederick Douglass Dinner	\$ 274,405	\$ 11,743	\$ 262,662
Atlanta Benefit	135,049	6,450	128,599
New York	16,538	-	16,538
San Francisco Event	<u>11,258</u>	<u>-</u>	<u>11,258</u>
 Total	 <u>\$ 437,250</u>	 <u>\$ 18,193</u>	 <u>\$ 419,057</u>

9. LEASE ACTIVITIES

SCHR has an operating lease for a copier. They assess whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Operating lease right-of-use asset and liability are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Since SCHR's lease did not provide an implicit rate, to determine the present value of lease payments, management used the risk-free rate based on the information available at lease commencement.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

9. LEASE ACTIVITIES - Continued

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2022:

Operating Leases	
Right-of-use asset – operating lease	<u>\$ 44,113</u>
Operating lease liabilities – short term	\$ 11,244
Operating lease liabilities – long term	<u>32,869</u>
Total operating lease liabilities	<u>\$ 44,113</u>

Supplemental Cash Flows Information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 11,878
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Right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$ 55,176
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Weighted Average Remaining Lease Term

Operating leases	46 months
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Weighted Average Discount Rate

Operating leases	1.625%
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Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows:

Year Ending December 31,	
2023	\$ 11,878
2024	11,878
2025	11,877
2026	<u>9,898</u>
Total lease payments	45,529
Less: imputed interest	<u>(1,418)</u>
Present value of lease liabilities	<u>\$ 44,113</u>

10. 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, 2022 and 2021, SCHR contributed \$86,599 and \$75,258, respectively, to the plan.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS – Continued

11. CONCENTRATIONS OF CREDIT RISK

Concentration of Cash Balances

SCHR maintains its funds with a financial institution that insures cash balances up to \$250,000 as of 2022, through the Federal Deposit Insurance Corporation. SCHR maintains cash balances that may exceed insured limits as of December 31, 2022. As of December 31, 2022, SCHR held funds of \$1,036,235 that exceeded the insured limits. SCHR performs on-going evaluations of the financial institution to limit its concentration of credit risk exposure. SCHR has not experienced any losses in such accounts and management believes SCHR is not exposed to any significant credit risk related to cash.

Major Donors

For the year ended December 31, 2022, SCHR received \$509,750 from one donor, which represented approximately 11% of SCHR's total public support and revenue. There were no major donors for the year ended December 31, 2021.