

The Advocates for Human Rights

Financial Statements with
Independent Auditor's Report

June 30, 2016

The Advocates for Human Rights
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Advocates for Human Rights

We have audited the accompanying financial statements of The Advocates for Human Rights (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 from 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 respects, the financial position of The Advocates for Human Rights as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Summarized Comparative Financial Statements

The prior year summarized comparative financial statements were audited by predecessor auditors, and they expressed an unmodified audit opinion on those audited financial statements in their report dated October 26, 2015.

Schutz CPA, Ltd.

November 15, 2016

The Advocates for Human Rights
Statement of Financial Position
June 30, 2016
(With Summarized Comparative Totals for 2015)

	2016	2015
Assets		
<u>Current Assets</u>		
Cash	\$ 188,345	\$ 184,511
Investments	3,671	3,671
Prepaid Expenses	23,954	22,447
Accounts Receivable	24,468	21,196
Grants Receivable	125,324	339,654
Pledges Receivable	99,000	82,484
Total Current Assets	464,762	653,963
<u>Property and Equipment</u>		
Fixtures and Equipment	162,990	162,990
Accumulated Depreciation	(142,021)	(128,187)
Net Property and Equipment	20,969	34,803
<u>Other Assets</u>		
Grants Receivable	200,000	
Pledges Receivable		20,000
Security Deposit	10,132	10,132
Total Other Assets	210,132	30,132
Total Assets	\$ 695,863	\$ 718,898
Liabilities		
<u>Current Liabilities</u>		
Accounts Payable	28,620	35,505
Accrued Vacation	12,345	60,033
Payroll Liabilities	8,482	4,055
Deferred Lease Incentive	10,132	10,132
Total Current Liabilities	59,579	109,725
<u>Long-Term Debt</u>		
Deferred Lease Incentive - Net of Current Portion	27,016	37,148
Total Liabilities	86,595	146,873
Net Assets		
Unrestricted	33,353	(86,213)
Temporarily Restricted	575,915	658,238
Total Net Assets	609,268	572,025
Total Liabilities and Net Assets	\$ 695,863	\$ 718,898

The Advocates for Human Rights
Statement of Activities
Year Ended June 30, 2016
(With Summarized Comparative Totals for 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue				
Foundation and Corporate Contributions	\$ 184,800	\$ 542,658	\$ 727,458	\$ 539,435
Individual Contributions	379,884	79,000	458,884	394,353
In-Kind Donations	4,171,045		4,171,045	5,036,922
Contract Revenue	61,350		61,350	72,550
Special Events (Net of Expenses \$47,677)	220,119		220,119	274,879
Program Service Fees	22,712		22,712	62,524
Sales of Publications	29		29	30
Interest Income	80		80	26
Subtotal Support and Revenue	<u>5,040,019</u>	<u>621,658</u>	<u>5,661,677</u>	<u>6,380,719</u>
Released from Restrictions	703,981	(703,981)		
Total Support and Revenue	<u>5,744,000</u>	<u>(82,323)</u>	<u>5,661,677</u>	<u>6,380,719</u>
Expenses				
Program Services	5,389,614		5,389,614	6,375,957
Management and General	144,871		144,871	131,479
Fundraising	89,949		89,949	156,410
Total Expenses	<u>5,624,434</u>		<u>5,624,434</u>	<u>6,663,846</u>
Change in Net Assets	<u>119,566</u>	<u>(82,323)</u>	<u>37,243</u>	<u>(283,127)</u>
Net Assets - Beginning of Year	(86,213)	658,238	572,025	855,152
Net Assets - End of Year	<u>\$ 33,353</u>	<u>\$ 575,915</u>	<u>\$ 609,268</u>	<u>\$ 572,025</u>

The Advocates for Human Rights
Statement of Functional Expenses
Year Ended June 30, 2016
(With Summarized Comparative Totals for 2015)

	Program Services	Management and General	Fundraising	2016 Total Expenses	2015 Total Expenses
Personnel Costs	\$ 870,563	\$ 49,464	\$ 69,249	\$ 989,276	\$ 1,132,882
Dues and Subscriptions	4,524	2,340	936	7,800	7,316
Events and Meetings	4,113	457	507	5,077	69,382
Insurance	8,094	360	540	8,994	2,383
Miscellaneous	6,979	568	568	8,115	9,700
Occupancy	110,553	10,405	9,104	130,062	119,839
Office Equipment	12,814	285	1,139	14,238	15,360
Office Expense	4,407	322	645	5,374	10,823
Postage	15,155	1,248	1,426	17,829	14,095
Printing and Duplication	31,939	1,065	2,484	35,488	38,147
Professional Services	4,258,365	77,120	1,353	4,336,838	5,065,641
Telephone and Internet	7,179	253	1,014	8,446	7,420
Travel	42,201	431	431	43,063	157,025
Depreciation	12,728	553	553	13,834	13,833
Total Expenses	<u>\$ 5,389,614</u>	<u>\$ 144,871</u>	<u>\$ 89,949</u>	<u>\$ 5,624,434</u>	<u>\$ 6,663,846</u>

The Advocates for Human Rights
Statement of Cash Flows
Year Ended June 30, 2016
(With Summarized Comparative Totals for 2015)

	2016	2015
Cash Flows from (to) Operating Activities		
Change in Net Assets	\$ 37,243	\$ (283,127)
Adjustments to Reconcile:		
Depreciation	13,834	13,833
Unrealized Loss on Investments		813
Deferred Lease Incentive	(10,132)	(10,132)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(3,272)	(3,885)
Grants Receivable	14,330	293,154
Pledges Receivable	3,484	65,418
Prepaid Expenses	(1,507)	11,453
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(6,885)	3,595
Accrued Vacation	(47,688)	7,131
Payroll Liabilities	4,427	(1,105)
Net Cash from (to) Operating Activities	3,834	97,148
Cash Flows (to) Financing Activities		
Payments on Line of Credit		(50,000)
Net Increase (Decrease) in Cash and Cash Equivalents	3,834	47,148
Cash and Cash Equivalents, Beginning of Year	184,511	137,363
Cash and Cash Equivalents, End of Year	\$ 188,345	\$ 184,511
Supplemental Disclosures		
Interest Paid		\$ 1,187

The Advocates for Human Rights

Notes to Financial Statements

June 30, 2016

Note 1: Nature of the Organization

The Advocates for Human Rights (The Advocates) was founded in 1983 by a group of Minnesota attorneys who recognized the community's unique spirit of social justice as an opportunity to promote and protect human rights worldwide.

The Advocates investigates and exposes human rights violations internationally and in the United States; represents refugee and immigrants who are victims of human rights abuses; trains and assists groups that protect human rights; and works through education and advocacy to engage the public, policymakers, and children in human rights and cultural understanding.

The Advocates has worked with volunteers and partner organizations domestically and overseas to produce more than 78 reports documenting human rights practices in 26 countries. The Advocates brings injustice to the attention of the international community through its Special Consultative Status with the United Nations.

The Advocates' program work includes:

Refugee and Immigrant Rights: The Advocates works for the protection of the rights of refugees and immigrants in the United States. The Advocates offers free legal services to asylum seekers, immigration detainees, and immigrants in the Upper Midwest. The Advocates provides free legal representations, consultations, and services in over 600 cases annually with the help of hundreds of trained volunteers. The Advocates also works at the local, national, and international levels for systemic reform of U.S. immigration policy to ensure compliance with international human rights.

International Justice: The Advocates seeks to promote human rights through national and international justice processes. The Advocates works to develop practical and sustainable strategies to assist post-conflict countries in moving towards peace and accountability. In addition, The Advocates holds consultative status with the United Nations and participates in monitoring and reporting to United Nations human rights bodies and regional human rights mechanisms on issue areas in which The Advocates holds expertise. The Advocates also collaborates with civil justice organizations throughout the world on international justice issues, including death penalty abolition.

Human Rights Education: The Advocates develops and distributes curricula, publications, and reports; conducts presentations, lecture and film series, conferences, CLE and CEU sessions, and public forum; and provides numerous resources through the internet. The Advocates educates on topics such as immigration, post 9/11 human rights violations, asylum, the death penalty, child labor, women's human rights, and transitional justice.

Nepal School Project: To combat child labor, The Advocates collaborates with the community leaders in the village of Sankhu, Nepal, to educate over 340 of the region's poorest students at the Sankhu-Palubari Community School.

Women's Human Rights: The Advocates applies international human rights standards to advocate for women's rights in the United States and around the world. The Advocates works with local organizations to document human rights abuses against women, including domestic violence, sexual harassment in the workplace, and trafficking of women and girls.

Note 2: Summary of Significant Accounting Policies

Financial Statement Presentation: The financial statements of The Advocates have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

The Advocates for Human Rights

Notes to Financial Statements

June 30, 2016

Note 2: Summary of Significant Accounting Policies (Continued)

Unrestricted Net Assets: Net assets which are neither temporarily nor permanently restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets: Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time. When a temporarily restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted Net Assets: Those assets subject to donor imposed stipulations that they be maintained by the Organization, that neither expire by passage of time nor can be fulfilled or otherwise removed by the action of the Organization. At June 30, 2016, the Organization did not have any permanently restricted net assets.

Prior Year Summarized Comparative Financial Statements: The June 30, 2015 financial statements are presented as summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015. Certain amounts have been reclassified for comparative purposes.

Cash: The Organization maintains its cash in bank deposit accounts, which at times, may exceed the federally insured limits.

Receivables: The Organization provides an allowance for uncollectible accounts based on the allowance method using management's judgement. Accounts receivable are unsecured. An allowance is estimated based on the historical experience of the Organization, Accounts that are determined to be uncollectible are written off against the allowance account. No allowance for bad debts was considered necessary at June 30, 2016.

Property and Equipment: Property and equipment are carried at cost. Donations of property and equipment are recorded at their estimated fair value at the date of donation. The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to seven years. Repairs and replacements, which do not improve or extend the life of the respective assets, are expensed as incurred.

Investments: The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets on the statement of activities.

Revenue Recognition: Grants, contributions, and pledges for general program operations are recognized as revenue when committed by the grantor. Amounts are available for unrestricted use unless specifically restricted by the donor. Contributions with donor-imposed restrictions that are met in the same year as received are reported as unrestricted. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Contributed Services and Supplies: Contributed services are recognized at their estimated fair market value on the date of donation for those services that improve or enhance property and equipment or for those that require specialized skills. Many unpaid professional volunteers have made contributions of their time to the Organization's programs. The value of these contributions is reflected in these financial statements. Donated supplies are valued at fair market value at the date of donation.

The Advocates for Human Rights
Notes to Financial Statements
June 30, 2016

Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses: The costs of providing various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the Organization's cost centers (functional units) in which expenses are incurred, as well as estimates of time spent by employees and usage of facilities.

Estimates: The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes: The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Note 3: Investments

The Organization has limited investments that have been donated to assist the Organization in carrying out its mission. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs generally are based on indirect information, such as quoted prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active. Level 3 inputs, which are the most subjective, are generally based on the Organization's own assumptions on how knowledgeable parties would price assets, and are developed using the best information available in the circumstances. Level 3 inputs have the lowest priority.

The Organization used appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The Organization's securities are carried at market value as determined under Level 1, quoted prices in active markets:

Investment In:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$3,671	\$ 0	\$ 0	<u>\$3,671</u>

Note 4: Receivables

Accounts Receivable: Consists of amounts earned on fee for service contracts not yet received as of June 30, 2016. Amounts are considered fully collectible, as such, no allowance account has been established.

Grants Receivable: Consists of amounts awarded to the Organization to be received in future periods. Amounts are considered fully collectible and an allowance account is not considered necessary.

Pledges Receivable: Consists of amounts to be received by the Organization in future periods. Amounts are considered fully collectible and an allowance account has not been established.

Note 5: Operating Lease and Deferred Lease Incentive

The Organization entered into a lease agreement for office space for the period of July 2011 through February 2020. The Organization paid a security deposit on the lease of \$10,132. Monthly payments started at \$10,132 and increase annually. The lease required no monthly payments for the first eight months of the lease. The lease incentive of \$81,056 is deferred and is being amortized on a straight-line basis over the life of the lease. Rent expense for the deferred lease incentive was \$10,132 for the year ended June 30, 2016. Future minimum lease payments under the lease are:

The Advocates for Human Rights

Notes to Financial Statements

June 30, 2016

Note 5: Operating Lease and Deferred Lease Incentive (Continued)

Fiscal Year Ended	
<u>June 30,</u>	
2017	\$ 132,730
2018	134,960
2019	138,082
2020	92,054

Rent expense for the year ended June 30, 2016 was \$127,376.

Note 6: Line of Credit

The Organization has a line of credit with their bank of up to \$100,000. Interest only payments of 5.5% are made on outstanding balances. The line had no balance at June 30, 2016.

Note 7: Temporarily Restricted Net Assets

Temporary restricted net assets consisted of grants that are restricted for time, purpose, or both. As of June 30, 2016, the Organization had \$575,915 temporarily restricted net assets restricted for timing and/or purpose restrictions.

Note 8: In-Kind Donations

In-kind donations consist of pro bono legal services, other professional services, and certain other donations by individuals. The in-kind donations for the year ended June 30, 2016, benefited each program as shown below:

Refugee and Immigration Rights	\$3,126,300
Women's Human Rights	431,137
International Justice	513,762
Education	1,010
General and Administration	95,830
Development and Communication	2,214
Nepal School	<u>792</u>
Total In-Kind Donations	<u>\$4,171,045</u>

In addition, many individuals volunteered over 10,800 hours of their time and performed a variety of tasks that assisted the Organization for various program and fundraising efforts. These services have not been reflected in the financial statements, as they do not meet the requirements for recognition (i.e., requiring specialized skills, or creating or enhancing a non-financial asset).

Note 9: Retirement Plan

The Organization has a Salary Reduction Retirement Plan which is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees who meet eligibility requirements. The Organization does not make employer contributions into the plan.

Note 10: Related Party Activity

The Organization has several attorneys and other professionals on its Board of Directors. Several of the firms that these professionals are affiliated with provide in-kind contributions of time and services to the Organization to further the work of the Organization according to its mission.

Note 11: Concentrations

Pro Bono Legal Services: The Organization relies on a number of law firms for pro bono legal work. Should any of those firms change their policies towards providing services on a pro bono basis, the Organization would be severely limited in its ability to deliver its current level of program services.

The Advocates for Human Rights
Notes to Financial Statements
June 30, 2016

Note 12: Evaluation of Subsequent Events

The Organization has evaluated subsequent events through November 15, 2016, which was the date the financial statements were available to be issued.