

**The Advocates for Human Rights**

Financial Statements with  
Independent Auditor's Report

June 30, 2023

**The Advocates for Human Rights**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Advocates for Human Rights

**Opinion**

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 The Advocates for Human Rights as of June 30, 2023, and the changes in net assets and its cash flows for the year 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 The Advocates for Human Rights 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 The Advocates for Human Rights' 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 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 The Advocates for Human Rights' 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 The Advocates for Human Rights' 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.

#### **Report on Summarized Comparative Information**

We have previously audited The Advocates for Human Rights' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



November 1, 2023

**The Advocates for Human Rights**  
Statement of Financial Position  
June 30, 2023  
(With Summarized Comparative Totals for 2022)

	2023	2022
<b>Assets</b>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 404,198	\$ 2,602,435
Accounts Receivable	30,122	291,341
Grants Receivable	488,118	
Promises to Give	47,162	165,777
Prepaid Expenses	32,978	73,204
Total Current Assets	1,002,578	3,132,757
<u>Property and Equipment</u>		
Fixtures and Equipment	124,537	124,537
Accumulated Depreciation	(123,057)	(121,895)
Net Property and Equipment	1,480	2,642
<u>Other Assets</u>		
Investments	2,880,157	4,383
Promises to Give (Less Discount of \$2,346)	19,804	76,215
Security Deposit	10,132	10,132
Right of Use Asset	574,272	
Total Other Assets	3,484,365	90,730
Total Assets	\$ 4,488,423	\$ 3,226,129
<b>Liabilities</b>		
<u>Current Liabilities</u>		
Accounts Payable	139,376	65,389
Accrued Vacation	71,908	54,981
Payroll Liabilities	5,667	5,514
Lease Liability - Current	154,000	
Deferred Lease Incentive		14,148
Total Current Liabilities	370,951	140,032
<u>Long-Term Debt</u>		
Lease Liability - Net of Current Postion	497,848	
Deferred Lease Incentive - Net of Current Portion		108,624
Total Liabilities	868,799	248,656
<b>Net Assets</b>		
Without Donor Restriction	3,179,405	2,455,429
With Donor Restriction	440,219	522,044
Total Net Assets	3,619,624	2,977,473
Total Liabilities and Net Assets	\$ 4,488,423	\$ 3,226,129

See accompanying notes to financial statements.

**The Advocates for Human Rights**  
Statement of Activities  
Year Ended June 30, 2023  
(With Summarized Comparative Totals for 2022)

	2023		2022	
	Without Donor Restriction	With Donor Restriction	Total	Total
<b>Support and Revenue</b>				
Foundation and Corporate Contributions	\$ 721,959	\$ 460,688	\$ 1,182,647	\$ 1,239,207
Individual Contributions	1,545,778		1,545,778	1,887,617
Government Grants	497,612		497,612	
In-Kind Donations - Professional Services	16,945,727		16,945,727	11,274,921
In-Kind Donations - Supplies and Event Costs	83,843		83,843	41,614
Contract Revenue	444,697		444,697	87,747
Program Service Fees	29,045		29,045	6,537
Investment Income	68,690		68,690	(439)
Other Income	3,127		3,127	3,301
PPP Loan Forgiveness				314,833
Subtotal Support and Revenue	<u>20,340,478</u>	<u>460,688</u>	<u>20,801,166</u>	<u>14,855,338</u>
Released from Restrictions	542,513	(542,513)		
Special Event	193,141		193,141	158,995
Less Special Events Direct Expenses	<u>(91,677)</u>		<u>(91,677)</u>	<u>(60,417)</u>
Net Special Event	101,464		101,464	98,578
Total Support and Revenue	<u>20,984,455</u>	<u>(81,825)</u>	<u>20,902,630</u>	<u>14,953,916</u>
<b>Expenses</b>				
Program Services	19,636,371		19,636,371	13,328,058
Management and General	438,924		438,924	291,211
Fundraising	<u>185,184</u>		<u>185,184</u>	<u>129,757</u>
Total Expenses	<u>20,260,479</u>		<u>20,260,479</u>	<u>13,749,026</u>
Change in Net Assets	<u>723,976</u>	<u>(81,825)</u>	<u>642,151</u>	<u>1,204,890</u>
Net Assets - Beginning of Year	2,455,429	522,044	2,977,473	1,772,583
Net Assets - End of Year	<u>\$ 3,179,405</u>	<u>\$ 440,219</u>	<u>\$ 3,619,624</u>	<u>\$ 2,977,473</u>

**The Advocates for Human Rights**  
Statement of Functional Expenses  
Year Ended June 30, 2023  
(With Summarized Comparative Totals for 2022)

	Program Services	Management and General	Fundraising	Expenses Before Special Event	Special Event Expenses	2023 Total Expenses	2022 Total Expenses
Personnel Costs	\$ 1,968,331	\$ 192,085	\$ 105,105	\$ 2,265,521		\$ 2,265,521	\$ 1,739,858
Events and Meetings	6,753	3,059	1,090	10,902	\$ 66,557	77,459	62,563
Insurance	18,895	225	161	19,281		19,281	3,731
Miscellaneous	3,383	3,903	108	7,394		7,394	20,957
Occupancy	245,031	9,369	10,735	265,135		265,135	274,209
Office Equipment	29,897	39,344	1,012	70,253		70,253	54,592
Office Expense	11,617	18,357	1,101	31,075	501	31,576	16,771
Postage	14,622	907	485	16,014		16,014	21,435
Printing and Duplication	18,007	976	703	19,686	3,600	23,286	12,342
Professional Services	17,201,258	166,165	63,300	17,430,723	20,669	17,451,392	11,554,442
Subscriptions and Resources	19,320	758	675	20,753	350	21,103	17,076
Telephone and Technology	15,700	2,554	682	18,936		18,936	16,340
Travel	83,557	60	27	83,644		83,644	13,096
Depreciation		1,162		1,162		1,162	2,031
<b>Total Expenses</b>	<b>\$ 19,636,371</b>	<b>\$ 438,924</b>	<b>\$ 185,184</b>	<b>\$ 20,260,479</b>	<b>\$ 91,677</b>	<b>\$ 20,352,156</b>	<b>\$ 13,809,443</b>

**The Advocates for Human Rights**  
Statement of Cash Flows  
Year Ended June 30, 2023  
(With Summarized Comparative Totals for 2022)

	2023	2022
<b>Cash Flows from (to) Operating Activities</b>		
Change in Net Assets	\$ 642,151	\$ 1,204,890
Adjustments to Reconcile:		
Depreciation	1,162	2,031
Unrealized (Gain) Loss on Investments	(68,690)	2,139
Forgiveness of PPP Loan		(314,833)
Deferred Lease Incentive		(10,063)
Non Cash Lease Expense	143,815	
(Increase) Decrease in Operating Assets:		
Accounts Receivable	261,219	(86,588)
Grants Receivable	(488,118)	
Promises to Give	175,026	21,582
Prepaid Expenses	40,226	1,274
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	73,987	9,077
Accrued Vacation	16,927	(2,114)
Payroll Liabilities	153	1,521
Net Cash from Operating Activities	797,858	828,916
<b>Cash Flows (to) Investing Activities</b>		
Purchase of Investments	(2,846,762)	
<b>Cash Flows (to) Financing Activities</b>		
Payments on Lease	(149,333)	
Net Increase (Decrease) in Cash and Cash Equivalents	(2,198,237)	828,916
Cash and Cash Equivalents, Beginning of Year	2,602,435	1,773,519
Cash and Cash Equivalents, End of Year	\$ 404,198	\$ 2,602,435



## The Advocates for Human Rights

Notes to Financial Statements

June 30, 2023

### Note 1: Nature of the Organization

Founded in 1983, The Advocates for Human Rights, a non-governmental organization based in the United States, works to ensure all people live with dignity, freedom, justice, equality, and peace. Our mission is to implement international human rights standards to promote civil society and reinforce the rule of law. By involving volunteers in research, education, and advocacy, we build broad constituencies in the United States and select global communities.

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: We mobilize pro bono professionals to represent victims of human rights abuses: asylum seekers fleeing from torture, violence, and persecution, trafficking victims, and immigrants in detention. Last year we provided legal assistance in over 1,100 immigration matters in Minnesota as well as North and South Dakota. In fiscal year 2023, The Advocates expanded their Refugee and Immigration Rights program to aid Afghan evacuees through a newly established Afghan Legal Clinic.

Women's Rights: We work to improve laws and policies to end discrimination against women and girls. We seek to stop violence against women by partnering with human rights defenders around the world and through our website StopViolenceAgainstWomen.org. We monitor court proceedings in domestic violence, sexual assault and sex trafficking cases and work to create a fairer legal system.

Human Trafficking: We have provided statewide leadership in Minnesota to end human trafficking. We develop protocols, advocate for legal changes and assess the efficacy of their implementation. We train prosecutors, police, and other professionals in identifying and assisting trafficking victims.

International Justice: We document and raise awareness of human rights abuses around the world. We collaborate with the United Nations and other international agencies to highlight human rights violations and advocate for change. We foster coalitions of human rights defenders across borders. We also support vulnerable populations, such as LGBTI communities, and seek to abolish the death penalty.

Research, Education, and Advocacy: We work with the State of Minnesota to protect human rights at home and advise local governments on human rights standards. We educate the public about current human rights issues and mobilize them to become advocates.

Nepal School Project: The Sankhu-Palubari Community School in rural Kathmandu Valley, Nepal educates low-income girls and boys who might otherwise be forced into child labor or early marriage. Girls make up at least fifty percent of the students— a rarity in Nepal.

### Note 2: Summary of Significant Accounting Policies

Financial Statement Presentation: The financial statements of the Organization 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.

**The Advocates for Human Rights**  
Notes to Financial Statements  
June 30, 2023

**Note 2: Summary of Significant Accounting Policies (Continued)**

Prior Year Summarized Comparative Financial Information: The prior year June 30, 2022 financial statements are presented as summarized comparative information in total, but not by net asset class. Disclosures for the prior year financial statements are not presented. In addition, the summarized information presented for June 30, 2022, have not been adjusted for new accounting standards adopted July 1, 2022. The June 30, 2022 summarized information does not include adjustments or 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, 2022.

Cash and Cash Equivalents: The Organization maintains its cash in bank deposit accounts. Cash equivalent include undeposited funds where checks have been received and amounts received on giving platforms not yet deposited into bank accounts. Cash equivalents do not include cash and cash equivalents held at brokerage firms in investment portfolios.

Accounts and Grants Receivable: The Organization's accounts receivable consist of fee for service earned in the current year and grants receivable consist mostly of donations and government grants for reimbursement of expenses that were effectively received in the current year but not received until the following year.

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, 2023.

Promises to Give: The Organization records promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. Promises to give are written off when deemed uncollectible. At June 30, 2023, all amounts were considered fully collectible and an allowance account was not deemed necessary.

Property and Equipment: Property and equipment additions over \$1,000 are carried at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expenses 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. Net investment income/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Net Assets: Net assets, revenues, gains and losses are classified based on the existence or absence of restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions:* Net assets which are not limited by donor-imposed stipulations.

*Net Assets With Donor Restrictions:* Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or passage of time or are required by donor-stipulations that they be maintained by the Organization, that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization.

## The Advocates for Human Rights

Notes to Financial Statements

June 30, 2023

### Note 2: Summary of Significant Accounting Policies (Continued)

Contributions restricted by donors are shown as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### Revenue and Revenue Recognition:

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or 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.

A portion of the Organization's revenue is derived from cost-reimbursable grants and government contracts, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization was awarded cost-reimbursable grants for future periods that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred. The Minnesota Department of Human Services contract was \$2,114,985 with \$1,816,156 remaining at year end.

Contract and program revenue are recognized when contracted fee for services are performed and when programs are delivered. Program fees and service contract income are deferred to the applicable period in which related services are performed.

Special event revenue is recorded equal to the fair value of direct benefits to the donors and contributions income for the excess received when the event takes place.

Donated Services and In-Kind Contributions: Contributed nonfinancial assets include donated professional services, event and supply costs, and other in-kind contributions which are recorded at the estimated fair value, at the date of donation, of the services and goods received. In addition, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses: The costs of programs and supporting services activities have been summarized on a functional basis and natural classifications in the statement of functional expenses. 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.

Joint Costs of Activities That Include a Fund-Raising Appeal: The Organization has house parties that include programmatic and administrative information together with a request for contributions in support of the Organization's mission. The associated costs, including in-kind amounts were allocated and included in the functional expense statement.

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. Actual results could differ from those estimates, and those differences could be material.

## The Advocates for Human Rights

### Notes to Financial Statements

June 30, 2023

#### Note 2: Summary of Significant Accounting Policies (Continued)

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.

Financial Instruments and Credit Risk: The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category.

As of June 30, 2023, the Organization did not have amounts in excess of FDIC insurance limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts, grants, and pledges receivable is considered to be limited due to high historical collection rates, substantial portions of the outstanding amounts are due from foundations, governmental agencies, and individuals supportive of the Organization's mission, and because substantial portions of the outstanding amounts have already been collected. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that investment policies and guidelines are prudent for the long-term welfare of the Organization.

Recent Accounting Guidance: During the year ending June 30, 2023, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit has received. Prior to adoption, silent auction items contributed as part of the special event were included in individual donations, after adoption the silent auctions of \$26,131 are included on the statement of activities as in-kind donations – supplies and event costs. Related disclosures have been expanded to include additional information that was not previously required. Prior periods have not been restated for this new standard.

The Organization also adopted, effective July 1, 2022, Financial Accounting Standards Board (FASB) ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The Organization elected to adopt FASB ASC 842, *Leases* using the optional transition method that allows the Organization to initially apply the new leases standard at the adoption date. A cumulative effect adjustment to the opening balance of net assets in the period of adoption was not considered necessary. Prior periods, including the comparative summary information for the year ended June 30, 2022, have not been adjusted and are not presented in accordance with FASB ASC 840.

The Organization elected certain practical expedients, including the package of transition practical expedients. The Organization also made an accounting policy election to exempt short-term leases of 12 months or less from statement of financial position recognition requirements associated with the new standard.

The Organization has made an accounting policy to apply a risk-free rate as the discount rate used to measure lease liabilities and right-of-use assets at commencement of a lease.

Subsequent Events: The Organization has evaluated subsequent events through November 1, 2023, which was the date the financial statements were available to be issued.

## The Advocates for Human Rights

### Notes to Financial Statements

June 30, 2023

#### Note 3: Liquidity and Availability

Total current financial assets comprise the following:

Cash and Cash Equivalents	\$ 404,198
Accounts Receivable	30,122
Grants Receivable	488,118
Promises to Give - Current	47,162
Prepaid Expenses	<u>32,978</u>
Total Current Financial Assets	1,002,578

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Total Current Financial Assets	\$1,002,578
Restricted for Time or Purpose	<u>(440,219)</u>
Available Financial Assets	562,359

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

As part of the Organization's liquidity management plan the Board established a reserve account to cover budget short falls and to establish up to a six-month expense reserve. At June 30, 2023, the Board Designated reserve funds are held in investments with a balance of \$2,875,535.

#### Note 4: Fair Value Measurement

As required by current accounting standards, fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the assessment of the quality, risk, or liquidity profile of the asset.

U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2. There are no Level 3 investments.

**The Advocates for Human Rights**

Notes to Financial Statements

June 30, 2023

**Note 4: Fair Value Measurement (Continued)**

The following table on the following page presents assets measured at fair value on a recurring basis, except those measured at cost per share as a practical expedient as identified in the following, at June 30, 2023.

<u>Investment In:</u>	Quoted Prices in Active Markets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Other Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Stocks	\$ 4,622		\$0	\$ 4,622
Cash (at Cost)	1,650			1,650
Money Market Mutual Funds	220,506			220,506
US Government Obligations		<u>\$2,653,379</u>		<u>2,653,379</u>
Total Investments	<u>226,778</u>	<u>2,653,379</u>	<u>-0-</u>	<u>2,880,157</u>

**Note 5: Promises to Give**

Unconditional promises to give are estimated to be collected as follows at June 30, 2023

Within One Year	\$47,162
In One to Five Years	22,150
Less discount to net present value at 3.25%	<u>(2,346)</u>
Total Promises to Give	<u>66,966</u>

**Note 6: Line of Credit**

The Organization has a Loan Management Account with a bank which operates as an uncommitted revolving line of credit. Advances, once approved, are due on demand and can either be requested as a variable or fixed interest agreement. Amounts are secured by investments.

**Note 7: Leases**

The Organization entered into an updated lease agreement for office space which expanded the leased area effective April 1, 2020 and ends October 31, 2027, with possible extension. The Organization has a security deposit on the lease of \$10,132. The initial lease called for monthly payments of \$11,671 with an annual increase of 3% each July. Common area maintenance and real estate tax are required to be paid by the Organization.

The lease required no monthly payments for July 1, 2020 through January 31, 2021. As part of the new lease the Organization was granted an allowance for leasehold improvements. The Organization did not use the full leasehold improvement allowance and starting February 1, 2021 received a reduction in rent expense until the leasehold improvement rental allowance was used. Prior to adopting the new lease standard, the in-kind rent was recognized over the lease term on a straight-line basis. After adopting the new standard, the remaining seven months of in-kind rent was used to increase the right-of-use asset and the remaining leasehold allowance was credited against rent expense.

There were no renewal options included in the determination of the right-of-use asset and lease liability. Common area maintenance and real estate tax are variable and are charged based on actual expenses so are not included in the right-of-use asset and lease liability. The Organization has elected to use the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases has been elected.

Total lease costs for the year ended June 30, 2023 was \$265,135.

## The Advocates for Human Rights

### Notes to Financial Statements

June 30, 2023

#### Note 7: Leases (Continued)

The following summarizes supplemental cash flow information:

	<u>Right of Use Asset</u>	<u>Lease Liability</u>
Initial Balance, Beginning of Year	\$694,661	\$675,274
Reduction of Right of Use Asset	(120,389)	
Reduction of Lease Liability		<u>(23,426)</u>
Ending Balance, June 30, 2023	<u>574,272</u>	651,848

The weighted-average remaining lease term is 4.3 years.

The weighted-average discount rate is 3.25%.

The future minimum lease payments under noncancelable operating leases with terms greater than one year are as follows:

June 30, 2024	\$154,000
2025	158,000
2026	163,000
2027	168,000
2028	57,785
Less Interest	<u>(48,937)</u>
Present Value of Lease Liability	651,848

The Organization also leases various office equipment including a copy machine and a postage machine. The remaining right to use asset and lease liability on these leases is less than \$10,000 and payments are being expensed as incurred rather than separating lease and non-lease components and recording the right to use asset and corresponding liability.

#### Note 8: Net Assets With Donor Restrictions

The Organization's net assets with donor restrictions are restricted for the following purposes:

Refugee and Immigrant Rights	\$129,167
Research, Education, and Advocacy	179,167
Subject to Passage of Time	<u>131,885</u>
Total Net Assets With Donor Restrictions	440,219

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023:

Refugee and Immigrant Rights	\$199,583
Research, Education, and Advocacy	133,333
Subject to Passage of Time	<u>209,597</u>
Satisfaction of Donor Restrictions	542,513

#### Note 9: Investment Income

The following schedule summarizes investment returns and their classification in the statement of activities for the year ended:

Interest and Dividends	\$17,140
Realized Gains	9,497
Unrealized Gains	<u>42,053</u>
Total Net Investment Income	68,690

Investments are held for future use and are not considered current assets. At June 30, 2023, the Board Designated reserve funds held in investments were \$2,875,535.

**The Advocates for Human Rights**

Notes to Financial Statements

June 30, 2023

**Note 10: Donated Professional Services and Supplies and Event Costs**

For the year ended June 30, 2023, the Organization received contributed nonfinancial assets and recognized the following on the statement of activities as follows:

Contributed Nonfinancial Assets	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Professional Services	\$16,784,574	\$140,461	\$20,692	\$16,945,727
Supplies and Event Costs	<u>15,955</u>	<u>38,551</u>	<u>29,337</u>	<u>83,843</u>
Total	16,800,520	179,012	50,029	17,029,570

Contributed professional services and supplies and event costs are valued using market rates and replacement cost (principal market) of identical or similar items considering the experience and condition at the time of contribution. Contributed nonfinancial assets are used as presented in the above table.

Contributed professional services consist primarily of legal services used for program purposes.

Many other volunteer service hours, for which no value has been assigned, benefitted the Organization during the year ended June 30, 2023, and have not been recognized in the financial statements since they do not meet the requirements for recognition.

**Note 11: 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 12: 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.