

The Advocates for Human Rights

Financial Statements with
Independent Auditor's Report

June 30, 2021

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, 2021, 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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited The Advocates for Human Right's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schutz CPA, Ltd.

October 18, 2021

The Advocates for Human Rights
Statement of Financial Position
June 30, 2021
(With Summarized Comparative Totals for 2020)

	2021	2020
Assets		
<u>Current Assets</u>		
Cash	\$ 1,773,519	\$ 1,175,659
Accounts Receivable	204,753	250,797
Promises to Give	158,116	295,397
Prepaid Expenses	74,478	54,326
Total Current Assets	2,210,866	1,776,179
<u>Property and Equipment</u>		
Fixtures and Equipment	124,537	126,656
Accumulated Depreciation	(119,864)	(118,215)
Net Property and Equipment	4,673	8,441
<u>Other Assets</u>		
Investments	6,522	4,848
Promises to Give (Less Allowance of \$3,543)	105,458	196,140
Security Deposit	10,132	10,132
Total Other Assets	122,112	211,120
Total Assets	\$ 2,337,651	\$ 1,995,740
Liabilities		
<u>Current Liabilities</u>		
Accounts Payable	56,312	49,676
Accrued Vacation	57,095	47,532
Payroll Liabilities	3,993	10,266
Deferred Lease Incentive	9,310	
PPP Loan	314,833	316,400
Total Current Liabilities	441,543	423,874
<u>Long-Term Debt</u>		
Deferred Lease Incentive - Net of Current Portion	123,525	
Total Liabilities	565,068	423,874
Net Assets		
Without Donor Restriction	1,218,593	869,246
With Donor Restriction	553,990	702,620
Total Net Assets	1,772,583	1,571,866
Total Liabilities and Net Assets	\$ 2,337,651	\$ 1,995,740

The Advocates for Human Rights
Statement of Activities
Year Ended June 30, 2021
(With Summarized Comparative Totals for 2020)

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Total
Support and Revenue				
Foundation and Corporate Contributions	\$ 696,214	\$ 315,000	\$ 1,011,214	\$ 943,265
Individual Contributions	944,042	80,204	1,024,246	1,123,432
In-Kind Donations	14,500,694		14,500,694	13,172,032
Contract Revenue	88,562		88,562	254,368
Program Service Fees	32,964		32,964	19,776
Other Income				36,629
PPP Loan Forgiveness	316,400		316,400	
Interest and Investment Income	2,192		2,192	510
Other Gains and Losses	95		95	10,524
Subtotal Support and Revenue	<u>16,581,163</u>	<u>395,204</u>	<u>16,976,367</u>	<u>15,560,536</u>
Released from Restrictions	543,834	(543,834)		
Special Event	24,051		24,051	34,197
Less Special Events Direct Expenses	<u>(43,520)</u>		<u>(43,520)</u>	<u>(36,554)</u>
Net Special Event	(19,469)		(19,469)	(2,357)
Total Support and Revenue	<u>17,105,528</u>	<u>(148,630)</u>	<u>16,956,898</u>	<u>15,558,179</u>
Expenses				
Program Services	16,302,491		16,302,491	14,755,387
Management and General	328,468		328,468	321,907
Fundraising	<u>125,222</u>		<u>125,222</u>	<u>160,913</u>
Total Expenses	<u>16,756,181</u>		<u>16,756,181</u>	<u>15,238,207</u>
Change in Net Assets	<u>349,347</u>	<u>(148,630)</u>	<u>200,717</u>	<u>319,972</u>
Net Assets - Beginning of Year	869,246	702,620	1,571,866	1,251,894
Net Assets - End of Year	<u>\$ 1,218,593</u>	<u>\$ 553,990</u>	<u>\$ 1,772,583</u>	<u>\$ 1,571,866</u>

The Advocates for Human Rights
Statement of Functional Expenses
Year Ended June 30, 2021
(With Summarized Comparative Totals for 2020)

	Program Services	Management and General	Fundraising	Expenses Before Special Event	Special Event Expenses	2021 Total Expenses	2020 Total Expenses
Personnel Costs	\$ 1,460,421	\$ 132,775	\$ 88,032	\$ 1,681,228		\$ 1,681,228	\$ 1,374,972
Events and Meetings	9,873	364	1,084	11,321	\$ 20,002	31,323	67,474
Insurance	2,324	614	128	3,066		3,066	7,488
Miscellaneous	6,188	15,949	245	22,382		22,382	12,964
Occupancy	233,780	39,609	12,692	286,081		286,081	190,095
Office Equipment	18,408	52,128	1,050	71,586	25	71,611	92,086
Office Expense	11,147	575	368	12,090	343	12,433	25,981
Postage	12,627	2,028	514	15,169	454	15,623	14,707
Printing and Duplication	13,789	942	736	15,467	2,001	17,468	42,813
Professional Services	14,493,161	77,554	17,111	14,587,826	20,695	14,608,521	13,343,028
Subscriptions and Resources	26,943	1,844	2,571	31,358		31,358	17,088
Telephone and Technology	12,522	854	670	14,046		14,046	17,924
Travel	1,308	44	21	1,373		1,373	64,953
Depreciation		3,188		3,188		3,188	3,188
Total Expenses	\$ 16,302,491	\$ 328,468	\$ 125,222	\$ 16,756,181	\$ 43,520	\$ 16,799,701	\$ 15,274,761

The Advocates for Human Rights
Statement of Cash Flows
Year Ended June 30, 2021
(With Summarized Comparative Totals for 2020)

	2021	2020
Cash Flows from (to) Operating Activities		
Change in Net Assets	\$ 200,717	\$ 319,972
Adjustments to Reconcile:		
Depreciation	3,188	3,188
Unrealized Gain on Investments	(1,095)	
Forgiveness of PPP Loan	(316,400)	
Deferred Lease Incentive	132,835	(6,756)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	46,044	(7,248)
Pledges Receivable	227,963	(23,565)
Investments		621
Prepaid Expenses	(20,152)	11,320
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	6,636	(41,340)
Accrued Vacation	9,563	22,253
Payroll Liabilities	(6,272)	6,957
Net Cash from Operating Activities	283,027	285,402
Cash Flows (to) Investing Activities		
Purchase of Fixed Assets		(5,547)
Cash Flows from Financing Activities		
Proceeds from PPP Loan	314,833	316,400
Net Increase in Cash and Cash Equivalents	597,860	596,255
Cash and Cash Equivalents, Beginning of Year	1,175,659	579,404
Cash and Cash Equivalents, End of Year	<u>\$ 1,773,519</u>	<u>\$ 1,175,659</u>

The Advocates for Human Rights
Notes to Financial Statements
June 30, 2021

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.

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, 2021

Note 2: Summary of Significant Accounting Policies (Continued)

Prior Year Summarized Comparative Financial Information: The June 30, 2020 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, 2020.

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

Accounts and Grants Receivable: 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, 2021.

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, 2021, 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 available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating and budget shortfall reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. 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 a restriction expires, that is, when the stipulated time has elapsed, the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Advocates for Human Rights
Notes to Financial Statements
June 30, 2021

Note 2: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition: The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The adoption of this new standard did not result in a material impact to the Organization's financial statements.

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.

Revenue is recognized when earned. Program fees and rental 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: 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. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

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.

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 concentration risk by placing financial assets with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of its accounts. Credit risk associated with grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Organization's mission.

The Advocates for Human Rights

Notes to Financial Statements

June 30, 2021

Note 3: Liquidity and Availability

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, comprise the following:

Cash	\$1,773,519
Accounts Receivable	204,753
Promises to Give	263,574
Investments	<u>6,522</u>
Total Financial Assets	\$2,248,368
Restricted for Time or Purpose	<u>(553,990)</u>
Available Financial Assets	\$1,694,378

As part of the Organization's liquidity management plan a reserve account was established. Although, the Organization does not intend to spend from this reserve these amounts could be made available if necessary. At June 30, 2021, the reserve account balance was \$1,104,784 and is included in the cash amount.

Note 4: Investments and Fair Value Measurements and Disclosures

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	\$6,522	\$ 0	\$ 0	\$6,522

Note 5: Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2021:

Within One Year	\$158,116
In One to Five Years	109,000
Less discount to net present value at 3.25%	<u>(3,543)</u>
Total	<u>\$263,573</u>

Note 6: Line of Credit

The Organization has a line of credit with their bank of up to \$100,000. The maturity date is June 30, 2022 with a variable interest rate floor of 4.0% on outstanding balances, and is secured by a Commercial Security Agreement. The line had no outstanding balance at June 30, 2021.

Note 7: Paycheck Protection Program Loan

On April 14, 2020, the Organization received loan proceeds in the amount of \$316,400 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities.

The Advocates for Human Rights
Notes to Financial Statements
June 30, 2021

Note 7: Paycheck Protection Program Loan (Continued)

The forgiveness amount is reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

The Organization recorded a note payable upon receipt of the proceeds and recorded forgiveness upon being legally released from the loan obligation in January, 2021. Forgiveness income of \$316,400 has been recorded for the year ended June 30, 2021.

The Organization received a second PPP Loan on February 8, 2021 for \$314,833. Forgiveness has not yet been applied for or granted on this second amount. The expected amount of the loan forgiveness is classified as a current liability at year end. The Organization used all of the PPP loan proceeds for purposes consistent with the PPP.

Note 8: Operating Lease and Deferred Lease Incentive

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.

Monthly based rent payments started at \$11,671 and increase annually. In addition to the base rent amount the Organization pays operating expenses and real estate taxes. The lease required no monthly payments for July 1, 2021 through January 31, 2021. The lease incentive is recognized over the lease term on a straight-line basis

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.

Rent expense, including base rent and related rental expenses, for the year ended June 30, 2021, was \$286,080.

Future minimum lease payments under the lease are as follows:

Fiscal Year Ended June 30,	
2022	\$145,158
2023	149,243
2024	153,328
2025	157,413
2026	161,497
Thereafter	221,797

The Organization also leases office equipment.

Note 9: Net Assets With Donor Restrictions

Net assets with donor restrictions consist of grants and contributions designated for future periods. At June 30, 2021, the Organization had \$533,990 restricted by donors, \$418,366 to be used in future periods, and \$135,624 restricted by program.

Note 10: Board Designated Net Assets

During 2020, the Organization established a reserve fund to cover budget short falls and to establish a six-month expense reserve.

The fund balance at June 30, 2021 was \$1,104,784

The Advocates for Human Rights
Notes to Financial Statements
June 30, 2021

Note 11: Donated Professional Services and Supplies

The Organization received donated professional services and supplies as follows during the year ended June 30, 2021:

	Program Services	Management and General	Fundraising and Development	Total
Professional and Rental	\$14,258,976	\$165,344	\$17,907	\$14,442,227
Supplies and Event Costs	4,595	34,059	19,813	58,467
Total	\$14,263,571	\$199,403	\$37,720	\$14,500,694

Contributed services are recognized for those services that improve or enhance property and equipment or for those that require specialized skills. Many other volunteer service hours, for which no value has been assigned, benefitted the Organization during the year ended June 30, 2021, and have not been recognized in the financial statements since they do not meet the requirements for recognition.

Note 12: 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 13: 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 14: Subsequent Events

The Organization has evaluated subsequent events through October 18, 2021, which was the date the financial statements were available to be issued. The extent of the future impact of the global COVID-19 pandemic on the Organization will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization. Accordingly, the extent to which COVID-19 may impact the Organization's future financial position, income and cash flows is uncertain.