

**The Advocates for Human Rights**

Financial Statements with  
Independent Auditor's Report

June 30, 2019

**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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 31, 2019

**The Advocates for Human Rights**  
Statement of Financial Position  
June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019	2018
<b>Assets</b>		
<u>Current Assets</u>		
Cash	\$ 579,404	\$ 216,368
Investments	5,469	4,804
Prepaid Expenses	65,646	42,981
Accounts Receivable	103,549	27,465
Grants Receivable	140,000	196,790
Promises to Give	213,970	
Total Current Assets	1,108,038	488,408
<u>Property and Equipment</u>		
Fixtures and Equipment	151,639	154,625
Accumulated Depreciation	(145,556)	(154,625)
Net Property and Equipment	6,083	0
<u>Other Assets</u>		
Promises to Give (Less Allowance of \$14,215)	254,001	
Security Deposit	10,132	10,132
Total Other Assets	264,133	10,132
Total Assets	\$ 1,378,254	\$ 498,540
<b>Liabilities</b>		
<u>Current Liabilities</u>		
Accounts Payable	91,016	49,285
Accrued Vacation	25,279	31,975
Payroll Liabilities	3,309	13,243
Deferred Lease Incentive	6,756	16,887
Total Current Liabilities	126,360	111,390
<b>Net Assets</b>		
Without Donor Restriction	468,792	187,998
With Donor Restriction	783,102	199,152
Total Net Assets	1,251,894	387,150
Total Liabilities and Net Assets	\$ 1,378,254	\$ 498,540

**The Advocates for Human Rights**  
Statement of Activities  
Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019		2018	
	Without Donor Restriction	With Donor Restriction	Total	Total
<b>Support and Revenue</b>				
Foundation and Corporate Contributions	\$ 574,456	\$ 300,916	\$ 875,372	\$ 485,431
Individual Contributions	892,473	482,186	1,374,659	470,556
In-Kind Donations	9,151,363		9,151,363	5,660,622
Contract Revenue	202,175		202,175	204,057
Program Service Fees	22,149		22,149	11,829
Other Income	17,185		17,185	1,002
Interest Income	128		128	52
Other Gains and Losses	2,902		2,902	1,253
Subtotal Support and Revenue	<u>10,862,831</u>	<u>783,102</u>	<u>11,645,933</u>	<u>6,834,802</u>
Released from Restrictions	199,152	(199,152)		
Special Event	158,162		158,162	211,439
Less Special Events Direct Expenses	<u>(51,254)</u>		<u>(51,254)</u>	<u>(80,167)</u>
Net Special Event	106,908		106,908	131,272
Total Support and Revenue	<u>11,168,891</u>	<u>583,950</u>	<u>11,752,841</u>	<u>6,966,074</u>
<b>Expenses</b>				
Program Services	10,553,863		10,553,863	6,897,259
Management and General	209,120		209,120	147,197
Fundraising	<u>125,114</u>		<u>125,114</u>	<u>125,150</u>
Total Expenses	<u>10,888,097</u>		<u>10,888,097</u>	<u>7,169,606</u>
Change in Net Assets	<u>280,794</u>	<u>583,950</u>	<u>864,744</u>	<u>(203,532)</u>
Net Assets - Beginning of Year	187,998	199,152	387,150	590,682
Net Assets - End of Year	<u>\$ 468,792</u>	<u>\$ 783,102</u>	<u>\$ 1,251,894</u>	<u>\$ 387,150</u>

**The Advocates for Human Rights**  
Statement of Functional Expenses  
Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	Program Services	Management and General	Fundraising	Expenses Before Special Event	Special Event Expenses	2019 Total Expenses	2018 Total Expenses
Personnel Costs	\$ 1,052,612	\$ 68,174	\$ 49,803	\$ 1,170,589		\$ 1,170,589	\$ 975,114
Dues and Subscriptions	8,167	311	6,864	15,342		15,342	6,850
Events and Meetings	85,851	1,354	12,242	99,447	29,227	128,674	31,677
Insurance	10,902	2,094	250	13,246		13,246	7,095
Miscellaneous	4,439	18,421	141	23,001	3	23,004	6,431
Occupancy	133,702	7,718	5,259	146,679		146,679	147,406
Office Equipment	14,144	1,036	687	15,867		15,867	16,488
Office Expense	15,416	33,812	1,094	50,322	118	50,440	124,041
Postage	12,245	264	6,678	19,187	6,430	25,617	13,053
Printing and Duplication	19,787	976	3,959	24,722	5,460	30,182	19,454
Professional Services	9,053,058	72,381	37,373	9,162,812	10,000	9,172,812	5,592,331
Telephone and Technology	8,459	426	281	9,166		9,166	26,305
Travel	133,343	2,153	483	135,979	16	135,995	195,982
Depreciation	1,738			1,738		1,738	7,379
<b>Total Expenses</b>	<b>\$ 10,553,863</b>	<b>\$ 209,120</b>	<b>\$ 125,114</b>	<b>\$ 10,888,097</b>	<b>\$ 51,254</b>	<b>\$ 10,939,351</b>	<b>\$ 7,169,606</b>

**The Advocates for Human Rights**  
Statement of Cash Flows  
Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019	2018
<b>Cash Flows from (to) Operating Activities</b>		
Change in Net Assets	\$ 864,744	\$ (203,532)
Adjustments to Reconcile:		
Depreciation	1,738	7,379
Deferred Lease Incentive	(10,132)	(10,132)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(76,084)	37,773
Grants Receivable	56,790	182,981
Pledges Receivable	(467,971)	
Investments	(665)	4,164
Prepaid Expenses	(22,665)	6,203
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	41,731	(15,044)
Accrued Vacation	(6,696)	6,804
Payroll Liabilities	(9,934)	10,795
Net Cash from (to) Operating Activities	370,856	27,391
<b>Cash Flows from (to) Investing Activities</b>		
Purchase of Fixed Assets	(7,820)	
Net Increase in Cash and Cash Equivalents	363,036	27,391
Cash and Cash Equivalents, Beginning of Year	216,368	188,977
Cash and Cash Equivalents, End of Year	\$ 579,404	\$ 216,368

**The Advocates for Human Rights**  
Notes to Financial Statements  
June 30, 2019

**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**

Comparative Financial Information: The accompanying financial statements include certain prior-year 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, 2018, from which the summarized information was derived.



**The Advocates for Human Rights**  
Notes to Financial Statements  
June 30, 2019

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

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, 2019.

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, 2019, 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 donor or grantor imposed restrictions. Accordingly, net assets 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 Organization reports contributions restricted by donors 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.

## The Advocates for Human Rights

### Notes to Financial Statements

June 30, 2019

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

Revenue and Revenue Recognition: Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. 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 are not recognized until the condition on which they depend have been substantially met.

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 (Note 9).

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.

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.

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.

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.

Subsequent Events: The Organization has evaluated subsequent events through October 31, 2019, which was the date the financial statements were available to be issued.

#### 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	\$ 579,404
Accounts Receivable	103,549
Grants Receivable	140,000
Promises to Give	213,970
Investments	<u>5,469</u>
Available Financial Assets	\$ 1,042,392

As part of the Organization's liquidity management plan a reserve account was established, see Note 9. Although, the Organization does not intend to spend from this reserve these amounts could be made available if necessary. At June 30, 2019 the reserve account balance was \$211,854.

## The Advocates for Human Rights

Notes to Financial Statements

June 30, 2019

### Note 4: 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	\$5,469	\$ 0	\$ 0	\$5,469

### Note 5: Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2019:

Within One Year	\$213,970
In One to Five Years	268,216
Less discount to net present value at 5.3%	<u>14,215</u>
Total	<u>\$467,971</u>

At June 30, 2019, two donors accounted for 86 percent of total promises to give and 85 percent of the related receivables.

### 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 required on outstanding balances. The line had no balance at June 30, 2019 and 2018.

### Note 7: 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, 2019. Future minimum lease payments under the lease are:

Fiscal Year Ended	
<u>June 30,</u>	
2020	\$20,264

Rent expense for the years ended June 30, 2019, and 2018 was \$146,678, and \$138,719, respectively.

The Organization also leases office equipment.

### Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

Promises to give of \$482,186 and grant receivables of \$31,667 were time restricted. The remaining balance was restricted for program purposes as follows: Refugee and Immigrant Rights \$201,916, Women's Programs \$62,500 with the remaining \$4,833 restricted for other program costs.

**The Advocates for Human Rights**  
Notes to Financial Statements  
June 30, 2019

**Note 9: Board Designated Net Assets**

During 2019, the Organization asked donors for funds to create a reserve fund to cover budget short falls and to establish a six-month expense reserve. Donations of \$211,854 were collected in 2019 to establish the fund which was also the balance at June 30, 2019.

**Note 10: Donated Professional Services and Materials**

The Organization received donated professional services and materials as follows during the year ended June 30, 2019:

	Program Services	Management and General	Fundraising and Development	Total
Professional Services	\$8,897,196	\$55,342	\$ 1,957	\$8,954,495
Staff Development	695			695
Travel	96,230			96,230
Meeting Expenses	25,192			25,192
General Office Supplies		32,592		32,592
Event Expenses	11,098		25,124	36,222
Printing			3,942	3,942
Client Related Fees	1,995			1,995
Total	\$9,032,406	\$87,934	\$31,023	\$9,151,363

In-kind donations consisted of pro bono legal services, other professional services, and certain other donations and the amounts recognized for the year ended June 30, 2018 were \$5,414,467 of services and \$246,155 of supplies, travel and other expenses.

**Note 11: 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.

**Note 12: Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. These expenses that are allocated on the basis of estimates of time and effort.

**Note 13: 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 14: 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.