



AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

SOUTHERN CENTER FOR HUMAN RIGHTS
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Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southern Center for Human Rights
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of Southern Center for Human Rights ("SCHR") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and net assets, 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 SCHR as of December 31, 2023, 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.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of SCHR as of December 31, 2022 were audited by other auditors whose report dated May 4, 2023, expressed an unmodified opinion on those statements. As more fully described in Note 11, SCHR has restated their 2022 financial statements during the current year to recognize in-kind legal services, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2022 financial statements before the restatement.

As part of our audit of the 2023 financial statements, we also audited the adjustment described in Note 11 that was applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2022 financial statements of SCHR other than with respect to the adjustment and accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCHR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCHR's ability to continue as a going concern for a reasonable period of time.

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

Jones and Kolb

May 16, 2024

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,018,139	\$ 1,286,590
Investments	558,604	7,004,552
Contributions receivable	375,073	458,308
Employee Retention Credit receivable	740,139	-
Other receivables	2,086	7,896
Prepaid expenses	4,000	5,134
	<hr/>	<hr/>
Total current assets	3,698,041	8,762,480
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Land	600,000	600,000
Building and improvements	3,808,092	3,784,796
Furniture, fixtures and equipment	70,326	71,980
Automobiles	146,026	146,026
	<hr/>	<hr/>
Total property and equipment	4,624,444	4,602,802
Less accumulated depreciation	631,346	507,880
	<hr/>	<hr/>
Net property and equipment	3,993,098	4,094,922
	<hr/>	<hr/>
OTHER ASSETS		
Long-term contributions receivable	75,000	-
Long-term investments	5,421,223	557,207
Operating lease right-of-use assets	32,868	44,113
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Total other assets	5,529,091	601,320
	<hr/>	<hr/>
Total assets	<u>\$ 13,220,230</u>	<u>\$ 13,458,722</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable	\$ 176,671	\$ 148,362
Deferred revenue	20,000	20,000
Accrued expenses	131,094	116,411
Operating lease obligation - current portion	11,428	11,244
Total current liabilities	339,193	296,017
LONG-TERM OPERATING LEASE OBLIGATION	21,440	32,869
Total liabilities	360,633	328,886
NET ASSETS		
Without donor restrictions		
Undesignated	5,156,281	10,547,788
Board-designated reserve fund	5,308,548	-
Board-designated future fund	671,279	557,207
Total without donor restrictions	11,136,108	11,104,995
With donor restrictions	1,723,489	2,024,841
Total net assets	12,859,597	13,129,836
Total liabilities and net assets	\$ 13,220,230	\$ 13,458,722

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

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUES AND SUPPORT			
Foundation grants	\$ 585,497	\$ 1,083,167	\$ 1,668,664
Individual and business contributions	855,071	36,600	891,671
Gifts in-kind	1,505,072	-	1,505,072
Attorney fees	47,476	-	47,476
Special events revenue	509,033	-	509,033
Less costs of direct benefits to donor	(134,604)	-	(134,604)
Other income	84,507	-	84,507
Investment income	1,392,895	-	1,392,895
Employee Retention Credit	740,139	-	740,139
	<u>5,585,086</u>	<u>1,119,767</u>	<u>6,704,853</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
	<u>1,421,119</u>	<u>(1,421,119)</u>	<u>-</u>
EXPENSES			
Program services	<u>5,870,510</u>	<u>-</u>	<u>5,870,510</u>
Supporting services			
Management and general	594,829	-	594,829
Fundraising	509,753	-	509,753
	<u>1,104,582</u>	<u>-</u>	<u>1,104,582</u>
	<u>6,975,092</u>	<u>-</u>	<u>6,975,092</u>
CHANGE IN NET ASSETS	31,113	(301,352)	(270,239)
NET ASSETS			
Beginning of year	<u>11,104,995</u>	<u>2,024,841</u>	<u>13,129,836</u>
NET ASSETS			
End of year	<u>\$ 11,136,108</u>	<u>\$ 1,723,489</u>	<u>\$ 12,859,597</u>

The accompanying notes to financial statements
are an integral part of this statement.

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUES AND SUPPORT			
Foundation grants	\$ 1,232,000	\$ 1,124,800	\$ 2,356,800
Individual and business contributions	1,142,938	25,000	1,167,938
Gifts in-kind	685,583	-	685,583
Attorney fees	761,905	-	761,905
Special events revenue	520,797	-	520,797
Less costs of direct benefits to donor	(157,299)	-	(157,299)
Other income	6,194	-	6,194
Investment loss	(1,537,794)	-	(1,537,794)
	<u>2,654,324</u>	<u>1,149,800</u>	<u>3,804,124</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
	<u>1,603,605</u>	<u>(1,603,605)</u>	<u>-</u>
EXPENSES			
Program services	<u>5,322,792</u>	<u>-</u>	<u>5,322,792</u>
Supporting services			
Management and general	498,619	-	498,619
Fundraising	548,040	-	548,040
	<u>1,046,659</u>	<u>-</u>	<u>1,046,659</u>
Total supporting services	<u>1,046,659</u>	<u>-</u>	<u>1,046,659</u>
Total expenses	<u>6,369,451</u>	<u>-</u>	<u>6,369,451</u>
CHANGE IN NET ASSETS	(2,111,522)	(453,805)	(2,565,327)
NET ASSETS			
Beginning of year	<u>13,216,517</u>	<u>2,478,646</u>	<u>15,695,163</u>
NET ASSETS			
End of year	<u>\$ 11,104,995</u>	<u>\$ 2,024,841</u>	<u>\$ 13,129,836</u>

The accompanying notes to financial statements
are an integral part of this statement.

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Capital Litigation	Impact Litigation	Public Policy	Reentry	Total Programs	Management and General	Fundraising	Total
Personnel	\$ 1,061,678	\$ 1,195,374	\$ 773,309	\$ 97,902	\$ 3,128,263	\$ 329,818	\$ 357,804	\$ 3,815,885
Professional fees	1,054,586	505,719	98,603	5,791	1,664,699	215,319	27,915	1,907,933
Travel	138,824	51,478	30,317	5,018	225,637	1,478	10,716	237,831
Litigation	94,853	106,033	2,094	303	203,283	-	-	203,283
Depreciation	34,858	39,075	25,387	3,216	102,536	10,835	11,749	125,120
Outreach and engagement	2,105	2,754	95,113	658	100,630	-	-	100,630
Facility rental	-	-	-	-	-	-	98,204	98,204
Office expenses	19,970	22,273	13,933	1,821	57,997	7,742	22,692	88,431
Office supplies	17,572	10,500	18,767	793	47,632	13,771	23,885	85,288
Occupancy	22,281	24,976	16,227	2,055	65,539	6,926	7,510	79,975
Sub-grants	-	-	69,966	-	69,966	-	-	69,966
Staff development	23,119	18,163	10,775	1,025	53,082	1,188	2,568	56,838
Insurance	14,640	15,986	8,100	1,026	39,752	3,457	3,749	46,958
Client and reentry services	16,586	5,507	319	21,325	43,737	-	-	43,737
Interns	6,208	6,505	27,364	152	40,229	-	-	40,229
Printing	1,313	1,526	2,066	284	5,189	160	31,144	36,493
Miscellaneous	1,895	2,566	6,934	234	11,629	4,121	16,544	32,294
Marketing	3,193	4,272	2,845	400	10,710	14	8,064	18,788
Catering	-	-	-	-	-	-	17,539	17,539
Entertainment	-	-	-	-	-	-	4,274	4,274
Total expenses	2,513,681	2,012,707	1,202,119	142,003	5,870,510	594,829	644,357	7,109,696
Less costs of direct benefits to donors	-	-	-	-	-	-	134,604	134,604
Total functional expenses	\$ 2,513,681	\$ 2,012,707	\$ 1,202,119	\$ 142,003	\$ 5,870,510	\$ 594,829	\$ 509,753	\$ 6,975,092

The accompanying notes to financial statements
are an integral part of this statement.

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

	Capital Litigation	Impact Litigation	Public Policy	Reentry	Total Programs	Management and General	Fundraising	Total
Personnel	\$ 953,796	\$ 1,271,084	\$ 804,382	\$ 119,035	\$ 3,148,297	\$ 335,224	\$ 375,811	\$ 3,859,332
Professional fees	681,419	94,538	233,398	1,739	1,011,094	108,273	19,994	1,139,361
Travel	142,177	62,935	42,657	1,722	249,491	4,421	22,301	276,213
Litigation	98,162	102,979	5,889	349	207,379	-	-	207,379
Depreciation	31,294	41,892	26,416	3,939	103,541	11,054	12,465	127,060
Outreach and engagement	703	993	51,417	2,788	55,901	-	-	55,901
Facility rental	-	-	-	-	-	-	118,506	118,506
Office expenses	22,677	29,980	19,835	2,687	75,179	9,557	32,439	117,175
Office supplies	19,173	25,586	21,846	1,928	68,533	14,576	26,594	109,703
Occupancy	19,048	25,498	16,078	2,397	63,021	6,728	7,587	77,336
Sub-grants	-	-	102,500	-	102,500	-	-	102,500
Staff development	10,896	25,037	11,963	367	48,263	3,094	3,283	54,640
Insurance	14,359	18,597	10,562	1,575	45,093	4,420	4,984	54,497
Client and reentry services	21,053	8,696	2,640	15,062	47,451	-	-	47,451
Interns	-	25,587	22,510	-	48,097	-	-	48,097
Printing	1,247	23,032	1,602	1,155	27,036	96	17,709	44,841
Miscellaneous	370	1,023	8,121	162	9,676	1,176	25,549	36,401
Marketing	3,594	4,818	3,376	452	12,240	-	26,507	38,747
Catering	-	-	-	-	-	-	9,910	9,910
Entertainment	-	-	-	-	-	-	1,700	1,700
Total expenses	2,019,968	1,762,275	1,385,192	155,357	5,322,792	498,619	705,339	6,526,750
Less costs of direct benefits to donors	-	-	-	-	-	-	157,299	157,299
Total functional expenses	\$ 2,019,968	\$ 1,762,275	\$ 1,385,192	\$ 155,357	\$ 5,322,792	\$ 498,619	\$ 548,040	\$ 6,369,451

The accompanying notes to financial statements
are an integral part of this statement.

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (270,239)	\$ (2,565,327)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation	125,120	127,060
Donated securities	(95,154)	(68,709)
Reinvested dividends	(176,743)	(150,089)
Unrealized (gain) loss on investments	(992,085)	2,788,242
Realized gain on investments	(229,239)	(1,079,834)
Change in contributions receivable	8,235	100,572
Change in Employee Retention Credit receivable	(740,139)	-
Change in other receivables	5,810	(718)
Change in prepaid expenses	1,134	1,494
Change in right-of-use assets	11,245	44,113
Change in accounts payable	28,309	87,747
Change in accrued expenses	14,683	13,207
Change in lease obligation	(11,245)	(44,113)
Total adjustments	(2,050,069)	1,818,972
Net cash used in operating activities	(2,320,308)	(746,355)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,440,939)	(1,449,510)
Proceeds from sale of investments	4,516,092	1,426,000
Purchases of property and equipment	(23,296)	(62,038)
Net cash provided by (used in) investing activities	3,051,857	(85,548)
NET INCREASE (DECREASE) IN CASH	731,549	(831,903)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,286,590	2,118,493
CASH AND CASH EQUIVALENTS		
End of year	<u>\$ 2,018,139</u>	<u>\$ 1,286,590</u>
SUPPLEMENT CASH FLOW DISCLOSURE		
Right-of-use assets obtained in exchange for lease obligations:	<u>\$ -</u>	<u>\$ 55,176</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. ORGANIZATION

Southern Center for Human Rights ("SCHR") was incorporated in 1978 under the Tennessee General Corporation Act as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. SCHR, located in Atlanta, Georgia, is working for equality, dignity and justice for people impacted by the criminal legal system in the Deep South. SCHR fights for a world free from mass incarceration, the death penalty, the criminalization of poverty, and racial injustice.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

B. The financial instruments shown as assets and liabilities in the Statements of Financial Position are traditional in nature. The carrying value of cash and cash equivalents and all other financial instruments, including receivables and payables, approximate their fair value.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

C. SCHR classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of SCHR and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated an amount, from net assets without donor restrictions, for an operating reserve and future fund.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature: for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature: for example, stipulating that those resources be maintained in perpetuity. The donors of these assets permit SCHR to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are gifts for which restrictions have not been met.

When restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Net Assets as "net assets released from restrictions."

D. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates.

E. SCHR maintains its cash balances with high-credit quality financial institutions. At times, such balances may be in excess of the federally insured limits. SCHR has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

SCHR considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. For the years ended December 31, 2023 and 2022, cash equivalents were \$1,440,716 and \$808,509, respectively.

F. SCHR investments consist of investments in mutual funds. Mutual funds are valued at the closing price reported on the active market on which the individual securities trade. Interest, dividends and increases and decreases in market value are included in investment income on the accompanying Statements of Activities and Net Assets.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

G. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. SCHR provides reserves for contributions receivable, based on collectability. When an account is determined to be uncollectible, SCHR records a bad debt. At December 31, 2023 and 2022, all contributions receivable were considered collectible; therefore, an allowance for doubtful accounts was not considered necessary.

At December 31, 2023, \$375,073 of the contributions receivable are expected to be collected in 2024 and the remaining \$75,000 is expected to be collected in 2025. At December 31, 2022, \$458,308 of the contributions receivable were expected to be collected in 2023.

H. Purchased property and equipment are recorded at cost and donated assets are recorded at their estimated fair market value at the date of the donation. Expenditures for renewals and improvements are charged to the property accounts. Expenditures such as maintenance and repairs, which do not improve or extend the life of respective assets, are expensed as incurred. Acquisitions that have an estimated useful life greater than one year are capitalized and are depreciated on the straight-line basis. SCHR currently uses a capitalization threshold policy of \$5,000.

Estimated useful lives are as follows:

Asset Category	Useful Lives
Building and improvements	7 - 40 years
Furniture, fixtures and equipment	5 - 10 years
Automobiles	5 years

I. Right-of-use assets ("ROU") represent SCHR's right to use an underlying asset for the lease term and lease obligation liabilities represent SCHR's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. As most of SCHR's leases do not provide an implicit rate, SCHR uses a risk-free rate based on the information available at commencement date in determining the present value of the lease payments. SCHR's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

SCHR records non-cash contributions at their estimated fair market value at the date of the contribution. SCHR records contributed services as contribution revenue and as an expense if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Many individuals volunteer time and perform a variety of tasks that assist SCHR with various administrative, fundraising and program tasks. The value of these services have not been reflected in the financial statements since they do not meet the criteria for recognition.

SCHR recognizes attorney fees when related court cases are settled and the award amounts are known.

SCHR recognizes revenues from special events in the period the event occurs. Amounts received prior to the event are reported as deferred revenue on the Statements of Financial Position. Deferred revenues related to special events totaled \$20,000 at December 31, 2023 and 2022, respectively.

K. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office expenses, occupancy, payroll taxes and benefits, and certain salaries which are allocated on the basis of estimated time and effort.

L. SCHR qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is only subject to federal or state income taxes on specific types of income from unrelated activities. SCHR had no tax liability as of December 31, 2023 and 2022.

The Internal Revenue Service ("IRS") has classified SCHR as a publicly supported charitable organization as described in Section 509(a) of the Internal Revenue Code which allows donors to take the maximum charitable contribution deduction.

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

N. Subsequent events have been evaluated through May 16, 2024, which is the date the financial statements were available to be issued.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

3. LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following as of December 31:

	2023	2022
Current assets, December 31:	\$ 3,698,041	\$ 8,762,480
Less amounts not available to be used within one year:		
Prepaid expenses	(4,000)	(5,134)
Net assets with donor restrictions	(1,723,489)	(2,024,841)
Add back net assets with time restrictions to be met in less than one year	225,000	400,000
Financial assets available to meet general expenditures within one year	<u>\$ 2,195,552</u>	<u>\$ 7,132,505</u>

SCHR has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the board has designated funds that can be utilized for unexpected operating expenses (see Note 6).

4. INVESTMENTS

U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SCHR has the ability to access.

Level 2: Inputs to valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2023 and 2022, the only asset or liability that is measured at fair value on a recurring basis is mutual funds. Mutual funds are valued at the closing price reported on the active market on which the individual fund is traded and are classified within Level 1 of the valuation hierarchy.

The following is a summary of investments, stated at fair value based on quoted market prices, held at December 31:

	<u>2023</u>	<u>2022</u>
Mutual funds - equity	\$ 3,962,940	\$ 5,669,617
Mutual funds - fixed income	<u>1,458,283</u>	<u>1,892,142</u>
Total investments	<u>\$ 5,421,223</u>	<u>\$ 7,561,759</u>

The following schedule summarizes investment income (loss) for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 196,948	\$ 197,630
Net unrealized gains/(losses)	992,085	(2,788,242)
Net realized gains	229,239	1,079,834
Investment fees	<u>(25,377)</u>	<u>(27,016)</u>
Total investment income (loss)	<u>\$ 1,392,895</u>	<u>\$ (1,537,794)</u>

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5. RIGHT-OF-USE ASSETS AND LEASE OBLIGATION

SCHR has a non-cancelable lease for three copiers that matures in 2026. During the year ended December 31, 2022, SCHR recorded right-of-use assets ("ROU") and a lease obligation at the present value of future payments using a risk-free rate of 1.63%. The ROU assets are amortized over the life of the lease which is considered rent expense. Total rent expense under the lease arrangement totaled approximately \$11,800 for years ended December 31, 2023 and 2022, respectively. ROU assets and operating lease obligation at December 31, 2023 and 2022 were \$32,868 and \$44,113, respectively.

Future lease payment commitments under this operating lease are as follows:

Year	Amount	Discount	Lease Obligation
2024	\$ 11,878	\$ 450	\$ 11,428
2025	11,878	262	11,616
2026	9,898	74	9,824
	\$ 33,654	\$ 786	\$ 32,868

6. NET ASSETS

Board-designated net assets consist of the Reserve Fund and a Future Fund. The Reserve Fund was established during 2023 to provide annual contributions to the operating budget, provide a cushion against financial uncertainty and invest assets to generate long-term returns for SCHR. At the beginning of each year, the board will approve an amount to be transferred to operations. Additional withdrawals from the Reserve Fund may be approved by the board as required by unanticipated operating needs. The Future Fund was created to provide resources to finance unusual salary increases. The board must approve withdrawals from the Future Fund as needed.

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Net assets with donor restrictions are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Subject to passage of time	\$ 300,000	\$ 400,000
Subject to expenditure for specified purpose		
Specific programs	608,598	764,996
Create and fund fellowships	580,087	637,353
Support attorney salaries	158,554	200,770
Other purposes	76,250	21,722
	<u>1,423,489</u>	<u>1,624,841</u>
Total subject to expenditure for specified purpose		
	<u>1,423,489</u>	<u>1,624,841</u>
 Total donor-restricted net assets	 <u>\$ 1,723,489</u>	 <u>\$ 2,024,841</u>

Net assets with donor restrictions were released for the following purposes for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Subject to passage of time	\$ 400,000	\$ 210,000
Subject to expenditure for specified purpose		
Specific programs	756,164	1,020,801
Create and fund fellowships	193,766	195,828
Support attorney salaries	42,216	108,177
Other purposes	28,973	63,799
Support internships	-	5,000
	<u>1,021,119</u>	<u>1,393,605</u>
Total subject to expenditure for specified purpose		
	<u>1,021,119</u>	<u>1,393,605</u>
 Total net assets released from restrictions	 <u>\$ 1,421,119</u>	 <u>\$ 1,603,605</u>

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7. IN-KIND CONTRIBUTIONS

SCHR receives pro-bono legal services in furtherance of its mission by lawyers and law firms. The in-kind legal services are valued at the standard hourly rates typically charged for those services as estimated by the law firm. For the years ended December 31, 2023 and 2022, the fair value of these services was estimated to total \$1,505,072 and \$685,583, respectively. Of those amounts, \$1,455,517 and \$665,344 represent the value of legal services contributed directly to SCHR's program services and \$49,555 and \$20,239 represents the value of supporting services provided for the years ended December 31, 2023 and 2022, respectively (see Note 11).

8. EMPLOYEE RETENTION CREDIT

SCHR qualified for \$740,139 of Employer Retention Credit ("ERC") to offset certain payroll taxes for qualifying wages paid as provided in the Coronavirus Aid, Relief, and Economic Security Act. SCHR recorded the amount as Employer Retention Credit revenue on the Statement of Activity and Net Assets for the year ended December 31, 2023, and Employee Retention Credit receivable on the Statement of Financial Position at December 31, 2023.

ERC claims may generally be audited up to three years after filing a claim; however, the IRS has extended the statute of limitations to five years with respect to ERC claims in the third and fourth quarters of 2021. Should the IRS subsequently audit ERC amounts and determine SCHR did not meet the eligibility requirements, the IRS may reduce the amount of ERC to be received. As of December 31, 2023, SCHR has not received any funds related to the ERC claims and cannot reasonably estimate when it will receive any or all of the remaining refunds.

9. EMPLOYEE BENEFIT PLAN

SCHR adopted a defined contribution retirement plan effective April 1, 2001. Contributions from SCHR begin after one year of service and are 4% of each participant's compensation as defined in the summary plan description. All employees are eligible to participate in the plan upon employment and employees become vested after three years. During the years ended December 31, 2023 and 2022, SCHR contributed \$100,374 and \$86,599, respectively, to the plan.

10. CONCENTRATIONS

For the years the ended December 31, 2023 and 2022, approximately 10% and 11% of SCHR total support and revenue was derived from one donor.

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11. PRIOR PERIOD ADJUSTMENT

The original 2022 financial statements reflected SCHR's historical treatment of not recognizing the revenues and offsetting expenses for in-kind legal services (primarily services performed by external lawyers and law firms in cooperation with SCHR on behalf of its clients). During the year ended December 31, 2023, it was determined that this treatment was incorrect. Therefore, a prior period adjustment has been made for the year ended December 31, 2022: \$670,583 of in-kind legal services received during that year have been reported both as revenues and as program services expenses (in the "Professional Fees" category), with no impact on the change in net assets for 2022 or on the value of net assets at December 31, 2022 (see Note 7).