

HUMAN RIGHTS INITIATIVE OF  
NORTH TEXAS, INC.

Financial Statements &  
Independent Auditor's Report  
Year Ended June 30, 2019

Wood, Stephens & O'Neil, L.L.P.  
Certified Public Accountants

September 24, 2019

Independent Auditor's Report

To the Management and Board of Directors  
Human Rights Initiative of North Texas, Inc.:

We have audited the accompanying financial statements of the Human Rights Initiative of North Texas, Inc., a not-for-profit organization, which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Organization as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Wood, Stephens & O'Neil, L.L.P.*

**HUMAN RIGHTS INITIATIVE OF NORTH TEXAS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS:</u></b>		
Cash and cash equivalents	\$ 1,512,139	\$ 1,121,587
Contributions and grants receivable	114,991	112,399
Prepaid expenses and deposits	-	3,250
Property and equipment, net	36,721	4,046
Investments - endowment fund	373,419	257,215
<b>TOTAL ASSETS</b>	<b><u>\$ 2,037,270</u></b>	<b><u>\$ 1,498,497</u></b>
<b><u>LIABILITIES:</u></b>		
Accounts payable and accrued liabilities	41,266	30,133
<b>TOTAL LIABILITIES</b>	<b><u>41,266</u></b>	<b><u>30,133</u></b>
<b><u>NET ASSETS:</u></b>		
Without donor restrictions	1,527,585	1,112,476
With donor restrictions	95,000	98,673
Endowment fund with donor restrictions	373,419	257,215
<b>TOTAL NET ASSETS</b>	<b><u>1,996,004</u></b>	<b><u>1,468,364</u></b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 2,037,270</u></b>	<b><u>\$ 1,498,497</u></b>

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

**HUMAN RIGHTS INITIATIVE OF NORTH TEXAS, INC.  
STATEMENT OF ACTIVITIES  
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Changes in net assets without donor restrictions:</u></b>		
<b>Revenues:</b>		
Contributions and grants	\$ 1,089,560	\$ 520,218
Contributions - in-kind - donated legal services	3,161,000	2,893,000
Contributions - in-kind - donated rent	165,725	165,725
Fundraising events, net of direct expenses	155,395	160,808
Investment and miscellaneous income	8,864	4,232
Net assets released from restrictions	98,673	8,407
Total revenues without donor restrictions	4,679,217	3,752,390
<b>Expenses:</b>		
Program services	3,999,360	3,671,886
Management and general	88,251	81,989
Fundraising	176,497	163,976
Total expenses	4,264,108	3,917,851
<b><u>Increase (decrease) in net assets without donor restrictions</u></b>	<b>415,109</b>	<b>(165,461)</b>
 <b><u>Changes in net assets with donor restrictions</u></b>		
Contributions and grants	195,000	102,500
Investment income - endowment fund, net of fees	16,204	14,379
Net assets released from restrictions	(98,673)	(8,407)
<b><u>Increase (decrease) in net assets with donor restrictions</u></b>	<b>112,531</b>	<b>108,472</b>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 <b>527,640</b>	 <b>(56,989)</b>
 <b>NET ASSETS, at beginning of year</b>	 <b>1,468,364</b>	 <b>1,525,353</b>
 <b>NET ASSETS, at end of year</b>	 <b>\$ 1,996,004</b>	 <b>\$ 1,468,364</b>

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

**HUMAN RIGHTS INITIATIVE OF NORTH TEXAS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total Expenses</u>
Salaries, payroll taxes and benefits	\$ 602,981	\$ 63,472	\$ 126,944	\$ 793,397
Donated legal services	3,161,000	-	-	3,161,000
Donated rent	125,951	13,258	26,516	165,725
Client assistance and social services	17,979	1,893	3,785	23,657
Bank charges	-	-	-	-
Dues and subscriptions	1,365	144	287	1,796
Equipment leases	7,006	738	1,475	9,219
Insurance	4,960	522	1,044	6,526
Marketing expenses	12,756	1,343	2,685	16,784
Office and miscellaneous expenses	6,220	655	1,309	8,184
Postage and delivery	3,457	364	728	4,549
Printing and copying	3,523	371	742	4,636
Professional fees	5,510	580	1,160	7,250
Recruiting, training and development	213	22	45	280
Rent and occupancy expenses	13,785	1,451	2,902	18,138
Software expense and computer maintenance	21,957	2,311	4,623	28,891
Telephone and internet	5,935	625	1,249	7,809
Travel	653	69	138	860
Depreciation	4,109	433	865	5,407
TOTALS	<u>\$ 3,999,360</u>	<u>\$ 88,251</u>	<u>\$ 176,497</u>	<u>\$ 4,264,108</u>
	93.79%	2.07%	4.14%	100.00%

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

**HUMAN RIGHTS INITIATIVE OF NORTH TEXAS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total Expenses</u>
Salaries, payroll taxes and benefits	\$ 559,742	\$ 58,920	\$ 117,840	\$ 736,502
Donated legal services	2,893,000	-	-	2,893,000
Donated rent	125,951	13,258	26,516	165,725
Client assistance and social services	18,366	1,933	3,867	24,166
Bank charges	1,021	108	215	1,344
Dues and subscriptions	1,636	172	344	2,152
Equipment leases	4,973	523	1,047	6,543
Insurance	4,454	469	938	5,861
Marketing expenses	2,887	304	608	3,799
Office and miscellaneous expenses	7,361	775	1,550	9,686
Postage and delivery	3,909	412	823	5,144
Printing and copying	1,610	170	339	2,119
Professional fees	5,320	560	1,120	7,000
Recruiting, training and development	1,459	154	307	1,920
Rent and occupancy expenses	14,660	1,543	3,086	19,289
Software expense and computer maintenance	15,642	1,647	3,293	20,582
Telephone and internet	5,163	543	1,087	6,793
Travel	3,517	370	740	4,627
Depreciation	1,215	128	256	1,599
TOTALS	<u>\$ 3,671,886</u>	<u>\$ 81,989</u>	<u>\$ 163,976</u>	<u>\$ 3,917,851</u>
	93.72%	2.09%	4.19%	100.00%

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

**HUMAN RIGHTS INITIATIVE OF NORTH TEXAS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 527,640	\$ (56,989)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	5,407	1,599
(Increase) decrease in contributions receivable	(2,592)	(107,399)
(Increase) decrease in prepaid expenses and deposits	3,250	(3,250)
Increase (decrease) in payables and accrued liabilities	11,134	2,747
Net Cash Provided By (Used For) Operating Activities	544,839	(163,292)
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
(Increase) decrease in investments - endowment fund	(116,204)	(14,379)
Capital expenditures	(38,083)	-
Net Cash Provided By (Used For) Investing Activities	(154,287)	(14,379)
 <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Net Cash Provided By (Used For) Financing Activities	-	-
Net increase (decrease) in cash	390,552	(177,671)
Cash and cash equivalents at beginning of year	1,121,587	1,299,258
Cash and cash equivalents at end of year	\$ 1,512,139	\$ 1,121,587
 <b><u>SUPPLEMENTAL DISCLOSURES</u></b>		
None applicable	-	-

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

# HUMAN RIGHTS INITIATIVE OF NORTH TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018

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## **NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

### **Nature of Activities**

The Human Rights Initiative of North Texas, Inc. (the Organization), is a Texas not-for-profit organization formed in 1999. The Organization's mission is to promote international human rights through local services to refugees and immigrants who have suffered human rights abuses. The Organization primarily handles asylum cases and matters under the Violence Against Women Act and the Victims of Trafficking and the Violence Protection Act. Legal services are primarily provided through an extensive network of volunteer attorneys. Other services provided include referrals to appropriate area service providers, job search assistance, group activities, and individual guidance. All services are provided to individuals in the North Texas area.

### **General**

The Organization's prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. The Organization has implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The Organization's financial statements have been prepared on the accrual basis of accounting. The significant accounting and reporting policies used by the Organization are described below to enhance the usefulness and understandability of the financial statements.

### **Financial Statement Presentation**

The Organization, in accordance with not-for-profit accounting standards, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purpose specified in its corporate documents, its application for tax-exempt status, and any limits resulting from contractual agreements with creditors or others that are entered into in the course of its operations. Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; consequently the organization must continue to use these resources in accordance with the donor's instructions. This class would also include any donor-restricted endowment funds and beneficial interests in a perpetual trust. When donor restrictions are satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying to net assets without donor restrictions. Any net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expense and net losses other than losses on endowment investments are reported as decreases in net assets without

donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

### **Functional Expenses**

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses that can be identified with a specific program are charged directly to that program. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Whenever new space or programs are added, the bases on which the costs are allocated are evaluated.

Management and general activities include the functions necessary to provide support for the organization's program activities. This include activities that provide governance, oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor lists, conducting special fundraising events, and other activities involved with soliciting contributions from donors.

### **Management Estimates and Assumptions**

Management uses estimates and assumptions in preparing statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

### **Property and Equipment**

Property and equipment is recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 10 years. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000.

### **Gifts-in-Kind Contributions**

A not-for-profit organization may receive contributions in a form other than cash or investments. Often these are donated supplies, which are recorded as contributions as of the date of the gift and as expenses when the donated items are placed into service or distributed. If an organization receives a contribution of land, buildings or equipment, the contributed asset is recognized as an asset at its estimated fair value as of the date of gift. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. The value of donated rent, recorded on the accompanying financial statements, was \$165,725 for the years ended June 30, 2019 and 2018. The Organization also receives in-kind contributions from numerous local attorneys who volunteer their services as pro-bono legal counsel. Management estimated the value of such donated legal services as \$3,161,000 and \$2,893,000 for the years ended June 30, 2019 and 2018, respectively. The Organization has recognized these amounts as contributions and expenses in the accompanying financial statements. In addition, a number of volunteers donated their time in support of the Organization's programs during the year.

### **Contributions and Grants Receivable**

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. When deemed necessary, the Organization uses an allowance method to determine the uncollectible portion, based on prior years' experience and management's analysis of the promises made. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. Fair value is measured as the present value of the discounted future cash flows. The discounts on these contributions are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

### **Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization would be subject to tax on income unrelated to its exempt purposes.

### **Investments**

In accordance with professional accounting standards, the Organization's investments are reported at fair value, with any unrealized gains and losses resulting from fluctuations in fair value included in the statement of activities. Unless specifically restricted by a Board designation or by a donor, all income, including realized and unrealized gains and losses, from investments is generally included in unrestricted net assets and used for general operating purposes.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all unrestricted short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

### **Concentrations of Credit Risk**

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash investments. The Organization places its cash investments with high quality financial institutions and limits the amount of credit exposure to any one institution.

### **Fair Value of Financial Instruments**

At June 30, 2019 and 2018, the Organization's financial instruments consisted of cash and cash equivalents. Unless otherwise indicated, the fair values of these financial instruments approximate their recorded values.

### **Liquidity and Availability**

At June 30, 2019, \$1,490,864 of the financial assets of the Organization are available for general expenditure, that is, without donor or other restrictions limiting their use, within one year.

### **Subsequent Events**

Management has evaluated subsequent events through September 24, 2019, the date the financial statements were available to be issued. Events occurring after this date have not been evaluated to determine whether a change in the financial statements would be required.

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019, consisted of the following:

Furniture and fixtures	\$ 15,482
Computers, software and equipment	90,238
Less accumulated depreciation	<u>(68,999)</u>
	<u>\$ 36,721</u>

Property and equipment at June 30, 2018, consisted of the following:

Furniture and fixtures	\$ 15,482
Computers, software and equipment	52,155
Less accumulated depreciation	<u>(63,591)</u>
	<u>\$ 4,046</u>

Depreciation expense for the years ended June 30, 2019 and 2018 amounted to \$5,407 and \$1,599, respectively.

**NOTE C - SERVICE ORGANIZATION**

The Organization has contracted with an independent professional employer organization (PEO). As such, the PEO is the employer of record for tax, benefits and insurance purposes for the Organization's employees. This co-employment relationship allows the Organization to maintain direct control of the day to day activities of employees, while the PEO assumes the administrative functions of human resources and absorbs many employer-related liabilities.

**NOTE D - LEASE COMMITMENTS**

The Organization leases office space in the Wilson Historic Block District provided rent free by the Meadows Foundation. The current rent free lease agreement runs through May 31, 2020. During the fiscal year ended June 30, 2019, the Organization received an additional 5-year rent free lease extension through May 31, 2025. Under this lease agreement, the Organization is responsible for its share of the utilities, maintenance and upkeep of the property. The value of this donated rent, recorded on the accompanying financial statements, was \$165,725 for each of fiscal years ended June 30, 2019 and 2018.

At June 30, 2019 the Organization was obligated under a copier lease agreement, which expires in May, 2021. This lease is classified as an operating lease. The future minimum lease payments under this operating lease are approximately \$6,500 per year.

**NOTE E - NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2019 and 2018, net assets with donor restrictions were \$95,000 and \$98,673. These consist of contributions and grants received or to be received by the Organization to support various programs during the subsequent fiscal year.

**NOTE F - ENDOWMENT FUND INVESTMENTS**

In prior years a board member and major donor provided \$200,000 to the Organization to establish an endowment fund. During the fiscal year ended June 30, 2019, this donor provided another \$100,000 designated to this endowment fund. The investment income from this endowment fund is used to supplement the annual operating budget and other fundraising efforts of the Organization. The endowment fund assets, which consist of various diversified publicly traded mutual funds, are held and managed by the Communities Foundation of Texas. In accordance with professional accounting standards, these endowment fund investments are reported at fair value.

**NOTE G - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value, in accordance with accounting principles generally accepted in the United States. This requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Organization uses Level 1 inputs to measure fair value for all of its investments. Level 1 inputs are used when quoted prices for identical assets or liabilities in active markets are present to which an entity has access at the measurement date.

**NOTE H - MAJOR DONORS**

During the fiscal year ended June 30, 2019, the Organization received contributions totaling approximately \$500,000 from one individual and former board member and a related family foundation. These contributions were used to fund the Organization's programs and increase its operating cash reserves. Should this individual donor and the related family foundation decrease their ongoing financial support of the Organization in future years, this may affect the Organization's programs.