

HUMAN RIGHTS INITIATIVE OF
NORTH TEXAS, INC.

Financial Statements &
Independent Auditor's Report
Year Ended June 30, 2020

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

August 20, 2020

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 1,848,307	\$ 1,512,139
Contributions and grants receivable	8,937	114,991
Contributions receivable - in-kind - future years donated rent	823,542	-
Prepaid expenses and deposits	-	-
Property and equipment, net	29,132	36,721
Investments - endowment fund	377,585	373,419
TOTAL ASSETS	<u>\$ 3,087,503</u>	<u>\$ 2,037,270</u>
<u>LIABILITIES:</u>		
Accounts payable and accrued liabilities	<u>53,695</u>	<u>41,266</u>
TOTAL LIABILITIES	<u>53,695</u>	<u>41,266</u>
<u>NET ASSETS:</u>		
Without donor restrictions	1,688,015	1,527,585
With donor restrictions	144,666	95,000
With donor restrictions - in-kind - future years donated rent	823,542	-
Endowment fund with donor restrictions	377,585	373,419
TOTAL NET ASSETS	<u>3,033,808</u>	<u>1,996,004</u>
 TOTAL LIABILITIES & NET ASSETS	 <u>\$ 3,087,503</u>	 <u>\$ 2,037,270</u>

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Changes in net assets without donor restrictions:</u>		
Revenues:		
Contributions and grants	\$ 931,355	\$ 1,089,560
Contributions - in-kind - donated legal services	2,837,225	3,161,000
Contributions - in-kind - donated rent	165,873	165,725
Fundraising events, net of direct expenses	221,228	155,395
Investment and miscellaneous income	11,609	8,864
Net assets released from restrictions	115,334	98,673
Total revenues without donor restrictions	4,282,624	4,679,217
Expenses:		
Program services	3,813,800	3,999,360
Management and general	102,799	88,251
Fundraising	205,595	176,497
Total expenses	4,122,194	4,264,108
<u>Increase (decrease) in net assets without donor restrictions</u>	<u>160,430</u>	<u>415,109</u>
<u>Changes in net assets with donor restrictions</u>		
Contributions and grants	165,000	195,000
Contributions - in-kind - future years donated rent	823,542	-
Investment income - endowment fund, net of fees	4,166	16,204
Net assets released from restrictions	(115,334)	(98,673)
<u>Increase (decrease) in net assets with donor restrictions</u>	<u>877,374</u>	<u>112,531</u>
INCREASE (DECREASE) IN NET ASSETS	1,037,804	527,640
NET ASSETS, at beginning of year	1,996,004	1,468,364
NET ASSETS, at end of year	<u>\$ 3,033,808</u>	<u>\$ 1,996,004</u>

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, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total Expenses</u>
Salaries, payroll taxes and benefits	\$ 703,585	\$ 74,062	\$ 148,123	\$ 925,770
Donated legal services	2,837,225	-	-	2,837,225
Donated rent	126,063	13,270	26,540	165,873
Client assistance and social services	27,142	2,857	5,714	35,713
Bank and credit card charges and fees	4,254	448	896	5,598
Dues and subscriptions	1,360	143	286	1,789
Insurance	8,485	893	1,786	11,164
Marketing expenses	5,869	618	1,236	7,723
Miscellaneous expenses	5,339	562	1,124	7,025
Office expenses	4,349	458	916	5,723
Postage and delivery	4,527	476	953	5,956
Printing, copying and copier lease	6,351	669	1,337	8,357
Professional fees	5,510	580	1,160	7,250
Recruiting, training and development	8,052	848	1,695	10,595
Rent and occupancy expenses	12,710	1,338	2,676	16,724
Software expense and computer maintenance	37,275	3,924	7,847	49,046
Telephone and internet	5,965	628	1,256	7,849
Travel	3,120	328	657	4,105
Depreciation	6,619	697	1,393	8,709
TOTALS	<u>\$ 3,813,800</u>	<u>\$ 102,799</u>	<u>\$ 205,595</u>	<u>\$ 4,122,194</u>
	92.52%	2.49%	4.99%	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, 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
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 CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,037,804	\$ 527,640
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	8,709	5,407
(Increase) decrease in contributions receivable	(717,488)	(2,592)
(Increase) decrease in prepaid expenses and deposits	-	3,250
Increase (decrease) in payables and accrued liabilities	<u>12,429</u>	<u>11,134</u>
Net Cash Provided By (Used For) Operating Activities	<u>341,454</u>	<u>544,839</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
(Increase) decrease in investments - endowment fund	(4,166)	(116,204)
Capital expenditures	<u>(1,120)</u>	<u>(38,083)</u>
Net Cash Provided By (Used For) Investing Activities	<u>(5,286)</u>	<u>(154,287)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net Cash Provided By (Used For) Financing Activities	<u>-</u>	<u>-</u>
 Net increase (decrease) in cash	 336,168	 390,552
Cash and cash equivalents at beginning of year	1,512,139	1,121,587
Cash and cash equivalents at end of year	<u>\$ 1,848,307</u>	<u>\$ 1,512,139</u>
 <u>SUPPLEMENTAL DISCLOSURES</u>		
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, 2020 AND 2019

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 implemented FASB ASU No. 2016-14 in fiscal year June 30, 2019, 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 as contributions and an offsetting expense was \$165,873 and \$165,725 for the fiscal years ended June 30, 2020 and 2019, respectively. In addition, future years donated rent in the amount of \$823,542 was recorded in the fiscal year ended June 30, 2020 as restricted contributions and included as net assets with donor restrictions (see Note D).

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 \$2,837,225 and \$3,161,000 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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, 2020, \$1,658,883 of the financial assets of the Organization are available for general expenditure, without donor or other restrictions limiting their use, within one year.

Subsequent Events

Management has evaluated subsequent events through August 20, 2020, 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, 2020, consisted of the following:

Furniture and fixtures	\$ 15,482
Computers, software and equipment	91,358
Less accumulated depreciation	<u>(77,708)</u>
	<u>\$ 29,132</u>

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>

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$8,709 and \$5,407, 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. During the fiscal year ended June 30, 2020, the Organization obtained a five-year extension of this rent free lease agreement through May 31, 2025. Under this lease agreement, the Organization is responsible for its share of the utilities, maintenance and upkeep of the property. In accordance with professional accounting standards, the Organization has recorded the fair value of this donated rent on the accompanying financial statements as contributions and an offsetting expense of \$165,873 and \$165,725 for the fiscal years ended June 30, 2020 and 2019, respectively. In addition, future years donated rent under this five-year lease extension was recorded in the amount of \$823,542 in the fiscal year ended June 30, 2020 as restricted contributions and included as net assets with donor restrictions.

At June 30, 2020 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, 2020 and 2019, net assets with donor restrictions were \$144,666 and \$95,000, respectively. These consist of private grants received by the Organization which will be expended during the subsequent fiscal year. In addition, future years donated rent of \$823,542 is shown as net assets with donor restrictions at June 30, 2020

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 years ended June 30, 2020 and 2019, the Organization received contributions totaling \$350,000 and \$500,000, respectively from an 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. This individual passed away in April, 2020. Should this individual's Estate and this related family foundation decrease their ongoing financial support of the Organization in future years, this may affect the Organization's programs.