

HUMAN RIGHTS INITIATIVE OF
NORTH TEXAS, INC.

Financial Statements &
Independent Auditor's Report
Year Ended June 30, 2023

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

November 14, 2023

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Human Rights Initiative of North Texas, Inc., a not-for-profit organization, which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Human Rights Initiative of North Texas, Inc., as of June 30, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the entity 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.

Responsibilities of Management 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, 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives of our audit 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 auditing standards generally accepted in the United States of America (GAAS) 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 the entity'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 based on the audit evidence obtained and in our judgment, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity'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.

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

HUMAN RIGHTS INITIATIVE OF NORTH TEXAS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 1,142,794	\$ 1,690,423
Contributions and grants receivable	15,840	11,767
Contributions receivable - in-kind - future years donated rent	321,042	488,542
Prepaid expenses and deposits	-	-
Property and equipment, net	5,004	13,190
Investments - endowment fund	591,588	548,509
TOTAL ASSETS	<u><u>\$ 2,076,268</u></u>	<u><u>\$ 2,752,431</u></u>
 <u>LIABILITIES:</u>		
Accounts payable and accrued liabilities	<u>34,565</u>	<u>18,061</u>
TOTAL LIABILITIES	<u><u>34,565</u></u>	<u><u>18,061</u></u>
 <u>NET ASSETS:</u>		
Without donor restrictions	1,080,323	1,667,319
With donor restrictions	48,750	30,000
With donor restrictions - in-kind - future years donated rent	321,042	488,542
Endowment fund with donor and Board restrictions	591,588	548,509
TOTAL NET ASSETS	<u><u>2,041,703</u></u>	<u><u>2,734,370</u></u>
 TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 2,076,268</u></u>	<u><u>\$ 2,752,431</u></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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Changes in net assets without donor restrictions:</u>		
Revenues:		
Contributions and grants	\$ 919,969	\$ 895,836
Contributions - in-kind - donated legal services	1,845,517	3,080,360
Fundraising events, net of direct expenses	66,267	150,047
Investment and miscellaneous income	7,823	3,218
Net assets released from restrictions	248,750	179,597
Total revenues without donor restrictions	<u>3,088,326</u>	<u>4,309,058</u>
Expenses:		
Program services	3,236,167	4,359,968
Management and general	146,384	134,696
Fundraising	292,771	269,392
Total expenses	<u>3,675,322</u>	<u>4,764,056</u>
<u>Increase (decrease) in net assets without donor restrictions</u>	<u>(586,996)</u>	<u>(454,998)</u>
 <u>Changes in net assets with donor restrictions</u>		
Contributions and grants	100,000	30,000
Investment income - endowment fund, net of fees	43,079	(64,221)
Net assets released from restrictions	(248,750)	(179,597)
<u>Increase (decrease) in net assets with donor restrictions</u>	<u>(105,671)</u>	<u>(213,818)</u>
 INCREASE (DECREASE) IN NET ASSETS	 (692,667)	 (668,816)
 NET ASSETS, at beginning of year	 2,734,370	 3,403,186
 NET ASSETS, at end of year	 <u>\$ 2,041,703</u>	 <u>\$ 2,734,370</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, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023 Total Expenses</u>
Salaries, payroll taxes and benefits	\$ 1,043,536	\$ 109,846	\$ 219,692	\$ 1,373,074
Donated legal services	1,845,517	-	-	1,845,517
Donated rent	127,300	13,400	26,800	167,500
Client assistance and social services	88,307	9,296	18,591	116,194
Bank fees	559	59	118	736
Dues and subscriptions	2,949	310	621	3,880
Insurance	4,646	489	978	6,113
Marketing expenses	8,680	914	1,828	11,422
Miscellaneous expenses	33	3	7	43
Office expenses	11,434	1,204	2,407	15,045
Postage and delivery	2,707	285	570	3,562
Printing, copying and copier lease	206	22	44	272
Professional fees	25,321	2,665	5,331	33,317
Recruiting, training and development	2,489	262	524	3,275
Rent and occupancy expenses	10,644	1,120	2,241	14,005
Software expense and computer maintenance	47,504	5,000	10,001	62,505
Telephone and internet	8,114	854	1,708	10,676
Depreciation	6,221	655	1,310	8,186
TOTALS	<u>\$ 3,236,167</u>	<u>\$ 146,384</u>	<u>\$ 292,771</u>	<u>\$ 3,675,322</u>
	<i>88.05%</i>	<i>3.98%</i>	<i>7.97%</i>	<i>100.00%</i>

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, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total Expenses</u>
Salaries, payroll taxes and benefits	\$ 940,261	\$ 98,975	\$ 197,950	\$ 1,237,186
Donated legal services	3,080,360	-	-	3,080,360
Donated rent	127,300	13,400	26,800	167,500
Client assistance and social services	103,247	10,868	21,736	135,851
Bank fees	725	76	153	954
Dues and subscriptions	2,259	238	476	2,973
Insurance	5,708	601	1,202	7,511
Marketing expenses	4,580	482	964	6,026
Miscellaneous expenses	498	52	105	655
Office expenses	11,066	1,165	2,330	14,561
Postage and delivery	2,847	300	599	3,746
Printing, copying and copier lease	207	22	44	273
Professional fees	5,890	620	1,240	7,750
Recruiting, training and development	1,688	178	355	2,221
Rent and occupancy expenses	9,060	954	1,907	11,921
Software expense and computer maintenance	49,421	5,202	10,404	65,027
Telephone and internet	8,259	869	1,739	10,867
Depreciation	6,592	694	1,388	8,674
TOTALS	<u>\$ 4,359,968</u>	<u>\$ 134,696</u>	<u>\$ 269,392</u>	<u>\$ 4,764,056</u>
	<i>91.52%</i>	<i>2.83%</i>	<i>5.66%</i>	<i>100.00%</i>

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (692,667)	\$ (668,816)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	8,186	8,674
(Increase) decrease in contributions receivable	163,427	197,262
(Increase) decrease in prepaid expenses and deposits	-	-
Increase (decrease) in payables and accrued liabilities	16,504	2,445
Net Cash Provided By (Used For) Operating Activities	<u>(504,550)</u>	<u>(460,435)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
(Increase) decrease in investments - endowment fund	(43,079)	(35,779)
Capital expenditures	-	-
Net Cash Provided By (Used For) Investing Activities	<u>(43,079)</u>	<u>(35,779)</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	(547,629)	(496,214)
Cash and cash equivalents at beginning of year	1,690,423	2,186,637
Cash and cash equivalents at end of year	<u>\$ 1,142,794</u>	<u>\$ 1,690,423</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, 2023 AND 2022

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 or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Management has determined these allocations based on personnel activity percentage breakdowns, and levels of effort analysis. Physical space percentage breakdowns are used to allocate certain occupancy and supporting expenses, as deemed appropriate. Whenever new space or programs are added, the cost allocation bases and methods are evaluated, as deemed necessary.

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 ongoing fundraising campaigns, maintaining donor lists, planning 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. No donated rent was recorded on the accompanying financial statements as contributions; however donated rent expense of \$167,500 was recorded for the fiscal years ended June 30, 2023 and 2022.

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 \$1,845,517 and \$3,080,360 for the years ended June 30, 2023 and

2022, 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 net assets without donor restrictions 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 and Market Risk

Financial instruments which potentially subject the Organization to concentration of credit and market risk consist principally of cash and investments. The Organization places its cash and 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, 2023 and 2022, the Organization's financial instruments consisted of cash, cash equivalents and investments. Unless otherwise indicated, the fair values of these financial instruments approximate their recorded values.

Liquidity and Availability

At June 30, 2023, \$1,075,319 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 November 14, 2023, 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, 2023, consisted of the following:

Furniture and fixtures	\$ 15,482
Computers, software and equipment	93,081
Less accumulated depreciation	<u>(103,559)</u>
	<u>\$ 5,004</u>

Property and equipment at June 30, 2022, consisted of the following:

Furniture and fixtures	\$ 15,482
Computers, software and equipment	93,081
Less accumulated depreciation	<u>(95,373)</u>
	<u>\$ 13,190</u>

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$8,186 and \$8,674, 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 recorded the fair value of this donated rent on the books for the fiscal year ended June 30, 2020 as future years donated rent in the amount of \$823,542. This was recorded as a donor restricted contribution. Annual donated rent in the amount of \$167,500 will be expensed on the books throughout the remaining years of this extension agreement.

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023 and 2022, net assets with donor restrictions were \$48,750 and \$30,000, 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 \$321,042 and \$488,542 is shown as net assets with donor restrictions at June 30, 2023 and 2022.

NOTE F - ENDOWMENT FUND INVESTMENTS

In prior fiscal years a former board member and major donor provided funds to the Organization to establish an endowment fund. During the fiscal year ended June 30, 2022 the Organization's Board of Directors authorized an additional \$100,000 transfer into this endowment fund. The investment income from this endowment fund is used to supplement the annual operating budget and 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

Investments, at fair value, at June 30, 2023 and 2022, consisted of various diversified publicly traded mutual funds, held and managed by the Communities Foundation of Texas. 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, 2023 and 2022, the Organization received contributions totaling \$125,000 and \$100,000, respectively from a former board member's family and related family foundation. These contributions were used to fund the Organization's programs and increase its operating cash reserves. This former board member passed away in 2020. Should this individual's family and the related family foundation decrease their ongoing financial support of the Organization in future years, this may affect the Organization's programs.