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**HUMAN RIGHTS FIRST**  
Audited Financial Statements  
December 31, 2020

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Human Rights First

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Human Rights First ("the Organization"), which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

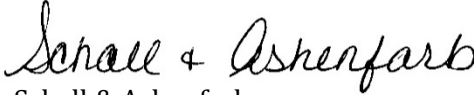
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Rights First as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated May 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

April 29, 2021

**HUMAN RIGHTS FIRST  
STATEMENT OF FINANCIAL POSITION  
AT DECEMBER 31, 2020**

(With comparative totals at December 31, 2019)

	<u>12/31/20</u>	<u>12/31/19</u>
<b>Assets</b>		
Cash and cash equivalents	\$1,022,039	\$699,399
Investments (Note 3)	3,218,706	1,062,916
Prepaid expenses and other assets	102,439	120,138
Grants and pledges receivable, net (Note 4)	3,876,230	2,611,308
Other receivables	158,153	65,233
Security deposits	350,034	354,199
Grants and pledges receivable, net - restricted for endowment (Notes 4 and 9)	4,445,000	4,295,000
Fixed assets, net (Note 5)	338,368	442,949
Investments restricted for endowment (Notes 3 and 9)	<u>4,816,634</u>	<u>4,310,769</u>
 Total assets	 <u><u>\$18,327,603</u></u>	 <u><u>\$13,961,911</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$76,548	\$201,659
Accrued payroll and related liabilities	363,469	270,184
Line of credit payable (Note 6)	400,000	0
Paycheck Protection Program loan (Note 7)	1,080,785	0
Deferred rent	694,042	850,678
Total liabilities	<u>2,614,844</u>	<u>1,322,521</u>
Commitments and contingencies (Note 13)		
Net assets:		
Without donor restrictions	(280,426)	(92,107)
With donor restrictions (Note 8)	<u>15,993,185</u>	<u>12,731,497</u>
Total net assets	<u>15,712,759</u>	<u>12,639,390</u>
 Total liabilities and net assets	 <u><u>\$18,327,603</u></u>	 <u><u>\$13,961,911</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**HUMAN RIGHTS FIRST  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

(With comparative totals for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions			Total	Total 12/31/20	Total 12/31/19
		Donor Restricted Time	Donor Restricted Programs	Donor Restricted Endowment			
Public support and revenue:							
Public support:							
Contributions	\$2,768,472	\$520,000	\$7,662,548	\$43,000	\$8,225,548	\$10,994,020	\$12,330,737
Amortization of discount of long term pledge				520,000	520,000	520,000	0
Special event, net	1,350,362				0	1,350,362	1,494,118
Contributed program services	49,761,138				0	49,761,138	59,524,657
Fellowship contributions	225,860				0	225,860	238,086
Investment income, net	33,185			300,439	300,439	333,624	465,124
Other income	18,653				0	18,653	57,138
Net assets released from restriction	5,784,299	(759,375)	(4,817,350)	(207,574)	(5,784,299)	0	0
Total public support and revenue	<u>59,941,969</u>	<u>(239,375)</u>	<u>2,845,198</u>	<u>655,865</u>	<u>3,261,688</u>	<u>63,203,657</u>	<u>74,109,860</u>
Expenses:							
Program services	58,320,617				0	58,320,617	67,371,803
Supporting services:							
Management and general	1,014,787				0	1,014,787	1,686,691
Fundraising	794,884				0	794,884	848,656
Total supporting services	<u>1,809,671</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,809,671</u>	<u>2,535,347</u>
Total expenses	<u>60,130,288</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>60,130,288</u>	<u>69,907,150</u>
Change in net assets	(188,319)	(239,375)	2,845,198	655,865	3,261,688	3,073,369	4,202,710
Net assets - beginning of year	<u>(92,107)</u>	<u>1,400,000</u>	<u>2,725,728</u>	<u>8,605,769</u>	<u>12,731,497</u>	<u>12,639,390</u>	<u>8,436,680</u>
Net assets - end of year	<u><u>(\$280,426)</u></u>	<u><u>\$1,160,625</u></u>	<u><u>\$5,570,926</u></u>	<u><u>\$9,261,634</u></u>	<u><u>\$15,993,185</u></u>	<u><u>\$15,712,759</u></u>	<u><u>\$12,639,390</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**HUMAN RIGHTS FIRST**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(With comparative totals for the year ended December 31, 2019)

	Program Services						Supporting Services					Total Expenses 12/31/20	Total Expenses 12/31/19
	Refugee Protection	Refugee/ Asylum Campaign	Policy Advocacy	Sanctions	Innovation Lab	Communications & Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services			
Salaries	\$2,573,822	\$903,518	\$619,264	\$232,516	\$206,186	\$296,897	\$4,832,203	\$557,853	\$400,718	\$958,571	\$5,790,774	\$5,360,758	
Payroll taxes and benefits	538,567	185,099	134,574	50,663	41,205	52,858	1,002,966	122,558	84,390	206,948	1,209,914	1,207,973	
Professional fees	151,523	131,376	16,760	36,132	263,196	195,461	794,448	47,994	23,960	71,954	866,402	1,068,840	
Legal and related services	47,878,657	1,142,435		440,735	223,267		49,685,094	76,044		76,044	49,761,138	59,524,657	
Travel and meals	22,785	9,963	1,895	1,181	114	111	36,049	1,860	1,152	3,012	39,061	199,867	
Printing and promotional	1,147	709	8,980	5,502	9	8,076	24,423	625	104	729	25,152	27,832	
Dues and subscriptions	10,340	1,987	3,726	35	263	1,227	17,578	1,037	1,677	2,714	20,292	15,725	
Staff training/seminars	5,293	673	63	249	453	542	7,273	3,110		3,110	10,383	18,468	
Events and conferences	24,586	72,177	471	398	393	311	98,336	1,420	104,032	105,452	203,788	404,987	
On-line services	2,441	6,174	5,706	31	30	10,752	25,134		8,436	8,436	33,570	19,764	
Postage and delivery	16,901	1,436	973	305	2,549	383	22,547	1,982	714	2,696	25,243	25,088	
Recruiting	1,461	77	28	24	23	19	1,632	1,529	267	1,796	3,428	3,870	
Occupancy	680,446	216,869	153,899	57,470	48,792	68,242	1,225,718	102,860	98,865	201,725	1,427,443	1,435,769	
Telephone and website	67,077	15,692	10,885	3,785	3,280	4,996	105,715	12,325	7,421	19,746	125,461	120,842	
Copying	27,856	8,723	6,183	2,129	1,897	2,855	49,643	5,482	3,945	9,427	59,070	56,645	
Office supplies	15,461	1,074	580	297	869	2,330	20,611	10,324	889	11,213	31,824	68,376	
Bank and other fees	506	1,177					1,683	38,893	13,239	52,132	53,815	35,680	
Repairs and maintenance	69,858	17,159	12,028	4,339	35,395	5,574	144,353	16,729	26,901	43,630	187,983	158,189	
Insurance	29,495	10,125	7,191	2,693	2,285	3,149	54,938	6,443	4,610	11,053	65,991	91,381	
Miscellaneous	33,317	234	20	13	13	10	33,607	416	1,082	1,498	35,105	60,495	
Depreciation	68,911	26,891	19,241	7,116	6,010	8,497	136,666	5,303	12,482	17,785	154,451	178,694	
<b>Total expenses</b>	<b>52,220,450</b>	<b>2,753,568</b>	<b>1,002,467</b>	<b>845,613</b>	<b>836,229</b>	<b>662,290</b>	<b>58,320,617</b>	<b>1,014,787</b>	<b>794,884</b>	<b>1,809,671</b>	<b>60,130,288</b>	<b>70,083,900</b>	
Less: direct special event expenses netted with revenue							0			0	0	(176,750)	
<b>Total expenses for statement of activities</b>	<b>\$52,220,450</b>	<b>\$2,753,568</b>	<b>\$1,002,467</b>	<b>\$845,613</b>	<b>\$836,229</b>	<b>\$662,290</b>	<b>\$58,320,617</b>	<b>\$1,014,787</b>	<b>\$794,884</b>	<b>\$1,809,671</b>	<b>\$60,130,288</b>	<b>\$69,907,150</b>	

*The attached notes and auditor's report are an integral part of these financial statements.*

**HUMAN RIGHTS FIRST**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(With comparative totals for the year ended December 31, 2019)

	<u>12/31/20</u>	<u>12/31/19</u>
Cash flows from operating activities:		
Change in net assets	\$3,073,369	\$4,202,710
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	154,451	178,694
Net gain on investments	(237,051)	(344,006)
Contributions received for endowment	(470,000)	(1,882,500)
Changes in assets and liabilities:		
Prepaid expenses and other assets	17,699	(6,813)
Grants and pledges receivable	(1,264,922)	2,164,338
Other receivables	(92,920)	8,981
Security deposits	4,165	(170)
Grants and pledges receivable - restricted for endowment	(150,000)	(4,295,000)
Accounts payable and accrued expenses	(125,111)	(2,432)
Accrued payroll and related liabilities	93,285	23,606
Deferred rent	(156,636)	(44,866)
Total adjustments	<u>(2,227,040)</u>	<u>(4,200,168)</u>
Net cash flows provided by operating activities	<u>846,329</u>	<u>2,542</u>
Cash flows from investing activities:		
Purchase of fixed assets	(49,870)	(33,944)
Purchases of investments	(12,471,335)	(8,765,152)
Proceeds from sales of investments	10,046,731	6,948,356
Net cash flows used for investing activities	<u>(2,474,474)</u>	<u>(1,850,740)</u>
Cash flows from financing activities:		
Contributions received for endowment	470,000	1,882,500
Proceeds from Paycheck Protection Program loan	1,080,785	0
Drawdowns of line of credit	950,000	200,000
Repayment of line of credit	(550,000)	(200,000)
Net cash flows provided by financing activities	<u>1,950,785</u>	<u>1,882,500</u>
Net increase in cash and cash equivalents	322,640	34,302
Cash and cash equivalents - beginning of year	<u>699,399</u>	<u>665,097</u>
Cash and cash equivalents - end of year	<u><u>\$1,022,039</u></u>	<u><u>\$699,399</u></u>
Supplemental disclosure of cash flow information:		
Total interest and income taxes paid	<u>\$20,907</u>	<u>\$2,399</u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**HUMAN RIGHTS FIRST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**Note 1 - Organization**

Human Rights First (the "Organization"), founded in 1978, is an independent advocacy and action organization that challenges America to live up to its ideals. The Organization, believing American leadership is essential in the global struggle for human rights, presses the US government and private companies to respect human rights and the rule of law, creating the political environment and policy solutions necessary to ensure consistent respect for human rights. For more than 40 years, the Organization has built bipartisan coalitions and teamed with frontline activists and lawyers to tackle global challenges that demand American leadership.

The Organization was under the auspices of the International League of Human Rights until July 31, 1982. Effective August 1, 1982, The Lawyers Committee for International Human Rights split off from the International League for Human Rights and began separate activities. In September 1986, the Organization changed its name to the Lawyers Committee for Human Rights. During the year ended May 31, 2004, the Organization changed its name to Human Rights First.

The Organization has been notified by the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has not been designated as a private foundation.

**Note 2 - Significant Accounting Policies**

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred, rather than received or paid.

b. Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following specific classes of net assets:

- *Net Assets Without Donor Restrictions* – accounts for activity without donor-imposed restrictions.
- *Net Assets With Donor Restrictions* – relates to contributions of cash and other assets with donor stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.



c. Revenue Recognition

The Organization follows Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2018-08 ("Topic 605") for recording contributions. Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires (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. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

The Organization evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Organization to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

The Organization records promises to give as revenue in the period they become unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using an interest-free discount rate. Each year, a portion of the discount is amortized and included with contributions on the statement of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization assesses the collectability of outstanding receivables by evaluating the donor/grantor's creditworthiness, age of the receivable, and past history. Based on this review, no allowance for doubtful accounts has been recorded.

d. Cash and Cash Equivalents

The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash, money market accounts and investment securities that have been placed with high-quality financial institutions that management deems to be creditworthy. Investments are subject to market value fluctuations and principal is not guaranteed. At times, balances may exceed federally insured limits. While at year end there were material uninsured balances the Organization has not experienced any losses due to bank failure.

f. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses, net of investment fees, are recognized on the statement of activities.

g. Fair Market Measurements

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

h. Fixed Assets

Fixed assets that the Organization retains title to, and which benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation is recorded using the straight-line method over the assets' estimated useful life (3-5 years).

Leasehold improvements are amortized over the shorter of the useful life or the respective lease term.

i. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for the periods ending December 31, 2017 and later are subject to examination by applicable taxing authorities.

j. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Payroll taxes and benefits
- Occupancy
- Telephone
- Office supplies
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

l. In-Kind Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in kind. See Note 10 for details.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the criteria of in-kind services and have not been recorded in the financial statements.

m. Advertising

Advertising costs are charged to operations when the advertising first takes place.

n. Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

o. New Accounting Pronouncements

FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

The Organization is in the process of evaluating the impact these standards will have on future financial statements.

**Note 3 - Investments and Fair Value Measurements**

The following summarizes investments at the year-end date:

	<u>12/31/20</u>	<u>12/31/19</u>
Investments	\$3,218,706	\$1,062,916
Investments restricted for endowment	<u>4,816,634</u>	<u>4,310,769</u>
Total	<u>\$8,035,340</u>	<u>\$5,373,685</u>

The following is a breakdown of significant investment classes:

	<u>12/31/20</u>		<u>12/31/19</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$474,818	\$474,818	\$998,034	\$998,034
Mutual funds				
- fixed income	3,691,346	3,644,703	964,353	945,800
Mutual funds				
- non traditional	461,885	441,090	0	0
Equities	2,014,760	1,704,277	1,901,952	1,650,757
Exchange traded funds	0	0	73,228	48,852
Corporate bonds and notes	326,445	291,099	321,774	299,065
Government securities	321,281	298,606	246,343	229,697
Asset backed securities	192,334	189,519	328,417	325,951
Private agency loan fund	<u>552,471</u>	<u>552,471</u>	<u>539,584</u>	<u>539,584</u>
Total	<u>\$8,035,340</u>	<u>\$7,596,583</u>	<u>\$5,373,685</u>	<u>\$5,037,740</u>

The assets are presented on a basis by class, determined by the nature and risk associated with the investment:

	<u>December 31, 2020</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market funds	\$474,818	\$0	\$474,818
Mutual funds			
- fixed income	3,691,346	0	3,691,346
Mutual funds			
- non traditional	461,885	0	461,885
Equities	2,014,760	0	2,014,760
Corporate bonds and notes	326,445	0	326,445
Government securities	321,281	0	321,281
Asset backed securities	192,334	0	192,334
Private agency loan fund	<u>0</u>	<u>552,471</u>	<u>552,471</u>
Total	<u>\$7,482,869</u>	<u>\$552,471</u>	<u>\$8,035,340</u>

	<u>December 31, 2019</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market funds	\$998,034	\$0	\$998,034
Mutual funds			
- fixed income	964,353	0	964,353
Equities	1,901,952	0	1,901,952
Exchange traded funds	73,228	0	73,228
Corporate bonds and notes	321,774	0	321,774
Government securities	246,343	0	246,343
Asset backed securities	328,417	0	328,417
Private agency loan fund	<u>0</u>	<u>539,584</u>	<u>539,584</u>
Total	<u>\$4,834,101</u>	<u>\$539,584</u>	<u>\$5,373,685</u>

Investment income consists of the following:

	<u>12/31/20</u>	<u>12/31/19</u>
Interest and dividends	\$137,368	\$152,976
Realized and unrealized gain on investments	237,051	344,006
Investment fees	<u>(40,795)</u>	<u>(31,858)</u>
Total	<u>\$333,624</u>	<u>\$465,124</u>

**Note 4 - Grants and Pledges Receivable**

The following is a summary of grants and pledges receivable:

	<u>12/31/20</u>	<u>12/31/19</u>
Grants and pledges receivable	\$3,886,160	\$2,662,950
Grants and pledges receivable – restricted for endowment	<u>5,600,000</u>	<u>5,970,000</u>
Total grants and pledges receivable	9,486,160	8,632,950
Less: discount ranging between 1% and 2%	<u>(1,164,930)</u>	<u>(1,726,642)</u>
Total	<u>\$8,321,230</u>	<u>\$6,906,308</u>

As of December 31, 2020, grants and pledges receivable are expected in the following periods:

Year ending:	December 31, 2021	\$2,605,160
	December 31, 2022	1,631,000
	December 31, 2023	250,000
	December 31, 2024	0
	December 31, 2025	0
	Thereafter	<u>5,000,000</u>
Total		<u>\$9,486,160</u>

**Note 5- Fixed Assets, net**

Fixed assets consist of the following:

	<u>12/31/20</u>	<u>12/31/19</u>
Furniture and fixtures	\$480,142	\$480,142
Computers, equipment and software	976,001	926,131
Leasehold improvements	<u>1,008,232</u>	<u>1,008,232</u>
	2,464,375	2,414,505
Less: depreciation and amortization	<u>(2,126,007)</u>	<u>(1,971,556)</u>
Total	<u>\$338,368</u>	<u>\$442,949</u>

**Note 6- Line of Credit**

On August 19, 2019, the Organization entered into a line of credit agreement with a financial institution for an amount not to exceed \$1,000,000. Interest is calculated at a rate of 5.28% and the line expires on October 22, 2021.

At December 31, 2020 there was an outstanding balance of \$400,000. There was no outstanding balance in 2019.

**Note 7 - Paycheck Protection Program Loan**

During the year ended December 31, 2020, the Organization obtained a loan from the SBA in the amount of \$1,080,785 through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a two-year period, with a ten-month deferral of payments and interest will accrue at 1%.

The Organization has opted to treat the Paycheck Protection Program proceeds as a loan payable in accordance with FASB ASC 470. Under this treatment, the proceeds from the loan will remain as a liability until either the loan is forgiven by the SBA or the Organization pays it off.

**Note 8- Net Assets With Donor Restrictions**

The following summarizes the nature of net assets with donor restrictions:

	<u>12/31/20</u>	<u>12/31/19</u>
Program restricted:		
Refugee Representation	\$2,163,660	\$867,950
Innovation Lab	830,760	666,656
Refugee/Asylum Campaign	1,714,006	313,750
Policy Advocacy	62,500	510,705
Sanctions	<u>800,000</u>	<u>366,667</u>
Total program restricted	5,570,926	2,725,728
Endowment	9,261,634	8,605,769
Time restricted	<u>1,160,625</u>	<u>1,400,000</u>
Total	<u>\$15,993,185</u>	<u>\$12,731,497</u>

The following summarizes net assets released from restrictions:

	<u>12/31/20</u>	<u>12/31/19</u>
Program restricted:		
Refugee Representation	\$1,461,587	\$518,462
Innovation Lab	760,897	332,333
Refugee/Asylum Campaign	1,426,494	1,389,398
Policy Advocacy	698,205	259,272
Sanctions	<u>470,167</u>	<u>0</u>
Total program restricted	4,817,350	2,499,465
Time restricted	759,375	4,314,400
Endowment appropriations	<u>207,574</u>	<u>0</u>
Total	<u>\$5,784,299</u>	<u>\$6,813,865</u>

**Note 9- Net Assets With Donor Restrictions - Endowment Funds**

The Organization's endowment includes three separate donor restricted funds to be held in perpetuity:

	<u>December 31, 2020</u>		
	<u>Investments</u>	<u>Pledges Receivable</u>	<u>Total</u>
Cash Reserve Endowment	\$552,471	\$0	\$552,471
Donor Restricted Endowment Fund 2	1,275,472	0	1,275,472
William D. Zabel Legacy Fund	<u>2,988,691</u>	<u>4,445,000</u>	<u>7,433,691</u>
Total	<u>\$4,816,634</u>	<u>\$4,445,000</u>	<u>\$9,261,634</u>

	<u>December 31, 2019</u>		
	<u>Investments</u>	<u>Pledges Receivable</u>	<u>Total</u>
Cash Reserve Endowment	\$539,584	\$0	\$539,584
Donor Restricted Endowment Fund 2	1,176,512	0	1,176,512
William D. Zabel Legacy Fund	<u>2,594,673</u>	<u>4,295,000</u>	<u>6,889,673</u>
Total	<u>\$4,310,769</u>	<u>\$4,295,000</u>	<u>\$8,605,769</u>

On August 31, 2001, the Organization received a donor contribution of \$500,000 to be used to establish a cash reserve endowment. Under the terms of the agreement, funds must be maintained in an earmarked account specified by the donor.

In December 2011, the Organization received a donor endowment of \$1,000,000 to be held in perpetuity (the "Fund"). Under the terms of the endowment agreement, certain named individuals must approve both the investment of the Fund and any distributions made from the Fund. Income and appreciation earned on the principal may be used to promote policies and projects of the Organization. In addition, certain named individuals may at any time direct any part or the entire Fund to be distributed for the same purposes.

During 2019, the Organization established the William D. Zabel Legacy Fund. This fund consists of pledges and cash contributions from various donors. Under the terms of the overriding gift agreement, which is a long-term pledge with an original amount of \$5,000,000, the Organization is permitted to appropriate an amount equal to 8% of the value of the endowment assets to support the representation and advocacy for refugees, supporting human rights defenders and advancing United States policy in human rights.

*Interpretation of Relevant Law*

The Organization follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which the Board of Directors has interpreted as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the fair value of the original gift will be preserved as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, the fair value of the original gift can be appropriated in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, the Organization classified as endowment: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

When endowment earnings have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditure. Therefore, they have been classified in the class of net assets with donor restrictions.

*Spending Policies*

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources available;
- (7) The investment policies;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization.

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Endowment Earnings/ <u>Borrowings</u>	Endowment Corpus	<u>Total</u>
Endowment net assets, beginning of year	\$437,081	\$8,168,688	\$8,605,769
Contributions	0	43,000	43,000
Board appropriations	(207,574)	0	(207,574)
Annual present value discount adjustment on long term pledge		520,000	520,000
Net investment return	<u>300,439</u>	<u>0</u>	<u>300,439</u>
Endowment net assets, end of year	<u>\$529,946</u>	<u>\$8,731,688</u>	<u>\$9,261,634</u>



Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	Endowment Earnings/ <u>Borrowings</u>	Endowment <u>Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$495,115)	\$1,500,000	\$1,004,885
Transfers in (a)	520,000	0	520,000
Contributions (b)	0	6,057,500	6,057,500
Reclassification of prior year contributions (c)		611,188	611,188
Net investment return	<u>412,196</u>	<u>0</u>	<u>412,196</u>
Endowment net assets, end of year	<u>\$437,081</u>	<u>\$8,168,688</u>	<u>\$8,605,769</u>

- a) During 2019, the Organization transferred \$520,000 from operations to the endowment to replenish prior year borrowings.
- b) Included in contributions is the \$5,000,000 pledge referred to above, reduced to fair value using present value techniques.
- c) In establishing the William D. Zabel Legacy Fund, the Organization was required to designate previously unrestricted funds to be included as part of the endowment corpus.

#### *Endowment Investment Policies*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide sufficient income to meet various program and operational expenses, and to extend the pursuit of the Organization's mission in perpetuity.

A total return strategy is used, and investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A diversified asset allocation strategy is used that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Under the terms of the \$1,000,000 endowment, the Organization may appropriate for distribution each year the greater of the income and appreciation earned on the principal and an amount equal to 5% of the fair market value of the principal. In establishing this policy, the Organization considered the long-term expected return on its endowment.

#### *Funds with Deficiencies*

From time to time, the fair value of assets of individual donor-restricted endowment funds may fall below the level required to be maintained in perpetuity in accordance with NYPMFA or the applicable donor gift agreement, creating an "underwater" endowment. Additionally, as noted above, for one of the endowment funds, certain named individuals may at any time permit any part or the entire fund to be temporarily distributed. There were no such deficiencies as of December 31, 2020 or 2019.

**Note 10- Contributed Services**

A substantial number of unpaid volunteers, primarily attorneys, have made significant contributions of their time to develop the Organization's programs in the presentation of human rights. For the years ended December 31, 2020 and 2019, the value of this contributed time has been included in these financial statements as contributed program service revenue and legal and related expenses in the amount of \$49,761,138 and \$59,524,657, respectively. For 2020 and 2019 this represents approximately 74,658 and 101,414 hours at an average hourly rate of \$666 and \$593, respectively.

**Note 11 - Special Event Income**

The Organization hosts an annual award dinner, which in 2020 was held virtually due to the pandemic and current restrictions. Direct expenses of this event that benefited donors have been netted with special event income in the public support section of the statement of activities. Other costs have been reflected as event and conferences expenses on the statement of functional expenses. The financial summary of the event are as follows:

	<u>12/31/20</u>	<u>12/31/19</u>
Income	\$1,350,362	\$1,670,868
Less: expenses with a direct benefit to donor	<u>0</u>	<u>(176,750)</u>
	1,350,362	1,494,118
Less: other event expenses	<u>(130,040)</u>	<u>(171,878)</u>
Total	<u>\$1,220,322</u>	<u>\$1,322,240</u>

**Note 12- Retirement Plan**

The Organization has a defined contribution retirement plan (the "Plan") under Section 403(b) of the Code. Participating employees make pre-tax contributions of up to the maximum allowable IRS limitation. All employees who are at least 21 years of age are eligible to participate in the Plan. The Organization's expense for the Plan was \$86,318 and \$84,530 for the years ended December 31, 2020 and 2019, respectively.

**Note 13- Commitments**

The Organization signed a lease agreement for a new office in New York, NY. This began on November 1, 2014 and expires November 1, 2025. The Organization received a rent credit in the amount of \$329,640 over the life of the lease.

The Organization signed a lease agreement for a 10-year period for the Washington D.C. office, which began on January 1, 2013 and expires January 31, 2023. The Organization received a rent credit in the amount of \$307,048 over the life of the lease.

The Organization's lease agreement for the Houston office space expired March 31, 2018. The Organization occupied the space on a month-to-month basis through June 30, 2020.

The Organization signed a lease agreement for a 5-year period for the Los Angeles office, which began on December 1, 2019 and expires November 30, 2024. The Organization received a rent abatement for three months over the term of the lease during months 2, 13 and 25.

Finally, the Organization signed a one-year lease agreement for an apartment in New York City which began on October 15, 2019 and expired on October 14, 2020. The apartment was open for use by the chief executive officer and certain other named senior staff members.

Under U.S. GAAP, all rental payments, including fixed rent increases, less any rental abatements, are recognized on a straight-line basis over the term of the respective lease. The difference between rent expense and the actual lease payments is reflected as deferred rent. Deferred rent, included on the statements of financial position amounted to \$694,042 and \$850,678 for the years ended December 31, 2020 and 2019, respectively. Future minimum annual lease payments are as follows:

Year ending	December 31, 2021	\$1,467,044
	December 31, 2022	1,503,921
	December 31, 2023	924,550
	December 31, 2024	884,361
	December 31, 2025	<u>280,429</u>
Total		<u>\$5,060,305</u>

Total rent expense for facilities was \$1,348,437 and \$1,284,421 in the years ending December 31, 2020 and 2019, respectively.

An irrevocable letter of credit of \$211,805 was accepted as a security deposit by the landlord of the New York City office space located at 75 Broad Street, New York, NY. The balance of the bank account holding the letter of credit, including accrued interest, was \$213,015 and \$212,940 for the years ended December 31, 2020 and 2019, respectively.

#### **Note 14 - Liquidity and Availability of Financial Resources**

The following reflects the Organization's financial assets at December 31, 2020, reduced by amounts that have donor-imposed or board-designated restrictions within one year of the statement of financial position.

Cash and cash equivalents	\$1,022,039	
Investments	3,218,706	
Grants and pledges receivable	3,876,230	
Other receivables	<u>158,153</u>	
Total financial assets		\$8,275,128
Less amounts not available to be used within one year:		
Time restricted pledges due in more than one year		(300,000)
Contributions restricted – purpose restrictions		<u>(5,570,926)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$2,404,202</u>

The Organization's goal is to generally maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in investments, including money market accounts, fixed income securities and mutual funds.

**Note 15- Other Matters**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact cannot be quantified.

**Note 16 - Subsequent Events**

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through April 29, 2021, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.