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# **HUMAN RIGHTS FIRST**

Audited Financial Statements

December 31, 2021

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## **Independent Auditors' Report**

To the Board of Directors of  
Human Rights First

### ***Opinion***

We have audited the accompanying financial statements of Human Rights First (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 the Organization as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally

accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

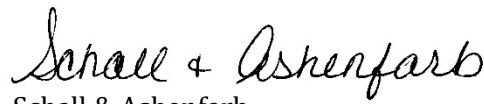
In performing an audit in accordance with generally accepted auditing standards, we:

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

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

April 21, 2022

**HUMAN RIGHTS FIRST  
STATEMENT OF FINANCIAL POSITION  
AT DECEMBER 31, 2021**

(With comparative totals at December 31, 2020)

	<u>12/31/21</u>	<u>12/31/20</u>
<b>Assets</b>		
Cash and cash equivalents	\$1,715,916	\$1,022,039
Investments (Note 3)	3,966,394	3,218,706
Prepaid expenses and other assets	121,132	102,439
Grants and pledges receivable, net (Note 4)	2,504,165	3,876,230
Other receivables	58,806	158,153
Security deposits	349,651	350,034
Grants and pledges receivable, net - restricted for endowment (Notes 4 and 10)	4,225,000	4,445,000
Fixed assets, net (Note 5)	209,316	338,368
Investments restricted for endowment (Notes 3 and 10)	<u>5,314,592</u>	<u>4,816,634</u>
 Total assets	 <u><u>\$18,464,972</u></u>	 <u><u>\$18,327,603</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$1,210,915	\$76,548
Accrued payroll and related liabilities	357,302	363,469
Line of credit payable (Note 6)	0	400,000
Paycheck Protection Program loan (Note 7)	0	1,080,785
Deferred rent (Note 8)	527,976	694,042
Total liabilities	<u>2,096,193</u>	<u>2,614,844</u>
 Commitments and contingencies (Note 8)		
Net assets:		
Without donor restrictions	965,740	(280,426)
With donor restrictions (Note 9)	<u>15,403,039</u>	<u>15,993,185</u>
Total net assets	<u>16,368,779</u>	<u>15,712,759</u>
 Total liabilities and net assets	 <u><u>\$18,464,972</u></u>	 <u><u>\$18,327,603</u></u>

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

**HUMAN RIGHTS FIRST  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

(With comparative totals for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions			Total	Total 12/31/21	Total 12/31/20*
		Donor Restricted Time	Donor Restricted Programs	Donor Restricted Endowment			
Public support and revenue:							
Public support:							
Contributions	\$4,852,627	\$1,000,000	\$5,136,760	\$40,000	\$6,176,760	\$11,029,387	\$10,994,020
Amortization of discount of long term pledge					0	0	520,000
Paycheck Protection Program loan grant (Note 7)	1,080,785				0	1,080,785	0
Special event (Note 12)	1,213,617				0	1,213,617	1,350,362
Contributed program services (Note 11)	50,493,000				0	50,493,000	49,761,138
Fellowship contributions	231,258				0	231,258	225,860
Investment income, net (Note 3)	34,892			477,053	477,053	511,945	328,741
Other income	81,130				0	81,130	18,653
Net assets released from restriction	7,243,959	(1,197,500)	(5,807,364)	(239,095)	(7,243,959)	0	0
<b>Total public support and revenue</b>	<b>65,231,268</b>	<b>(197,500)</b>	<b>(670,604)</b>	<b>277,958</b>	<b>(590,146)</b>	<b>64,641,122</b>	<b>63,198,774</b>
Expenses:							
Program services	61,896,798				0	61,896,798	58,320,617
Supporting services:							
Management and general	1,158,082				0	1,158,082	1,009,904
Fundraising	930,222				0	930,222	794,884
<b>Total supporting services</b>	<b>2,088,304</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,088,304</b>	<b>1,804,788</b>
<b>Total expenses</b>	<b>63,985,102</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,985,102</b>	<b>60,125,405</b>
Change in net assets	1,246,166	(197,500)	(670,604)	277,958	(590,146)	656,020	3,073,369
Net assets - beginning of year	(280,426)	1,160,625	5,570,926	9,261,634	15,993,185	15,712,759	12,639,390
Net assets - end of year	\$965,740	\$963,125	\$4,900,322	\$9,539,592	\$15,403,039	\$16,368,779	\$15,712,759

\* Reclassified for comparative purposes

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

**HUMAN RIGHTS FIRST**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(With comparative totals for the year ended December 31, 2020)

	Program Services					Supporting Services			Total Expenses 12/31/21	Total Expenses 12/31/20*	
	Refugee Protection	Domestic Policy	Foreign Policy	Innovation Lab	Communications & Outreach	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$3,520,556	\$285,398	\$204,570	\$285,700	\$332,167	\$4,628,391	\$546,588	\$418,193	\$964,781	\$5,593,172	\$5,790,774
Payroll taxes and benefits	761,751	69,075	48,367	64,550	64,692	1,008,435	115,176	89,215	204,391	1,212,826	1,209,914
Professional fees	197,722	28,310	161,188	383,689	193,758	964,667	82,655	11,462	94,117	1,058,784	866,402
Legal and related services (Note 11)	50,253,408		177,817			50,431,225	61,775	0	61,775	50,493,000	49,761,138
Afghan project expenses	2,706,585					2,706,585				2,706,585	1,040
Travel and meals	26,673	844	165	1,389	26	29,097	1,403	0	1,403	30,500	39,061
Printing and promotional	9,377	11	15	480	147,998	157,881	1,324	0	1,324	159,205	25,154
Dues and subscriptions	11,797	21	359	1,845	758	14,780	1,208	1,517	2,725	17,505	20,292
Staff training/seminars	12,931	52	74	994	92	14,143	6,546	24	6,570	20,713	10,383
Events and conferences	109,271	429	1,170	738	760	112,368	554	213,962	214,516	326,884	203,789
On-line services	6,314	4,043	4,043	2,704	13,037	30,141	86	0	86	30,227	33,570
Postage and delivery	14,869	281	249	303	366	16,068	1,375	538	1,913	17,981	25,243
Recruiting	70,775	589	837	1,014	1,044	74,259	74,257	0	74,257	148,516	3,428
Occupancy	890,079	71,930	48,569	68,495	80,447	1,159,520	122,507	98,946	221,453	1,380,973	1,427,443
Telephone and website	72,601	5,681	3,814	5,311	6,272	93,679	10,395	7,674	18,069	111,748	125,461
Copying	23,920	2,204	1,380	1,835	2,263	31,602	3,653	2,746	6,399	38,001	59,070
Office supplies	13,926	710	527	4,089	888	20,140	4,745	1,035	5,780	25,920	31,824
Bank and other fees	9,117	530	361	497	697	11,202	80,477	21,398	101,875	113,077	48,934
Repairs and maintenance	124,254	7,821	5,593	7,936	9,142	154,746	22,981	46,977	69,958	224,704	187,983
Insurance	38,533	3,429	2,344	3,180	3,733	51,219	5,848	4,531	10,379	61,598	65,991
Miscellaneous	29,233	9	30,272	96	316	59,926	610	640	1,250	61,176	34,060
Depreciation	95,667	8,336	5,633	7,822	9,266	126,724	13,919	11,364	25,283	152,007	154,451
<b>Total expenses</b>	<b>\$58,999,359</b>	<b>\$489,703</b>	<b>\$697,347</b>	<b>\$842,667</b>	<b>\$867,722</b>	<b>\$61,896,798</b>	<b>\$1,158,082</b>	<b>\$930,222</b>	<b>\$2,088,304</b>	<b>\$63,985,102</b>	<b>\$60,125,405</b>

\* Reclassified for comparative purposes

*The attached notes and auditors' report are an integral part of these financial statements*

**HUMAN RIGHTS FIRST**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(With comparative totals for the year ended December 31, 2020)

	12/31/21	12/31/20
Cash flows from operating activities:		
Change in net assets	\$656,020	\$3,073,369
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	152,007	154,451
Paycheck Protection Program loan grant	(1,080,785)	0
Net gain on investments	(434,989)	(237,051)
Contributions received for endowment	(260,000)	(470,000)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(18,693)	17,699
Grants and pledges receivable	1,372,065	(1,264,922)
Other receivables	99,347	(92,920)
Security deposits	383	4,165
Grants and pledges receivable - restricted for endowment	220,000	(150,000)
Accounts payable and accrued expenses	1,134,367	(125,111)
Accrued payroll and related liabilities	(6,167)	93,285
Deferred rent	(166,066)	(156,636)
Total adjustments	1,011,469	(2,227,040)
Net cash flows provided by operating activities	1,667,489	846,329
Cash flows from investing activities:		
Purchase of fixed assets	(22,955)	(49,870)
Purchases of investments	(7,030,682)	(12,471,335)
Proceeds from sales of investments	6,220,025	10,046,731
Net cash flows used for investing activities	(833,612)	(2,474,474)
Cash flows from financing activities:		
Contributions received for endowment	260,000	470,000
Proceeds from Paycheck Protection Program loan	0	1,080,785
Drawdowns of line of credit	0	950,000
Repayment of line of credit	(400,000)	(550,000)
Net cash flows (used for)/provided by financing activities	(140,000)	1,950,785
Net increase in cash and cash equivalents	693,877	322,640
Cash and cash equivalents - beginning of year	1,022,039	699,399
Cash and cash equivalents - end of year	\$1,715,916	\$1,022,039
Supplemental disclosure of cash flow information:		
Total interest and income taxes paid	\$9,693	\$20,907

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

**HUMAN RIGHTS FIRST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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 on the statement of activities.



c. Revenue Recognition

The Organization follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. 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 in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

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.

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 a 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 and at year end, 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 Value 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, 2018 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. Functional Allocation of Expenses

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 and website
- 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 11 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, 2020, from which the summarized information was derived.

o. New Accounting Pronouncements

FASB issued Accounting Standards Update ("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. 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 year-end:

	<u>12/31/21</u>	<u>12/31/20</u>
Investments	\$3,966,394	\$3,218,706
Investments restricted for endowment	<u>5,314,592</u>	<u>4,816,634</u>
Total	<u>\$9,280,986</u>	<u>\$8,035,340</u>

The following is a breakdown of significant investment classes:

	<u>12/31/21</u>		<u>12/31/20</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$275,830	\$275,830	\$474,818	\$474,818
Mutual funds				
- fixed income	2,943,324	2,969,357	3,691,346	3,644,703
Mutual funds				
- non traditional	1,022,873	972,616	461,885	441,090
Equities	3,990,638	3,294,722	2,014,760	1,704,277
Exchange traded funds	12,012	5,606	0	0
Corporate bonds and notes	144,271	143,772	326,445	291,099
Government securities	260,928	262,083	321,281	298,606
Asset backed securities	69,812	70,521	192,334	189,519
Private agency loan fund	<u>561,298</u>	<u>561,298</u>	<u>552,471</u>	<u>552,471</u>
Total	<u>\$9,280,986</u>	<u>\$8,555,805</u>	<u>\$8,035,340</u>	<u>\$7,596,583</u>

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

	<u>December 31, 2021</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market funds	\$275,830	\$0	\$275,830
Mutual funds			
- fixed income	2,943,324	0	2,943,324
Mutual funds			
- non traditional	1,022,873	0	1,022,873
Equities	3,990,638	0	3,990,638
Exchange traded funds	12,012	0	12,012
Corporate bonds and notes	144,271	0	144,271
Government securities	260,928	0	260,928
Asset backed securities	69,812	0	69,812
Private agency loan fund	<u>0</u>	<u>561,298</u>	<u>561,298</u>
Total	<u>\$8,719,688</u>	<u>\$561,298</u>	<u>\$9,280,986</u>

	<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>

Investment income consists of the following:

	<u>12/31/21</u>	<u>12/31/20</u>
Interest and dividends	\$131,850	\$137,368
Realized and unrealized gain on investments	434,989	237,051
Investment fees	<u>(54,894)</u>	<u>(45,678)</u>
Total	<u>\$511,945</u>	<u>\$328,741</u>

**Note 4 - Grants and Pledges Receivable**

Grants and pledges receivable are expected in the following periods:

	<u>12/31/21</u>	<u>12/31/20</u>
Year ending: December 31, 2021	\$0	\$2,605,160
December 31, 2022	2,297,175	1,631,000
December 31, 2023	590,000	250,000
Thereafter	<u>5,000,000</u>	<u>5,000,000</u>
	7,887,175	9,486,160
Less: Discount ranging between 1% and 2%	<u>(1,158,010)</u>	<u>(1,164,930)</u>
	<u>\$6,729,165</u>	<u>\$8,321,230</u>

The following is a summary of grants and pledges receivable:

	<u>12/31/21</u>	<u>12/31/20</u>
Grants and pledges receivable	\$2,504,165	\$3,876,230
Grants and pledges receivable – restricted for endowment	<u>4,225,000</u>	<u>4,445,000</u>
Total grants and pledges receivable	<u>\$6,729,165</u>	<u>\$8,321,230</u>

**Note 5 - Fixed Assets**

Fixed assets consist of the following:

	<u>12/31/21</u>	<u>12/31/20</u>
Furniture and fixtures	\$480,142	\$480,142
Computers, equipment and software	985,705	976,001
Leasehold improvements	<u>1,008,232</u>	<u>1,008,232</u>
	2,474,079	2,464,375
Less: depreciation and amortization	<u>(2,264,763)</u>	<u>(2,126,007)</u>
Total fixed assets, net	<u>\$209,316</u>	<u>\$338,368</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 was calculated at a rate of 5.28%. At December 31, 2020, there was an outstanding balance of \$400,000. The balance was fully repaid as of December 31, 2021.

**Note 7 - Paycheck Protection Program Loan**

During the year ended December 31, 2020, the Organization obtained a loan from the U.S. Small Business Administration ("SBA") in the amount of \$1,080,785 through the Paycheck Protection Program ("PPP"). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. The Organization 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 remained as a liability until forgiven. On June 29, 2021, the loan was fully forgiven by the SBA and has been recognized as revenue on the statement of activities.

**Note 8 - Commitments**

The Organization signed a lease agreement for a new office in New York, NY, which began on November 1, 2014, and expires on May 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 on January 31, 2023. The Organization received a rent credit in the amount of \$307,048 over the life of the lease.

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

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 statement of financial position amounted to \$527,976 and \$694,042 for the years ended December 31, 2021 and 2020, respectively.

Future minimum annual lease payments are as follows:

Year ending:	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>\$3,593,261</u>

Total rent expense for facilities was \$1,305,983 and \$1,348,437 in the years ending December 31, 2021 and 2020, 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 \$213,057 and \$213,015 for the years ended December 31, 2021 and 2020, respectively.

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

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

	<u>12/31/21</u>	<u>12/31/20</u>
Program restricted:		
Refugee Representation	\$1,848,008	\$2,163,660
Innovation Lab	1,326,000	830,760
Refugee/Asylum Campaign	1,351,314	1,714,006
Domestic Policy	0	62,500
Foreign Policy	<u>375,000</u>	<u>800,000</u>
Total program restricted	4,900,322	5,570,926
Endowment	9,539,592	9,261,634
Time restricted	<u>963,125</u>	<u>1,160,625</u>
Total	<u>\$15,403,039</u>	<u>\$15,993,185</u>

The following summarizes net assets released from restrictions:

	<u>12/31/21</u>	<u>12/31/20</u>
Program restricted:		
Refugee Representation	\$2,401,925	\$1,461,587
Innovation Lab	842,279	760,897
Refugee/Asylum Campaign	1,967,125	1,426,494
Domestic Policy	82,500	698,205
Foreign Policy	<u>513,535</u>	<u>470,167</u>
Total program restricted	5,807,364	4,817,350
Time restricted	1,197,500	759,375
Endowment appropriations	<u>239,095</u>	<u>207,574</u>
Total	<u>\$7,243,959</u>	<u>\$5,784,299</u>

## Note 10 - 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, 2021</u>		
	<u>Investments</u>	<u>Pledges Receivable</u>	<u>Total</u>
Cash Reserve Endowment	\$561,298	\$0	\$561,298
Donor Restricted Endowment Fund 2	1,419,287	0	1,419,287
William D. Zabel Legacy Fund	<u>3,334,007</u>	<u>4,225,000</u>	<u>7,559,007</u>
Total	<u>\$5,314,592</u>	<u>\$4,225,000</u>	<u>\$9,539,592</u>

	<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>

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. 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.

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.

### *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.

### *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, 2021 are as follows:

	Endowment Earnings/ <u>Borrowings</u>	Endowment <u>Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$529,946	\$8,731,688	\$9,261,634
Contributions	0	40,000	40,000
Board appropriations	(239,095)	0	(239,095)
Annual present value discount adjustment on long term pledge	0	0	0
Net investment return	<u>477,053</u>	<u>0</u>	<u>477,053</u>
Endowment net assets, end of year	<u>\$767,904</u>	<u>\$8,771,688</u>	<u>\$9,539,592</u>

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

	Endowment Earnings/ <u>Borrowings</u>	Endowment <u>Corpus</u>	<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	0	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>

*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, 2021 or 2020.

**Note 11 - 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, 2021 and 2020, the value of this contributed time has been included in these financial statements as contributed program service revenue and legal and related services expenses in the amount of \$50,493,000 and \$49,761,138, respectively. For 2021 and 2020 this represents approximately 69,070 and 74,658 hours at an average hourly rate of \$731 and \$666, respectively.

## Note 12 - Special Event Income

The Organization hosts an annual award dinner, which in 2021 and 2020 were held virtually due to the pandemic and current restrictions. Other costs have been reflected as event and conferences expenses on the statement of functional expenses.

The financial summary of the event is as follows:

	<u>12/31/21</u>	<u>12/31/20</u>
Income	\$1,213,617	\$1,350,362
Less: expenses with a direct benefit to donor	<u>0</u>	<u>0</u>
	1,213,617	1,350,362
Less: other event expenses	<u>(261,596)</u>	<u>(130,040)</u>
Total	<u>\$952,021</u>	<u>\$1,220,322</u>

## Note 13 - Retirement Plan

The Organization has a defined contribution retirement plan (the "Plan") under Section 403(b) of the Internal Revenue Code. Participating employees make pre-tax contributions 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 \$65,050 and \$86,318 for the years ended December 31, 2021 and 2020, respectively.

## Note 14 - Liquidity and Availability of Financial Resources

The following reflects the Organization's financial assets at December 31, 2021, reduced by amounts that have donor-imposed or board-designated restrictions within one year of the statement of financial position.

Cash and cash equivalents	\$1,715,916	
Investments	3,966,394	
Grants and pledges receivable	2,504,165	
Other receivables	<u>58,806</u>	
Total financial assets		\$8,245,281
Less amounts not available to be used within one year:		
Time restricted pledges due in more than one year		(450,000)
Contributions restricted – purpose restrictions		<u>(4,900,322)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$2,894,959</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. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted, however supply chains remain impacted. 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**

Subsequent events have been evaluated through April 21, 2022, the date the financial statements were available to be issued. There were no material events that have occurred that required adjustment to or disclosure in the financial statements.