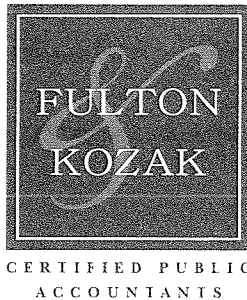


SOUTHERN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2009

With Independent Auditors' Report Thereon



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Southern Center for Human Rights

We have audited the accompanying statement of financial position of the Southern Center for Human Rights (the "Center") as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2009, and the change in its net assets and its cash flow for the year then ended in conformity with auditing standards generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Fulton Kozak".

Morrow, Georgia  
March 25, 2010

SOUTHERN CENTER FOR HUMAN RIGHTS  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2009

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 942,792
Investments	2,136,846
Contributions receivable	76,373
Due from SPDTC	15,646
Prepays	<u>7,939</u>
TOTAL CURRENT ASSETS	3,179,596
Land	73,335
Building and improvements	672,806
Furniture, fixtures and equipment	104,770
Automobiles	93,977
Accumulated depreciation	<u>(396,096)</u>
TOTAL ASSETS	<u>\$ 3,728,388</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 17,251
Accrued expenses	18,024
Deferred revenue	<u>342,916</u>
TOTAL CURRENT LIABILITIES	378,191
NET ASSETS	
Unrestricted	3,206,633
Temporarily restricted	<u>143,564</u>
TOTAL NET ASSETS	<u>3,350,197</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,728,388</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

CHANGE IN UNRESTRICTED NET ASSETS	
REVENUES, GAINS AND OTHER SUPPORTS	
Foundation grants	\$ 1,074,852
Investment income	374,667
Individual contributions	162,822
Special events, net	155,567
Other income	103,527
Attorneys fees	102,192
Training program	93,527
Gain from disposal of fixed assets	<u>(2,519)</u>
 TOTAL REVENUES, GAINS AND OTHER SUPPORTS	 2,064,635
EXPENSES	
Program activities	1,901,857
Management and general	301,396
Fundraising	<u>172,757</u>
 TOTAL EXPENSES	 2,376,010
 CHANGE IN UNRESTRICTED NET ASSETS	 (311,375)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Individual contributions	<u>10,000</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>10,000</u>
 CHANGE IN NET ASSETS	 (301,375)
 NET ASSETS AT THE BEGINNING OF THE PERIOD	 <u>3,651,572</u>
 NET ASSETS AT THE END OF THE PERIOD	 <u>\$ 3,350,197</u>

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

SOUTHERN CENTER FOR HUMAN RIGHTS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program activities	Management and general	Fundraising	Totals
	2009	2009	2009	2009
Salaries	\$ 857,756	\$ 175,631	\$ 85,362	\$ 1,118,749
Payroll taxes and benefits	335,221	83,428	53,097	471,746
Staff development	248,523	0	0	248,523
Litigation expenses	207,164	0	0	207,164
Office expenses	46,139	4,022	5,361	55,522
Depreciation	35,149	7,760	2,739	45,648
Insurance	31,705	0	0	31,705
Telephone	22,005	5,001	3,348	30,354
Occupancy expenses	17,680	4,911	2,964	25,555
Computer consulting	18,000	4,000	1,425	23,425
Office supplies	19,602	443	1,007	21,052
Repairs and maintenance	11,818	3,705	1,281	16,804
AWRN program expenses	13,553	0	0	13,553
Professional fees	1,020	12,495	0	13,515
Postage and shipping	6,198	0	5,873	12,071
Development	0	0	10,300	10,300
Public Policy	10,253	0	0	10,253
Auto expense	8,173	0	0	8,173
Travel expenses	8,003	0	0	8,003
Service charges	<u>3,895</u>	<u>0</u>	<u>0</u>	<u>3,895</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,901,857</u></b>	<b><u>\$ 301,396</u></b>	<b><u>\$ 172,757</u></b>	<b><u>\$ 2,376,010</u></b>

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

SOUTHERN CENTER FOR HUMAN RIGHTS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (301,375)
Adjustments to reconcile increase in net assets to net cash used in operating activities	
Depreciation	45,648
Unrealized gain on investments	(610,179)
Loss on disposal of fixed assets	2,519
Decrease (increase) in operating assets	
Contributions receivable	35,984
Due from SPDTC	(15,646)
Prepays	(2,908)
(Decrease) increase in operating liabilities	
Accounts payable	(11,485)
Accrued expenses	(4,079)
Deferred revenue	<u>290,958</u>
NET CASH USED IN OPERATING ACTIVITIES	(570,563)
CASH FLOWS FROM INVESTING ACTIVITIES	
Reinvestment of investment income	982,729
Purchase of fixed assets	<u>(16,911)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	965,818
CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	395,255
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>547,537</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 942,792</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 0</u>
Gifs of fixed assets	<u>\$ 0</u>

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**1. ORGANIZATION**

Southern Center for Human Rights (the "Center") was incorporated in 1978 under the Tennessee General Corporation Act as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Center as a publicly supported charitable organization which allows donors to the Center to take the maximum charitable contribution deduction. The Center, located in Atlanta, Georgia, provides free legal representation to poor and disadvantaged people facing the death penalty or subject to unconstitutional conditions in prisons or jails throughout the Southeastern United States. The Center is also engaged in efforts to improve indigent defense systems and to bring about greater independence of the judiciary. In addition, the Center promotes the advancement of human and civil rights through the performance of informative research and the publication of various educational materials including manuals for lawyers engaged in capital defense and/or human rights litigation in the South.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- **Basis of accounting**  
The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.
- **Basis of presentation of financial statements**  
In accordance with ASC 958-210-45, *Financial Statements of Not-for-Profit Organizations*, the financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets.
- **Estimates**  
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ materially from those estimates.
- **Fair value of financial instruments**  
The financial instruments shown as assets and liabilities in the statements of financial position are traditional in nature. The carrying value of cash and cash equivalents and all other financial instruments, including receivables and payables, approximate their fair value.
- **Cash and cash equivalents**  
For financial statement purposes, highly liquid investments with original maturities of three months or less when purchased are reported as cash and cash equivalents.

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS -Continued

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Investments**

Investments in equity and debt securities are reported at fair value with realized and unrealized gains and losses included in the statement of activities. Realized and unrealized gains or losses on marketable securities are determined by using specific identification.

- **Fixed assets**

Fixed assets are stated on the basis of cost with the exception of donated items, which are stated at fair market value at the date of donation. Expenditures for renewals and improvements are charged to the property accounts. Expenditures such as maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to operations. The cost and related accumulated depreciation are removed from the accounts for equipment sold or retired. Acquisitions that have an estimated useful life greater than one year are capitalized and are depreciated on the straight-line basis. Estimated useful lives are as follows:

Asset Category	Useful Lives
Building and improvements	31.5 – 39.5 years
Furniture, fixtures and equipment	5 years
Automobiles	5 years
Software	3 years

- **Net assets**

Southern Center for Human Rights' net assets and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified as unrestricted and temporarily restricted as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met either by actions of the Center or the passage of time.

- **Contributions**

The Center reports gifts of cash and other assets as restricted support if received with donor stipulations that limit the use of the donated assets and the restriction has not expired in the same period the contribution was received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS -Continued

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Contributed services**

The Center receives contributed services from various individuals, including its executive director, that have not been recorded in the financial statements. In addition, entry level staff attorneys provide their services at approximately \$40,000 per year, which is substantially less than the market value of such services. Generally, top law school graduates can receive starting salaries in excess of \$140,000 and typically earn significantly more after a few years of experience.

- **Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. For purposes of complying with restricted grants, the Center allocates management and fundraising expenses to four major programs: Human rights of prisoners, capital punishment cases, judicial independence and indigent defense.

- **Income taxes**

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC is subject to federal income tax. Accordingly, no provision for income taxes has been made.

**3. INVESTMENTS**

Investments as of December 31, 2009 are summarized as follows:

Mutual funds	\$ 826,004
Government fixed income securities	628,630
Alternative investments	434,691
Equity securities	<u>247,521</u>
Total	<u>\$ 2,136,846</u>

The following is a summary of investment income (loss):

Interest and dividend income	\$ 77,654
Realized loss on investments	(291,921)
Unrealized gain on investments	610,179
Investment fees	<u>(21,245)</u>
Total	<u>\$ 374,667</u>

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS -Continued

**4. FAIR VALUE MEASUREMENTS**

During the year ended December 31, 2009, the Center adopted the provisions of Accounting Standards Codification 820 (“ASC 820”), Fair Value Measurements, for financial assets and liabilities. Under ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Unobservable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

The following table summarized the Center’s financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2009:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual funds	\$ 826,004	\$ 826,004	\$ 0	\$ 0
Government fixed income securities	628,630	628,630	0	0
Alternative investments	434,691	434,691	0	0
Equity securities	<u>247,521</u>	<u>247,521</u>	<u>0</u>	<u>0</u>
	<u>\$ 2,136,846</u>	<u>\$ 2,136,846</u>	<u>\$ 0</u>	<u>\$ 0</u>

**5. OPERATING LEASES**

The Center entered into an operating lease for a copier in March 2009. The lease has a monthly payment of \$916 that is required through February 2014.

The Center entered into another operating lease for a copier in September 2009. The lease has a monthly payment of \$267 that is required through September 2014.

The Center entered into an operating lease for additional office space on October 1, 2009. The lease has a base year monthly payment of \$1,684 with annual increases. The lease expires on February 28, 2015.

The Center entered into an operating lease for office space for a satellite office on April 13, 2009. The lease has a monthly payment of \$250 that is required through April 12, 2010.

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS -Continued

**5. OPERATING LEASES (Continued)**

Future minimum lease payments under the operating leases are as follows:

Year ended June 30,	Copier 1	Copier 2	Office 1	Office 2
2010	\$ 10,992	\$ 3,204	\$ 20,365	\$ 875
2011	10,992	3,204	20,977	0
2012	10,992	3,204	21,610	0
2013	1,832	2,403	22,255	0
2014	0	0	22,918	0
Thereafter	<u>0</u>	<u>0</u>	<u>3,906</u>	<u>0</u>
Total	<u>\$ 34,808</u>	<u>\$ 12,015</u>	<u>\$ 112,031</u>	<u>\$ 875</u>

**6. SPECIAL EVENTS**

The Center held receptions or dinners in various cities in order to raise funds. The net proceeds from these events are reported as special events revenue in the accompanying statements of activities. The following are summaries of these activities for the year ended December 31, 2009:

	<u>2009</u>		
	Income	Expenses	Net income
Frederick Douglass Dinner	\$ 158,620	\$ 37,503	\$ 121,117
San Francisco Reception	33,445	5,400	28,045
Atlanta Benefit	<u>17,145</u>	<u>10,740</u>	<u>6,405</u>
Total	<u>\$ 209,210</u>	<u>\$ 53,643</u>	<u>\$ 155,567</u>

**7. EMPLOYEE BENEFIT PLAN**

The Center adopted a defined contribution retirement plan effective April 1, 2001. Contributions are 4% of each participant's compensation as defined in the summary plan description. All employees are eligible to participate in the plan after one year of service and vest after five years. During the year ended December 31, 2009, the Center contributed \$27,602 to the plan.

SOUTHERN CENTER FOR HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS -Continued

**8. CONCENTRATION OF RISK**

The Center maintains its cash in accounts, which at times may exceed federally insured limits. The Center has not experienced any losses in such accounts. Management believes it is not exposed to any undue credit risk with regards to the cash in excess of federally insured limits.

**9. EFFECT OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS**

Southern Center for Human Rights depends heavily on contributions and grants for its revenue. The ability of certain of the Center's grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions and grants to the Center. While the Center's Board of Directors believes that the Center has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.