



Financial Statements
September 30, 2017 and 2016

The Center for Victims of Torture

Independent Auditor’s Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses.....	6
Statements of Cash Flows	8
Notes to Financial Statements.....	9



Independent Auditor's Report

The Board of Directors
The Center for Victims of Torture
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of The Center for Victims of Torture (CVT) which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2017, and for the nine months ended September 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 CVT as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year ended September 30, 2017, and for the nine months ended September 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2018, on our consideration of CVT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CVT's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota
March 26, 2018

The Center for Victims of Torture
Statements of Financial Position
September 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 832,555	\$ 942,264
Accounts receivable	782,635	481,149
Promises to give, net	637,117	984,718
Prepaid expenses	315,160	243,999
	2,567,467	2,652,130
Property and Equipment, Net	1,100,621	1,291,343
Other Assets		
Promises to give, net	931,502	1,077,659
Investments	29,986	27,245
Restricted investments	1,268,162	1,131,091
Beneficial interest in lead trust	63,087	69,209
	2,292,737	2,305,204
	\$ 5,960,825	\$ 6,248,677
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 175,072	\$ 199,794
Accrued expenses and other liabilities	435,076	230,274
Deferred grants	711,375	367,750
Line of credit	1,317	606,808
Lease incentive	100,000	180,000
	1,422,840	1,584,626
Net Assets		
Unrestricted		
Undesignated	677,542	910,391
Board-designated operating reserve	426,426	391,375
	1,103,968	1,301,766
Temporarily restricted	1,962,909	2,161,177
Permanently restricted	1,471,108	1,201,108
	4,537,985	4,664,051
	\$ 5,960,825	\$ 6,248,677

The Center for Victims of Torture
Statement of Activities
Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Support, and Gains				
Contributions	\$ 2,667,144	\$ 1,858,826	\$ 20,000	\$ 4,545,970
Donated professional services	42,157	-	-	42,157
Program service fees	13,093,591	-	-	13,093,591
Other revenue	14,700	-	-	14,700
Change in value of split interest agreements	-	659	-	659
Net investment return	121,327	-	-	121,327
Net assets released from restrictions	1,807,753	(1,807,753)	-	-
Net assets reclassified from temporarily restricted	-	(250,000)	250,000	-
	<u>17,746,672</u>	<u>(198,268)</u>	<u>270,000</u>	<u>17,818,404</u>
Expenses				
Program Services				
Client services	3,428,120	-	-	3,428,120
Capacity building	1,129,079	-	-	1,129,079
Research	265,048	-	-	265,048
Public policy/education	621,610	-	-	621,610
International services	9,064,211	-	-	9,064,211
Total program services	<u>14,508,068</u>	<u>-</u>	<u>-</u>	<u>14,508,068</u>
Supporting Services				
Fundraising	1,477,058	-	-	1,477,058
Management and general	1,959,344	-	-	1,959,344
Total supporting services	<u>3,436,402</u>	<u>-</u>	<u>-</u>	<u>3,436,402</u>
Total expenses	<u>17,944,470</u>	<u>-</u>	<u>-</u>	<u>17,944,470</u>
Change in Net Assets	(197,798)	(198,268)	270,000	(126,066)
Net Assets, Beginning of Year	<u>1,301,766</u>	<u>2,161,177</u>	<u>1,201,108</u>	<u>4,664,051</u>
Net Assets, End of Year	<u>\$ 1,103,968</u>	<u>\$ 1,962,909</u>	<u>\$ 1,471,108</u>	<u>\$ 4,537,985</u>

The Center for Victims of Torture
Statement of Activities
Nine Months Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Support, and Gains				
Contributions	\$ 1,081,352	\$ 760,551	\$ 35,000	\$ 1,876,903
Donated professional services	121,395	-	-	121,395
Program service fees	8,315,152	-	-	8,315,152
Other revenue	12,135	-	-	12,135
Change in value of split interest agreements	-	723	-	723
Net investment return	43,604	-	-	43,604
Net assets released from restrictions	1,836,061	(1,836,061)	-	-
Total revenue, support, and gains	<u>11,409,699</u>	<u>(1,074,787)</u>	<u>35,000</u>	<u>10,369,912</u>
Expenses				
Program Services				
Client services	2,702,351	-	-	2,702,351
Capacity building	827,171	-	-	827,171
Research	159,708	-	-	159,708
Public policy/education	633,890	-	-	633,890
International services	6,040,215	-	-	6,040,215
Total program services	<u>10,363,335</u>	<u>-</u>	<u>-</u>	<u>10,363,335</u>
Supporting Services				
Fundraising	1,042,212	-	-	1,042,212
Management and general	1,294,501	-	-	1,294,501
Total supporting services	<u>2,336,713</u>	<u>-</u>	<u>-</u>	<u>2,336,713</u>
Total expenses	<u>12,700,048</u>	<u>-</u>	<u>-</u>	<u>12,700,048</u>
Change in Net Assets	(1,290,349)	(1,074,787)	35,000	(2,330,136)
Net Assets, Beginning of Year	<u>2,592,115</u>	<u>3,235,964</u>	<u>1,166,108</u>	<u>6,994,187</u>
Net Assets, End of Year	<u>\$ 1,301,766</u>	<u>\$ 2,161,177</u>	<u>\$ 1,201,108</u>	<u>\$ 4,664,051</u>

Program Services

	Client Services	Capacity Building	Research	Public Policy/ Education	International Services
Salaries	\$ 1,995,278	\$ 541,693	\$ 172,464	\$ 261,814	\$ 4,749,978
Benefits and taxes	447,556	123,193	37,075	62,007	1,349,408
	2,442,834	664,886	209,539	323,821	6,099,386
Consultants	46,944	89,812	5,832	13,940	168,697
Travel	31,181	108,275	7,489	9,274	631,433
Sub-grants	75,527	650	-	-	458,845
Meetings and conferences	3,018	43,411	259	245	9,993
Client assistance	136,935	3,219	1,984	668	491,040
Occupancy	134,490	40,336	5,152	34,180	464,175
Printing	6,938	1,913	289	172,279	3,957
Office support	92,939	34,621	9,266	38,476	308,953
Service fees and allowances	14,336	914	36	18	54,659
Depreciation	-	-	-	-	-
Direct program expenses	2,985,142	988,037	239,846	592,901	8,691,138
Common cost allocation	442,978	141,042	25,202	28,709	373,073
Total expenses	\$ 3,428,120	\$ 1,129,079	\$ 265,048	\$ 621,610	\$ 9,064,211

The Center for Victims of Torture
Statement of Functional Expenses
Year Ended September 30, 2017

Total Program Services	Supporting Services		Total
	Fundraising	Management and General	
\$ 7,721,227	\$ 490,319	\$ 1,691,761	\$ 9,903,307
2,019,239	116,376	407,801	2,543,416
9,740,466	606,695	2,099,562	12,446,723
325,225	155,801	252,176	733,202
787,652	45,294	26,605	859,551
535,022	-	-	535,022
56,926	40,893	16,554	114,373
633,846	491	34,484	668,821
678,333	35,244	27,629	741,206
185,376	387,237	7,091	579,704
484,255	58,814	194,391	737,460
69,963	54,177	120,207	244,347
-	-	284,061	284,061
<u>13,497,064</u>	<u>1,384,646</u>	<u>3,062,760</u>	<u>17,944,470</u>
1,011,004	92,412	(1,103,416)	-
<u>\$ 14,508,068</u>	<u>\$ 1,477,058</u>	<u>\$ 1,959,344</u>	<u>\$ 17,944,470</u>

Program Services

	Client Services	Capacity Building	Research	Public Policy/ Education	International Services
Salaries	\$ 1,480,429	\$ 386,898	\$ 103,236	\$ 268,997	\$ 3,187,188
Benefits and taxes	347,747	105,260	22,044	66,757	1,072,619
	1,828,176	492,158	125,280	335,754	4,259,807
Client assistance	121,594	1,453	-	143	310,810
Consultants	41,496	68,344	4,262	6,945	73,801
Printing	3,396	2,228	151	125,887	9,192
Occupancy	93,189	40,008	3,379	32,931	391,875
Meetings and conferences	1,433	28,716	76	14,714	12,746
Travel	37,883	49,360	8,087	24,269	380,457
Office support	114,870	19,983	2,915	21,546	258,270
Service fees and allowances	12,139	1,055	38	(13)	19,711
Sub-grants	77,804	5,000	-	-	-
Depreciation	-	-	-	-	-
Direct program expenses	<u>2,331,980</u>	<u>708,305</u>	<u>144,188</u>	<u>562,176</u>	<u>5,716,669</u>
Common cost allocation	<u>370,371</u>	<u>118,866</u>	<u>15,520</u>	<u>71,714</u>	<u>323,546</u>
Total expenses	<u>\$ 2,702,351</u>	<u>\$ 827,171</u>	<u>\$ 159,708</u>	<u>\$ 633,890</u>	<u>\$ 6,040,215</u>

The Center for Victims of Torture
Statement of Functional Expenses
Nine Months Ended September 30, 2016

Total Program Services	Supporting Services		Total
	Fundraising	Management and General	
\$ 5,426,748	\$ 339,660	\$ 1,237,098	\$ 7,003,506
1,614,427	82,991	317,016	2,014,434
7,041,175	422,651	1,554,114	9,017,940
434,000	231	22,649	456,880
194,848	89,844	253,454	538,146
140,854	300,064	11,636	452,554
561,382	22,696	21,231	605,309
57,685	10,204	26,420	94,309
500,056	13,453	19,430	532,939
417,584	34,664	78,908	531,156
32,930	47,481	46,387	126,798
82,804	-	-	82,804
-	-	261,213	261,213
<u>9,463,318</u>	<u>941,288</u>	<u>2,295,442</u>	<u>12,700,048</u>
900,017	100,924	(1,000,941)	-
<u>\$ 10,363,335</u>	<u>\$ 1,042,212</u>	<u>\$ 1,294,501</u>	<u>\$ 12,700,048</u>

The Center for Victims of Torture
Statements of Cash Flows

Year Ended September 30, 2017 and Nine Months Ended September 30, 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ (126,066)	\$ (2,330,136)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	284,061	261,213
Realized and unrealized (gain) loss on investments	(120,552)	(3,871)
Change in value of split-interest agreement	6,122	(724)
Donated stocks included in contributions	(428,718)	(180,831)
Contributions restricted for endowment	(20,000)	(35,000)
Changes in operating assets and liabilities		
Accounts receivable	(301,486)	317,691
Promises to give	439,758	708,775
Prepaid expenses	(71,161)	(42,813)
Accounts payable	(24,722)	63,194
Accrued expenses and other liabilities	204,802	27,923
Deferred grants	343,625	367,750
Lease incentive	(80,000)	(60,000)
	105,663	(906,829)
Net Cash from (used for) Operating Activities		
Cash Flows from Investing Activities		
Proceeds from sales of investments and restricted investments	429,458	193,838
Purchase of investments and restricted investments	-	(125,595)
Change in restricted cash	-	20,000
Purchase of property and equipment	(93,339)	(8,505)
	336,119	79,738
Net Cash from Investing Activities		
Cash Flows from (used for) Financing Activities		
Collections of contributions restricted to endowment	54,000	85,000
Net borrowings (repayments) under line of credit	(605,491)	606,808
	(551,491)	691,808
Net Cash from (used for) Financing Activities		
Net Change in Cash and Cash Equivalents	(109,709)	(135,283)
Cash and Cash Equivalents, Beginning of Year	942,264	1,077,547
Cash and Cash Equivalents, End of Year	\$ 832,555	\$ 942,264

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The Center for Victims of Torture (CVT) was incorporated under the laws of the State of Minnesota in May 1985 as a nonprofit corporation operating exclusively for charitable purposes. CVT's mission is to heal the wounds of torture on individuals, their families and their communities and to stop torture worldwide.

The programs through which CVT provides its services are described as follows:

Client Services

CVT's Client Services program annually touches the lives of nearly 1,200 torture survivors and members of their families. The interdisciplinary care and treatment program involves the professions of medicine, psychiatry, psychology, social work, nursing, massage therapy and physical therapy in an integrated approach. Each year, 250-300 clients receive this intensive interdisciplinary care at the St. Paul clinic; others receive more limited services as family members or community members in need of specific information and referral elsewhere. Also, in 2017 CVT began offering a much smaller clinic in Atlanta, Georgia with psychotherapy and social services only, serving up to 75 clients per year.

Volunteers help survivors who are ready to reconnect with the community by providing important services such as teaching survivors how to read a bus schedule and navigate public transportation, tutoring survivors in English, or accompanying survivors on visits to a museum, library, concert, coffee shop or grocery store.

The St. Cloud project provides community-based training, education, and outreach to the Somali refugee community on various behavioral health topics in the aftermath of war and torture trauma.

The Healing Hearts program is a randomized control study exploring the efficacy of integrated CVT mental health services for traumatized Karen refugees in a primary care setting (HealthEast Roselawn clinic and UMN Family Physicians Bethesda). Care is also provided for family members of clients and through community-based interventions. Information and referral services provide referrals for torture survivors and others who cannot travel to CVT for care. Staff clinicians provide training and consultation to organizations and agencies that are points-of-first-contact for torture survivors in the community.

Capacity Building

The National Capacity Building (NCB) Project works to strengthen 111 torture rehabilitation centers, and other organizations serving survivors of torture, across the United States to enhance and expand treatment to torture survivors. The long-term goals for the Technical Assistance (TA) project are to: 1) Increase the service capacity of direct services Survivors of Torture (SOT) grantees and other Office of Refugee Resettlement (ORR)-funded organizations serving torture survivors to provide effective, holistic services that promote healing and wholeness; 2) promote integrated care for torture survivors by creating collaborative relationships among SOT grantees, mainstream health and behavioral healthcare agencies, and refugee service organizations; and, 3) evaluate and strengthen the quality and sustainability of SOT grantees' services to torture survivors and their families. NCB's offerings include organizational needs assessments, remote and onsite consultations, webinars followed by topic-specific consultation groups, a Monitoring and Evaluation e-learning course, an e-learning course on the fundamentals of holistic care for torture survivors, logistical support for an annual research symposium in coordination with the National Consortium of Torture Treatment Programs, and the use of www.HealTorture.org as a repository of the state-of-the-science research on torture rehabilitation, as well as tools and trainings on evidence-based and promising practices in torture treatment.

New Tactics operates globally, with a current particular focus in the Middle East and North Africa (MENA) region. Since 1999 human rights activists in the MENA region have participated CVT's New Tactics program through regional workshops, an international symposium, publications, and web-based discussions. New Tactics launched the MENA Initiative in 2009 to advance human rights efforts in the region.

In 2017, New Tactics conducted 29 training activities for 381 human rights activists from 125 organizations. The New Tactics website was viewed a total of 302,147 times. New Tactics narrowed its definition of what qualifies as a New Tactics training and a New Tactics training participant. This was done as part of a larger effort to more closely monitor and evaluate training outcomes using standardized tools and procedures.

Research

CVT conducts ongoing program evaluation and research to describe its client population (demographic background, trauma and torture history, presenting diagnoses, symptoms, and complaints), patterns of service utilization, and responses to treatment. The research program focuses on developing a methodology that will allow CVT and other treatment centers serving torture survivors to document changes in physical, psychological and behavioral adaptation that are meaningful for a culturally diverse torture survivor population. Findings are disseminated through written and oral presentation in a variety of professional and media contacts. In 2017, research staff provided training and support for CVT's domestic services in St Paul and surrounding communities, Minnesota and Atlanta, Georgia. The department also supported the organization's services in Kenya, Ethiopia, Jordan, Iraq, and Uganda. Research staff provided training and technical support relating to program evaluation to partner organizations in the U.S., as well as in Cambodia, Lebanon, Liberia, Philippines, South Africa, and Zimbabwe.

Public Policy/Education

CVT's public policy work seeks to prevent torture, ensure torturers are held accountable for their actions, and increase access to rehabilitation services and asylum protection for survivors of torture and war atrocities. CVT's policy approach leverages the combination of five voices: survivors, clinicians, human rights lawyers, operational/humanitarian aid providers, and foreign policy experts. CVT has established an effective presence with state, national, and international policy makers. That presence gives voice to torture survivors and healing groups emerging in the United States and abroad, providing them access to tell their stories and find new allies and resources to support their work.

In 2017, CVT advocated in support of federal financial resources to strengthen the capacity of torture survivor centers in the U.S. and around the world to extend care to survivors and to elevate the overall profile and prioritization of mental health services in humanitarian crises. CVT also continued to work toward resolving continuing problems created by the United States' embrace of torture and cruelty in post-9/11 counterterrorism operations, including in support of just and humane detention and interrogation policies, as well as accountability for acts of torture and cruelty. Finally, CVT offered its perspective to the U.S. immigration debate on particular issues in the U.S. asylum and detention systems that have an adverse impact on survivors of torture.

International Services

CVT provides direct mental health counseling services to refugee torture and war trauma survivors in the Dadaab refugee camps in Kenya and also in refugee camps in the Tigray region of Ethiopia. CVT provides mental health counseling for survivors of Lord's Resistance Army atrocities in northern Uganda. CVT also provides counseling and physiotherapy services to Iraqi and Syrian refugee torture and war trauma survivors and their families in two urban centers in Jordan, as well as in Nairobi, Kenya. In addition, professional clinicians recruit, hire, train and supervise refugee and national staff to be psychosocial counselors, physiotherapists, and social and outreach workers who work under the direction of the professional staff. CVT provides its mental and physical rehabilitation through small group and individual counseling and physiotherapy. Outreach and education is conducted through large group and community-wide sensitization events. CVT began operations in a third location in Kenya, refugee camps in Kakuma, in September 2017. CVT's primary donors for these activities are the U.S. Department of State, the International Criminal Court (ICC), and the UN Voluntary Fund for Victims of Torture.

Through funding provided by the United States Agency for International Development (USAID), the ICC, and U.S. Department of State, CVT assisted treatment centers and community based organizations in developing their mental health counseling skills in nine countries in 2017. USAID funding also supported capacity building initiatives in organizational development and program evaluation and monitoring practices in six of those treatment centers. This assistance is provided through online training, in-person conferences and Skype consultation calls.

Fundraising, Management and General

This area represents the administrative sector of CVT. Professional staff members secure resources necessary to operate CVT, allocate and monitor the use of those resources, and manage the organization on a day-to-day basis.

Cash and Cash Equivalents

CVT considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of CVT are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for program service fee revenues and are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Management has concluded that the balances outstanding at year end are collectible.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value and discounted to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectible promises to give based on prior years' experiences and management's analysis of specific promises made. At September 30, 2017 and 2016, the allowance was \$129,576 and \$117,986, respectively.

Property and Equipment

Expenditures of \$5,000 or greater for property and equipment having continuing value are capitalized and recorded at the cost, or if donated, the fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 39 years. Depreciation on leasehold improvements is computed over the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

CVT reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expensed to result from its use and eventual disposition. There were no indicators of asset impairment during the year ended September 30, 2017, and nine months ended September 30, 2016.

CVT retains title to property and equipment purchased with funding from U.S. State Department-Bureau of Population, Refugees and Migration contracts. Upon termination of those agreements, the property shall be transferred back to the Bureau unless the Bureau approves CVT to retain title. The net value of property and equipment purchased under these contracts at September 30, 2017 and 2016, is \$100,509 and \$78,087, respectively.

Beneficial Interest in Lead Trust

CVT is the recipient of the beneficial interest in a lead trust held by a third-party. A charitable lead trust provides for payment of specific distributions to designated beneficiaries over the trust's term. At the end of the trust's term, the remaining assets are distributed in accordance with the trust document.

Under the terms of the trust, CVT expects to receive an annual distribution of \$6,781 through July 2028. The value of the beneficial interest in lead trust is based upon the present value of the future cash flows. The present value was calculated using a discount rate of 3.29%.

Assets held in trust by a third-party are exposed to various risks, including overall market volatility, and as a result, it is reasonably possible that changes in their value will occur in the near term. Such changes could impact the value of CVT's beneficial interest.

Beneficial Interest in Assets Held by Community Foundations

CVT has established donor advised funds at two community foundations. One of the funds is a permanent endowment fund. CVT granted variance power to the community foundations which allows the community foundations to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of community foundations' Boards of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the community foundations for the benefit of CVT, and is reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Restricted Investments

CVT has restricted investments at a third-party and at two community foundations. The funds held at the third-party are restricted for CVT's client services program (CSP), and the funds held at the community foundations are restricted for fulfilling CVT's mission of healing victims of torture.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted Board-designated net assets consist of net assets designated by the Board of Directors for operating reserve.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of CVT and/or the passage of time, and certain income earned on permanently restricted net assets that has not been appropriated for expenditure by CVT's Board of Directors.

CVT reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of CVT. The restrictions stipulate that resources be maintained permanently but permit CVT to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to CVT's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. CVT records donated professional services at the respective fair values of the services received.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expense presents the natural classification detail of expenses by function. Accordingly, expenses are charged directly to program or management in general categories based on specific identification. Common costs have been allocated among the programs and supporting services benefited.

Income Taxes

CVT is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). CVT is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, CVT is subject to income tax on net income that is derived from business activities that is unrelated to its exempt purposes. CVT has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

CVT believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. CVT would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

CVT manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, CVT has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of CVT's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of CVT.

Subsequent Events

CVT has evaluated subsequent events through March 26, 2018, the date the financial statements were available to be issued. CVT determined that there were no subsequent events that met the criteria for recognition of disclosure.

Note 2 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that CVT can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, CVT develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to CVT's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of CVT's investment assets are classified within Level 1 because they are comprised of cash (at cost), money market mutual funds (at cost) and U.S. Government obligations with readily determinable fair values based on daily redemption values. The fair value of CVT's beneficial interest in assets held by community foundations is based on the fair value of fund investments as reported by each community foundation. These are considered to be Level 3 measurements.

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost as identified below, at September 30, 2017 and 2016:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>September 30, 2017</u>				
Investments				
Assets held by community foundations	\$ 29,986	\$ -	\$ -	\$ 29,986
Restricted investments				
Money market mutual funds	\$ 187,435	\$ 187,435	\$ -	\$ -
U.S. Government obligations	4,908	4,908	-	-
Assets held by community foundations	1,075,819	-	-	1,075,819
	<u>\$ 1,268,162</u>	<u>\$ 192,343</u>	<u>\$ -</u>	<u>\$ 1,075,819</u>
<u>September 30, 2016</u>				
Investments				
Assets held by community foundations	\$ 27,245	\$ -	\$ -	\$ 27,245
Restricted investments				
Money market mutual funds	\$ 214,749	\$ 214,749	\$ -	\$ -
U.S. Government obligations	6,010	6,010	-	-
Assets held by community foundations	910,332	-	-	910,332
	<u>\$ 1,131,091</u>	<u>\$ 220,759</u>	<u>\$ -</u>	<u>\$ 910,332</u>

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2017, and nine months ended September 30, 2016:

	<u>Assets Held by Community Foundations</u>
<u>Year Ended September 30, 2017</u>	
Balance, beginning of year	\$ 937,577
Purchases/contributions of investments	130,280
Net realized and unrealized gain	115,488
Other	(62,748)
Distributions	<u>(14,792)</u>
Ending balance	<u>\$ 1,105,805</u>
Unrealized gain (loss) included in net investment return in the statement of activities relating to assets still held at September 30, 2017	<u>\$ 115,488</u>
<u>Nine Months Ended September 30, 2016</u>	
Balance, beginning of period	\$ 891,362
Purchases/contributions of investments	10,000
Net realized and unrealized gain	45,107
Other	(2,260)
Distributions	<u>(6,632)</u>
Ending balance	<u>\$ 937,577</u>
Unrealized gain (loss) included in net investment return in the statement of activities relating to assets still held at September 30, 2016	<u>\$ 45,107</u>

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended September 30, 2017, and the nine months ended September 30, 2016:

	2017	2016
Operating investments		
Interest and dividends	\$ 775	\$ 922
Net realized and unrealized gain (loss)	3,481	3,813
	4,256	4,735
Restricted investments		
Interest and dividends	1,583	394
Net realized and unrealized gain (loss)	130,280	45,107
Less investment management and custodial fees	(14,792)	(6,632)
	117,071	38,869
	\$ 121,327	\$ 43,604

Note 4 - Financial Instruments

Cash and cash equivalents include the following as of September 30, 2017 and 2016:

	2017	2016
Cash in U.S. accounts	\$ 661,050	\$ 860,502
Cash in Kenya		
Held in Kenyan Shillings	55,240	13,633
Cash in Jordan		
Held in Jordanian Dinars	39,508	31,250
Cash in Uganda		
Held in U.S. dollars	13,214	8,073
Cash in Ethiopia		
Held in Ethiopian Birr	37,775	28,806
Cash in Iraq		
Held in Iraqi Dinars	25,768	-
	\$ 832,555	\$ 942,264

Amounts disclosed above are reported in U.S. dollars.

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at September 30, 2017 and 2016:

	2017	2016
Within one year	\$ 716,371	\$ 1,039,529
In one to five years	1,010,075	1,162,398
	1,726,446	2,201,927
Less discount to net present value	(28,251)	(21,564)
Less allowance for uncollectible promises to give	(129,576)	(117,986)
	\$ 1,568,619	\$ 2,062,377

Note 6 - Property and Equipment

Property and equipment consists of the following at September 30, 2017 and 2016:

	2017	2016
Land	\$ 96,300	\$ 96,300
Building and property improvements	1,121,365	1,121,365
Leasehold improvement	615,054	603,649
Furniture and equipment	856,080	774,147
Vehicles	250,033	250,033
	2,938,832	2,845,494
Less accumulated depreciation	1,838,211	1,554,151
	\$ 1,100,621	\$ 1,291,343

Note 7 - Line of Credit

CVT has a \$1,500,000 line of credit with a bank, secured by all assets. Borrowings under the line bear interest at the bank's prime rate plus 0.5%, or a floor of 4% at September 30, 2017 and 2016. The agreement requires CVT to comply with certain financial and non-financial covenants, all of which CVT was in compliance with at September 30, 2017 and 2016. There was \$1,317 and \$606,808 outstanding on the line of credit as of September 30, 2017 and 2016.

Note 8 - Leases

CVT leases office space under various operating leases. Future minimum lease payments are as follows:

Years Ending September 30,	Amount
2018	\$ 313,146
2019	61,145
	\$ 374,291

Total lease expense for the year ended September 30, 2017, and nine months ended September 30, 2016, totaled \$338,315 and \$246,306, respectively.

Note 9 - Endowments

CVT's endowment (the endowment) consists of three individual funds established by donors to provide annual funding for specific activities and general operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CVT has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CVT classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is budgeted and classified as unrestricted net assets to be appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of September 30, 2017 and 2016, CVT had the following endowment net asset composition by type of fund:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>September 30, 2017</u>				
Donor-restricted for permanent endowment	\$ -	\$ -	\$ 1,471,108	\$ 1,471,108
<u>September 30, 2016</u>				
Donor-restricted for permanent endowment	\$ -	\$ -	\$ 1,201,108	\$ 1,201,108

Investment and Spending Policies

CVT has adopted an investment and spending policy which manages all its investments, including its endowment assets. Under this policy, as approved by the Board of Directors, investment assets are invested in a manner that is intended to preserve principal with low investment risk.

To satisfy its long-term rate-of-return objectives, CVT relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CVT targets a diversified asset allocation that places a greater emphasis on low risk investments to achieve its long-term return objectives within prudent risk constraints.

CVT has a policy of appropriating for distribution each year income generated from its endowment fund as part of its overall investment policy. In establishing the investment policy, CVT considered the long-term expected return on its endowment. Accordingly, over the long-term, CVT expects the current spending policy to not grow its endowment assets, but, generate income from them at the average annual savings interest rate. This is consistent with CVT's objective to maintain the principal of the endowment assets held in perpetuity or for a specified term as well as to provide a safe investment return.

Changes in endowment net assets for year ended September 30, 2017, and nine months ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Year Ended September 30, 2017</u>				
Endowment net assets, beginning of year	\$ -	\$ -	\$ 1,201,108	\$ 1,201,108
Contributions	-	-	20,000	20,000
Transfers	-	-	250,000	250,000
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,471,108</u>	<u>\$ 1,471,108</u>
<u>Nine Months Ended September 30, 2016</u>				
Endowment net assets, beginning of period	\$ -	\$ -	\$ 1,166,108	\$ 1,166,108
Contributions	-	-	35,000	35,000
Endowment net assets, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,201,108</u>	<u>\$ 1,201,108</u>

Note 10 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at September 30, 2017 and 2016, consist of:

	<u>2017</u>	<u>2016</u>
Program restriction		
New Tactics in Human Rights Project	\$ -	\$ 106,614
New Tactics in Human Rights Project - Middle East and North Africa Initiative	201,748	117,269
Primary Care Clinic Partnership	41,050	128,626
Client services	97,524	134,246
Zimbabwe Data Project	30,798	34,843
Jordan	150,000	-
Kenya	16,467	-
Syrians	16,898	16,898
Public policy	18,098	-
Comprehensive Campaign	1,219,186	1,353,472
	<u>1,791,769</u>	<u>1,891,968</u>
Timing restriction		
General operations	171,140	269,209
	<u>\$ 1,962,909</u>	<u>\$ 2,161,177</u>

Net assets were released from restrictions as follows for the year ended September 30, 2017, and nine months ended September 30, 2016:

	<u>2017</u>	<u>2016</u>
Program restriction		
New Tactics in Human Rights Project	\$ -	\$ 90,800
New Tactics in Human Rights Project - Middle East and North Africa Initiative	278,783	169,037
Primary Care Clinic Partnership Program	129,897	303,952
Client services	450,701	297,697
Zimbabwe Data Project	4,045	5,157
Jordan	-	150,000
Kenya	103,533	120,000
Ethiopia	60,000	60,000
Public policy	106,902	100,000
Comprehensive Campaign	515,768	358,976
University of Minnesota Collaboration	-	5,442
	<u>1,649,629</u>	<u>1,661,061</u>
Timing restriction		
General operations	158,124	175,000
	<u>\$ 1,807,753</u>	<u>\$ 1,836,061</u>

Permanently Restricted

Permanently restricted net assets consist of endowment funds restricted by donors for investment in perpetuity, and include assets held by a community foundation for the benefit of CVT. Distributions and earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of CVT. The permanently restricted net assets balances, classified by restriction on the use of earnings, are as follows at September 30, 2017: \$1,280,790 is a fund for innovation; \$15,143 is for the building; and \$175,175 is for client services. The permanently restricted net assets balances, classified by restriction on the use of earnings, are as follows at September 30, 2016: \$1,030,790 is a fund for innovation; \$15,143 is for the building; and \$155,175 is for client services.

Note 11 - Donated Professional Services and Materials

CVT received donated professional services and materials as follows during the year ended September 30, 2017, and the nine months ended September 30, 2016:

	<u>Client Services</u>	<u>Management and General</u>	<u>Total</u>
<u>Year Ended September 30, 2017</u>			
In-kind gift cards	\$ 655	\$ -	\$ 655
In-kind beds	5,120	-	5,120
In-kind legal services	-	36,382	36,382
	<u>\$ 5,775</u>	<u>\$ 36,382</u>	<u>\$ 42,157</u>
<u>Nine Months Ended September 30, 2016</u>			
In-kind gift cards	\$ 500	\$ -	\$ 500
In-kind bus passes	145	-	145
In-kind beds	7,840	-	7,840
In-kind legal services	-	112,910	112,910
	<u>\$ 8,485</u>	<u>\$ 112,910</u>	<u>\$ 121,395</u>

Note 12 - Joint Costs of Activities That Include a Fund-Raising Appeal

For the year ended September 30, 2017, and nine months ended September 30, 2016, CVT has allocated joint costs for program activities that are conducted with the quarterly newsletter, annual report, and various fund raising appeals. The costs have been allocated among program and supporting services as follows:

	2017	2016
Fundraising	\$ 162,945	\$ 116,085
Public policy and education	179,522	135,277
Grassroots lobbying	4,446	705
	\$ 346,913	\$ 252,067

Note 13 - Commitments and Contingencies

Certain grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, management deems the contingency remote, since by accepting the grant and its terms, CVT has accommodated the objectives of the organization providing the grant.

Note 14 - Employee Benefits

CVT has a defined contribution salary deferral plan covering substantially all employees. Under the plan, CVT contributes 1% to 5% of each eligible employee's salary based on years of service. In addition, CVT matches one-half of the employees' contribution, not to exceed 6% of the employees' compensation. Plan expenses incurred by CVT were \$332,775 and \$244,659 for the year ended September 30, 2017, and nine months ended September 30, 2016, respectively.