



Financial Statements
September 30, 2018 and 2017

The Center for Victims of Torture

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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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years ended September 30, 2018 and 2017, 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 4, 2019, 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 Sully LLP".

Minneapolis, Minnesota
March 4, 2019

The Center for Victims of Torture
Statements of Financial Position
September 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,195,070	\$ 832,555
Accounts receivable	586,406	782,635
Promises to give, net	1,081,209	637,117
Prepaid expenses	366,858	315,160
	3,229,543	2,567,467
Property and Equipment, Net	1,093,163	1,100,621
Noncurrent Assets		
Promises to give, net	708,755	931,502
Investments	37,751	29,986
Restricted investments	1,413,693	1,268,162
Other asset	81,344	-
Beneficial interest in lead trust	56,901	63,087
	2,298,444	2,292,737
	\$ 6,621,150	\$ 5,960,825
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 326,962	\$ 175,072
Accrued expenses and other liabilities	305,368	435,076
Deferred grants	786,458	711,375
Line of credit	503,764	1,317
Lease incentive	19,992	100,000
	1,942,544	1,422,840
Net Assets		
Unrestricted		
Undesignated	867,577	677,542
Board-designated operating reserve	462,432	426,426
	1,330,009	1,103,968
Temporarily restricted	1,507,489	1,962,909
Permanently restricted	1,841,108	1,471,108
	4,678,606	4,537,985
	\$ 6,621,150	\$ 5,960,825

The Center for Victims of Torture
Statement of Activities
Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Support, and Gains				
Contributions	\$ 2,718,469	\$ 1,796,914	\$ 370,000	\$ 4,885,383
Donated professional services	52,895	-	-	52,895
Program service fees	14,412,203	-	-	14,412,203
Other revenue	23,360	-	-	23,360
Change in value of split interest agreements	-	595	-	595
Net investment return	123,195	-	-	123,195
Net assets released from restriction pursuant to endowment spending-rate distribution formula	95,548	(95,548)	-	-
Net assets released from restrictions	<u>2,040,310</u>	<u>(2,040,310)</u>	<u>-</u>	<u>-</u>
Total revenue, support, and gains	<u>19,465,980</u>	<u>(338,349)</u>	<u>370,000</u>	<u>19,497,631</u>
Expenses				
Program Services				
Client services	3,215,217	-	-	3,215,217
Training	1,425,883	-	-	1,425,883
Research	338,526	-	-	338,526
Public policy/education	646,891	-	-	646,891
International services	9,754,823	-	-	9,754,823
Communications	409,126	-	-	409,126
Total program services	<u>15,790,466</u>	<u>-</u>	<u>-</u>	<u>15,790,466</u>
Supporting Services				
Fundraising	1,386,288	-	-	1,386,288
Management and general	2,180,256	-	-	2,180,256
Total supporting services	<u>3,566,544</u>	<u>-</u>	<u>-</u>	<u>3,566,544</u>
Total expenses	<u>19,357,010</u>	<u>-</u>	<u>-</u>	<u>19,357,010</u>
Change in Net Assets	108,970	(338,349)	370,000	140,621
Net Assets, Beginning of Year	<u>1,221,039</u>	<u>1,845,838</u>	<u>1,471,108</u>	<u>4,537,985</u>
Net Assets, End of Year	<u>\$ 1,330,009</u>	<u>\$ 1,507,489</u>	<u>\$ 1,841,108</u>	<u>\$ 4,678,606</u>

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 restriction pursuant to endowment spending-rate distribution formula	117,071	(117,071)	-	-
Net assets released from restrictions	1,807,753	(1,807,753)	-	-
Net assets transferred from temporarily restricted	-	(250,000)	250,000	-
	<u>17,863,743</u>	<u>(315,339)</u>	<u>270,000</u>	<u>17,818,404</u>
Expenses				
Program Services				
Client services	3,428,120	-	-	3,428,120
Training	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	(80,727)	(315,339)	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>\$ 1,221,039</u>	<u>\$ 1,845,838</u>	<u>\$ 1,471,108</u>	<u>\$ 4,537,985</u>

The Center for Victims of Torture
Statement of Functional Expenses
Year Ended September 30, 2018

	Program Services						Supporting Services			
	Client Services	Training	Research	Public Policy/ Education	International Services	Communications	Total Program Services	Fundraising	Management and General	Total
Salaries and Taxes	\$ 2,048,961	\$ 576,966	\$ 189,596	\$ 301,055	\$ 5,222,390	\$ 269,566	\$ 8,608,534	\$ 540,084	\$ 1,476,379	\$ 10,624,997
	421,769	121,249	38,259	64,173	1,420,295	57,997	2,123,742	115,808	323,046	2,562,596
	2,470,730	698,215	227,855	365,228	6,642,685	327,563	10,732,276	655,892	1,799,425	13,187,593
Consultants	17,090	365,017	5,475	-	365,959	11,333	764,874	126,639	417,790	1,309,303
Travel	35,466	83,913	11,693	32,009	719,408	4,655	887,144	38,124	31,228	956,496
Sub-Grants	75,527	-	-	-	360,628	-	436,155	-	-	436,155
Meetings and Conferences	4,153	71,998	-	9,290	182,582	562	268,585	44,603	12,782	325,970
Client Assistance	137,003	10,000	181	185	489,361	303	637,033	91	15,245	652,369
Occupancy	148,000	36,703	5,900	53,064	481,878	18,712	744,257	37,943	28,223	810,423
Printing	4,715	2,005	282	149,187	10,911	21,912	189,012	300,370	4,892	494,274
Office Support	112,269	20,278	13,232	25,855	275,976	13,262	460,872	95,693	161,404	717,969
Service Fees and Allowances	15,080	1,766	226	923	25,973	45	44,013	52,684	129,799	226,496
Depreciation	-	-	-	-	-	-	-	-	239,962	239,962
Direct program expenses	3,020,033	1,289,895	264,844	635,741	9,555,361	398,347	15,164,221	1,352,039	2,840,750	19,357,010
Common cost allocation	195,184	135,988	73,682	11,150	199,462	10,779	626,245	34,249	(660,494)	-
Total expenses	\$ 3,215,217	\$ 1,425,883	\$ 338,526	\$ 646,891	\$ 9,754,823	\$ 409,126	\$ 15,790,466	\$ 1,386,288	\$ 2,180,256	\$ 19,357,010

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

	Program Services					Supporting Services			Total
	Client Services	Training	Research	Public Policy/ Education	International Services	Total Program Services	Fundraising	Management and General	
Salaries	\$ 1,995,278	\$ 541,693	\$ 172,464	\$ 261,814	\$ 4,749,978	\$ 7,721,227	\$ 490,319	\$ 1,691,761	\$ 9,903,307
Benefits and Taxes	447,556	123,193	37,075	62,007	1,349,408	2,019,239	116,376	407,801	2,543,416
	2,442,834	664,886	209,539	323,821	6,099,386	9,740,466	606,695	2,099,562	12,446,723
Consultants	46,944	89,812	5,832	13,940	168,697	325,225	155,801	252,176	733,202
Travel	31,181	108,275	7,489	9,274	631,433	787,652	45,294	26,605	859,551
Sub-Grants	75,527	650	-	-	458,845	535,022	-	-	535,022
Meetings and Conferences	3,018	43,411	259	245	9,993	56,926	40,893	16,554	114,373
Client Assistance	136,935	3,219	1,984	668	491,040	633,846	491	34,484	668,821
Occupancy	134,490	40,336	5,152	34,180	464,175	678,333	35,244	27,629	741,206
Printing	6,938	1,913	289	172,279	3,957	185,376	387,237	7,091	579,704
Office Support	92,939	34,621	9,266	38,476	308,953	484,255	58,814	194,391	737,460
Service Fees and Allowances	14,336	914	36	18	54,659	69,963	54,177	120,207	244,347
Depreciation	-	-	-	-	-	-	-	284,061	284,061
Direct program expenses	2,985,142	988,037	239,846	592,901	8,691,138	13,497,064	1,384,646	3,062,760	17,944,470
Common cost allocation	442,978	141,042	25,202	28,709	373,073	1,011,004	92,412	(1,103,416)	-
Total expenses	\$ 3,428,120	\$ 1,129,079	\$ 265,048	\$ 621,610	\$ 9,064,211	\$ 14,508,068	\$ 1,477,058	\$ 1,959,344	\$ 17,944,470

The Center for Victims of Torture
Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 140,621	\$ (126,066)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	239,962	284,061
Realized and unrealized (gain) loss on investments	(27,647)	(3,481)
Change in value of split-interest agreement	(595)	(659)
Donated stocks included in contributions	(165,872)	(428,718)
Contributions restricted for endowment	(370,000)	(20,000)
Endowment net investment return	(95,548)	(117,071)
Changes in operating assets and liabilities		
Accounts receivable	196,229	(301,486)
Promises to give	(271,345)	439,758
Prepaid expenses	(51,698)	(71,161)
Other asset	(81,344)	-
Accounts payable	151,890	(24,722)
Accrued expenses and other liabilities	(129,708)	204,802
Deferred grants	75,083	343,625
Lease incentive	(80,008)	(80,000)
	(469,980)	98,882
Net Cash from (used for) Operating Activities		
Cash Flows from Investing Activities		
Proceeds from sales of investments and restricted investments	214,700	429,458
Purchase of investments and restricted investments	(78,929)	-
Addition to endowment	370,000	-
Withdrawal from assets held under split-interest agreement	6,781	6,781
Purchase of property and equipment	(232,504)	(93,339)
	280,048	342,900
Net Cash from Investing Activities		
Cash Flows from (used for) Financing Activities		
Collections of contributions restricted to endowment	50,000	54,000
Net borrowings (repayments) under line of credit	502,447	(605,491)
	552,447	(551,491)
Net Cash from (used for) Financing Activities		
Net Change in Cash and Cash Equivalents	362,515	(109,709)
Cash and Cash Equivalents, Beginning of Year	832,555	942,264
Cash and Cash Equivalents, End of Year	\$ 1,195,070	\$ 832,555
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 11,326	\$ 13,658

See Notes to Financial Statements

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Founded in 1985, the mission of the Center for Victims of Torture (CVT) is to heal the wounds of torture on individuals, their families and their communities, and to end torture worldwide. The organization's work focuses on four primary areas: rebuilding the lives of individual survivors of torture, severe war-related traumas, and other gross human rights violations (direct client services); training to build the capacity of other torture survivor rehabilitation centers and human rights defenders; monitoring and evaluation, and research; and policy advocacy. Work in these areas is also found in CVT's International Services.

Client Services

Responding to the lasting physical and psychological damage done by torture, CVT's Client Services program annually touches the lives of nearly 1,200 torture survivors and family members. The program offers services in Minnesota in St. Paul and St. Cloud, as well as in Atlanta, Georgia. The primary intervention at all domestic sites is intensive psychotherapy and case management to connect survivors with resources available in the community.

Training

CVT training operations consist of two capacity-building projects:

The National Capacity Building (NCB) project organizes technical assistance and training for the domestic network of 40 torture survivor centers and programs. Approaches include measured-impact webinars, on-site and remote consultations, along with management of the HealTorture.org listserv and web site, which averages nearly 2,800 users per month.

The New Tactics in Human Rights Program promotes enhanced strategic and tactical planning and action among the human rights community. The newtactics.org website features a database of more than 220 tactics and reaches upwards of 154,000 users annually from more than 200 countries. New Tactics trainings have been held in more than 20 countries, with resources translated into 26 languages.

Research

Monitoring and evaluation and research are focus areas for CVT. In direct services programs, CVT measures significant reductions in clients' mental health symptoms and equally significant improvements in adaptive social functioning – their ability to recover from extreme psychological and physical traumas and to function independently in the world. Research staff provides training and support for CVT's domestic services in St. Paul, Minnesota, and surrounding communities, Greater Minnesota, and Atlanta, Georgia. The department also supports the organization's International Services.

Policy Advocacy

Policy advocacy centers in three primary areas: maintaining – and where feasible increasing – both U.S. and other governments' funding for torture survivor rehabilitation programs in the U.S. and abroad; preserving access to asylum and refugee resettlement for survivors of torture seeking protection in the United States; and ensuring humane detention, interrogation, and prisoner treatment policies in U.S. counterterrorism operations.

CVT's work on U.S. appropriations to torture survivor rehabilitation work results in funding of \$32.5 million annually. Internationally, CVT advocates for funding for the UN Voluntary Fund for Victims of Torture for torture survivor programs in the developing world. CVT's advocacy is responsible for the U.S. contribution of \$6.5 million, which now represents 70% of the funds available for distribution.

International Services

CVT's international projects utilize group counseling/therapy, social services, and physical/massage therapy. In Ethiopia, CVT works in refugee camps near Shire and is expanding to Gambella in the west. In Jordan, CVT cares for urban refugees in Amman and Zarqa. CVT has centers in Kenya in Nairobi as well as in two refugee camps: Dadaab and Kakuma. In Uganda, CVT has a long-standing center in Gulu where survivors of the Lord's Resistance Army receive care and has a new expansion into refugee settlements in Bidi Bidi.

In addition, International Services Partners in Trauma Healing (PATH) Program builds the capacity of torture survivor centers in the Philippines, Cambodia, Liberia, Zimbabwe, South Africa, Turkey (two partners), Kurdish Region of Iraq (two partners), and Lebanon.

Communications

The role of CVT's Communications Department is to help raise the visibility of the organization and shine a public light on CVT's work and stories. During 2018, over 80% of CVT's website visitors per month were new, the organization's Facebook page reached, on average, 29,500 people per week, and the organization received 78 mentions from major news outlets.

Fundraising, Management, and General

The administrative sector of CVT secures resources necessary to operate CVT, allocate and monitor the use of those resources, and manage the organization on a day-to-day basis.

CVT has 370 full-time and 65 part-time employees, with roughly 100 based in the U.S. and the remainder at international sites. Each year CVT rebuilds the lives and restores the hope of 5,000 individual survivors and 20,000 family members who were deeply affected by the torture of a loved one. Through policy advocacy that generates federal funding, CVT touches the lives of another 50,000 individual survivors and 200,000 family members.

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 consists 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, 2018 and 2017, the allowance was \$66,206 and \$129,576, 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 three 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 expected to result from its use and eventual disposition. There were no indicators of asset impairment during the year ended September 30, 2018 and 2017.

CVT retains title to property and equipment purchased with funding from U.S. State Department Bureau of Population, Refugees, and Migration (the Bureau) 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, 2018 and 2017, is \$231,364 and \$100,509, 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 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 4, 2019, 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 value at year-end net asset value (NAV) as determined by their respective third-party fund administrator and adjusted for a present value discount as appropriate.

The following table presents assets measured at fair value on a recurring basis at September 30, 2018 and 2017:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
<u>September 30, 2018</u>					
Investments					
Assets held by community foundations	\$ 37,751	\$ -	\$ -	\$ 37,751	\$ 37,751
Restricted investments					
Money market mutual funds	\$ 190,070	\$ 190,070	\$ -	\$ -	\$ -
U.S. Government obligations	5,174	5,174	-	-	-
Assets held by community foundations	1,218,449	-	-	1,218,449	1,218,449
	<u>\$ 1,413,693</u>	<u>\$ 195,244</u>	<u>\$ -</u>	<u>\$ 1,218,449</u>	<u>\$ 1,218,449</u>
<u>September 30, 2017</u>					
Investments					
Assets held by community foundations	\$ 29,986	\$ -	\$ -	\$ 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	1,075,819
	<u>\$ 1,268,162</u>	<u>\$ 192,343</u>	<u>\$ -</u>	<u>\$ 1,075,819</u>	<u>\$ 1,075,819</u>

The following 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 years ended September 30, 2018 and 2017:

	Assets Held by Community Foundations
<u>Year Ended September 30, 2018</u>	
Balance, beginning of year	\$ 1,105,805
Purchases/Contributions of investments	80,746
Net realized and unrealized gain	108,074
Other	(13,560)
Distributions	(24,865)
	\$ 1,256,200
<u>Year Ended September 30, 2017</u>	
Balance, beginning of period	\$ 937,577
Purchases/Contributions of investments	115,488
Net realized and unrealized gain	130,280
Other	(62,748)
Distributions	(14,792)
	\$ 1,105,805

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended September 30, 2018 and 2017:

	2018	2017
Operating investments		
Interest and dividends	\$ 1,046	\$ 775
Net realized and unrealized gain (loss)	26,601	3,481
	27,647	4,256
Restricted investments		
Interest and dividends	2,918	1,583
Net realized and unrealized gain (loss)	108,074	130,280
Less investment management and custodial fees	(15,444)	(14,792)
	95,548	117,071
	\$ 123,195	\$ 121,327

Note 4 - Financial Instruments

Cash and cash equivalents include the following as of September 30, 2018 and 2017:

	2018	2017
Cash in U.S. accounts	\$ 948,673	\$ 661,050
Cash in Kenya		
Held in Kenyan shillings	46,681	55,240
Cash in Jordan		
Held in Jordanian dinars	101,969	39,508
Cash in Uganda		
Held in U.S. dollars	22,415	13,214
Cash in Ethiopia		
Held in Ethiopian birr	59,910	37,775
Cash in Iraq		
Held in Iraqi dinars	15,422	25,768
	\$ 1,195,070	\$ 832,555

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, 2018 and 2017:

	2018	2017
Within one year	\$ 1,118,580	\$ 716,371
In one to five years	776,824	1,010,075
	1,895,404	1,726,446
Less discount to net present value	(39,414)	(28,251)
Less allowance for uncollectible promises to give	(66,026)	(129,576)
	\$ 1,789,964	\$ 1,568,619

Note 6 - Property and Equipment

Property and equipment consists of the following at September 30, 2018 and 2017:

	2018	2017
Land	\$ 96,300	\$ 96,300
Building and property improvements	1,121,365	1,121,365
Leasehold improvement	642,220	615,054
Furniture and equipment	1,047,877	856,080
Vehicles	263,573	250,033
	3,171,335	2,938,832
Less accumulated depreciation	2,078,172	1,838,211
	\$ 1,093,163	\$ 1,100,621

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 5.25% and 4% at September 30, 2018 and 2017. The agreement requires CVT to comply with certain financial and non-financial covenants, all of which CVT was in compliance with at September 30, 2018 and 2017. There was \$503,764 and \$1,317 outstanding on the line of credit as of September 30, 2018 and 2017.

Note 8 - Leases

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

Years Ending September 30,	Amount
2019	\$ 331,120
2020	340,530
2021	108,404
2022	53,325
2023	45,543
	\$ 878,922

Total lease expense for the year ended September 30, 2018 and, 2017, totaled \$538,922 and \$338,315, 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, 2018 and 2017, 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, 2018</u>				
Donor-restricted for permanent endowment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,841,108</u>	<u>\$ 1,841,108</u>
<u>September 30, 2017</u>				
Donor-restricted for permanent endowment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,471,108</u>	<u>\$ 1,471,108</u>

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 the years ended September 30, 2018 and 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Year Ended September 30, 2018</u>				
Endowment net assets, beginning of year	\$ -	\$ -	\$ 1,471,108	\$ 1,471,108
Investment return				
Investment income, net of fees	(12,526)	-	-	(12,526)
Net realized and unrealized gain (loss)	108,074	-	-	108,074
	<u>95,548</u>	<u>-</u>	<u>1,471,108</u>	<u>1,566,656</u>
Contributions	-	-	370,000	370,000
Distributions				
Appropriation of endowment assets pursuant to spending-rate policy	<u>(95,548)</u>	<u>-</u>	<u>-</u>	<u>(95,548)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,841,108</u>	<u>\$ 1,841,108</u>
<u>Year Ended September 30, 2017</u>				
Endowment net assets, beginning of period	\$ -	\$ -	\$ 1,201,108	\$ 1,201,108
Investment return				
Investment income, net of fees	(13,209)	-	-	(13,209)
Net realized and unrealized gain (loss)	130,280	-	-	130,280
	<u>117,071</u>	<u>-</u>	<u>1,201,108</u>	<u>1,318,179</u>
Contributions	-	-	20,000	20,000
Distributions				
Appropriation of endowment assets pursuant to spending-rate policy	<u>(117,071)</u>	<u>-</u>	<u>-</u>	<u>(117,071)</u>
Transfers	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Endowment net assets, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,471,108</u>	<u>\$ 1,471,108</u>

Note 10 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at September 30, 2018 and 2017, consist of:

	2018	2017
Program restriction		
New Tactics in Human Rights Project - Middle East and North Africa Initiative	\$ 117	\$ 201,748
Primary Care Clinic Partnership	-	41,050
Client services	78,680	97,524
Zimbabwe Data Project	26,655	30,798
Uganda	324,628	-
Jordan	119,096	150,000
Kenya	58,929	16,467
Syria	-	16,898
Ethiopia	10,522	-
Public policy	220,165	18,098
Comprehensive Campaign	825,626	1,219,186
	1,664,418	1,791,769
Timing restriction		
General operations	55,690	171,140
	\$ 1,720,108	\$ 1,962,909

Net assets were released from restrictions as follows for the year ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Program restriction		
New Tactics in Human Rights Project - Middle East and North Africa Initiative	\$ 410,631	\$ 278,783
Primary Care Clinic Partnership Program	81,050	129,897
Client services	425,522	450,701
Zimbabwe Data Project	4,144	4,045
Uganda	25,034	-
Jordan	180,904	-
Kenya	96,195	103,533
Ethiopia	59,478	60,000
Syria	16,898	-
Public policy	157,934	106,902
Comprehensive Campaign	525,134	515,768
University of Minnesota Collaboration	-	-
	<u>1,982,924</u>	<u>1,649,629</u>
Timing restriction		
General operations	<u>57,386</u>	<u>158,124</u>
	<u>\$ 2,040,310</u>	<u>\$ 1,807,753</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, 2018: \$1,530,790 is a fund for innovation; \$15,143 is for the building; and \$295,174 is for client services. 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.

Note 11 - Donated Professional Services and Materials

CVT received donated professional services and materials as follows during the year ended September 30, 2018 and 2017:

	Client Services	Management and General	Total
<u>Year Ended September 30, 2018</u>			
In-kind gift cards	\$ 530	\$ -	\$ 530
In-kind beds	1,400	-	1,400
In-kind legal services	-	50,965	50,965
	\$ 1,930	\$ 50,965	\$ 52,895
<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
	\$ 5,775	\$ 36,382	\$ 42,157

Note 12 - Joint Costs of Activities that Include a Fundraising Appeal

For the years ended September 30, 2018 and 2017, CVT has allocated joint costs for program activities that are conducted with the quarterly newsletter, annual report, and various fundraising appeals. The costs have been allocated among program and supporting services as follows:

	2018	2017
Fundraising	\$ 149,480	\$ 162,945
Public policy and education	162,914	179,522
Grassroots lobbying	8,001	4,446
	\$ 320,395	\$ 346,913

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 \$341,660 and \$332,775 for the year ended September 30, 2018 and 2017, respectively.