



Financial Statements  
September 30, 2019 and 2018

# The Center for Victims of Torture

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## Independent Auditor's Report

To 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, 2019 and 2018, 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 in 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, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Policy**

As discussed in Note 1 to the financial statements, CVT has adopted the provisions of Financial Statements Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the September 30, 2018, financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

## **Adjustments to Prior Period Financial Statements**

As discussed in Note 15 to the financial statements, a certain error resulting in overstatement of amounts previously reported for net assets without donor restrictions and understatement of net assets with donor restrictions as of September 30, 2018, was discovered by management of the Organization during the current year. Accordingly, amounts reported for net assets with donor restrictions and without donor restrictions have been restated in the 2018 financial statements now presented, and an adjustment has been made to net assets as of September 30, 2018, to correct the error. Our opinion is not modified with respect to that matter.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 11, 2020, 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.



Minneapolis, Minnesota  
March 11, 2020

The Center for Victims of Torture  
Statements of Financial Position  
September 30, 2019 and 2018

	2019	2018 (As Restated)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 660,729	\$ 1,195,070
Accounts receivable	800,149	586,406
Promises to give, net	996,228	1,081,209
Prepaid expenses	397,931	366,858
	2,855,037	3,229,543
<b>Property and Equipment</b>		
Total property and equipment	3,390,296	3,171,335
Less accumulated depreciation	(2,245,269)	(2,078,172)
	1,145,027	1,093,163
<b>Noncurrent Assets</b>		
Promises to give, net	619,882	708,755
Investments	32,899	37,751
Restricted investments	1,516,843	1,413,693
Other assets	87,761	81,344
Beneficial interest in lead trust	50,716	56,901
	2,308,101	2,298,444
	\$ 6,308,165	\$ 6,621,150
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 344,031	\$ 326,962
Accrued expenses and other liabilities	388,970	305,368
Deferred grants	909,006	786,458
Line of credit	905,570	503,764
Lease incentive	-	19,992
	2,547,577	1,942,544
<b>Net Assets</b>		
<b>Without donor restrictions</b>		
Undesignated	1,462,235	580,066
Board-designated operating reserve	-	462,432
	1,462,235	1,042,498
<b>With donor restrictions</b>		
Time-restricted for future period	50,716	56,901
Purpose restrictions	375,862	1,784,207
Perpetual in nature	1,871,775	1,795,000
	2,298,353	3,636,108
Total net assets	3,760,588	4,678,606
	\$ 6,308,165	\$ 6,621,150

See Notes to Financial Statements

The Center for Victims of Torture  
Statement of Activities  
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Contributions	\$ 3,440,510	\$ 2,080,189	\$ 5,520,699
Program service fees	15,362,348	-	15,362,348
Net investment return	2,351	42,119	44,470
Other revenue	19,944	-	19,944
Donated professional services and materials	40,534	-	40,534
Change in value of split interest agreements	-	595	595
Net assets released from restriction pursuant to endowment spending-rate distribution formula	42,119	(42,119)	-
Net assets released from restrictions	3,418,539	(3,418,539)	-
<b>Total revenue, support, and gains</b>	<b>22,326,345</b>	<b>(1,337,755)</b>	<b>20,988,590</b>
<b>Expenses and Losses</b>			
<b>Program services</b>			
Client services	3,048,293	-	3,048,293
Capacity development	1,207,236	-	1,207,236
Research	253,964	-	253,964
Public policy/education	830,718	-	830,718
International services	11,599,050	-	11,599,050
<b>Total program services</b>	<b>16,939,261</b>	<b>-</b>	<b>16,939,261</b>
<b>Supporting services</b>			
Fundraising	1,436,546	-	1,436,546
Management and general	3,530,801	-	3,530,801
<b>Total supporting services</b>	<b>4,967,347</b>	<b>-</b>	<b>4,967,347</b>
<b>Total expenses</b>	<b>21,906,608</b>	<b>-</b>	<b>21,906,608</b>
<b>Change in Net Assets</b>	<b>419,737</b>	<b>(1,337,755)</b>	<b>(918,018)</b>
<b>Net Assets, Beginning of Year</b>	<b>1,042,498</b>	<b>3,636,108</b>	<b>4,678,606</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,462,235</b>	<b>\$ 2,298,353</b>	<b>\$ 3,760,588</b>

The Center for Victims of Torture  
Statement of Activities  
Year Ended September 30, 2018 (As Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Contributions	\$ 2,809,165	\$ 2,076,218	\$ 4,885,383
Program service fees	14,412,203	-	14,412,203
Net investment return	27,647	95,548	123,195
Other revenue	23,360	-	23,360
Donated professional services and materials	52,895	-	52,895
Change in value of split interest agreements	-	595	595
Net assets released from restriction pursuant to endowment spending-rate distribution formula	95,548	(95,548)	-
Net assets released from restrictions	2,040,310	(2,040,310)	-
<b>Total revenue, support, and gains</b>	<b>19,461,128</b>	<b>36,503</b>	<b>19,497,631</b>
<b>Expenses</b>			
<b>Program services</b>			
Client services	3,064,610	-	3,064,610
Capacity development	1,295,335	-	1,295,335
Research	271,804	-	271,804
Public policy/education	636,547	-	636,547
International services	9,574,957	-	9,574,957
<b>Total program services</b>	<b>14,843,253</b>	<b>-</b>	<b>14,843,253</b>
<b>Supporting services</b>			
Fundraising	1,354,451	-	1,354,451
Management and general	3,159,306	-	3,159,306
<b>Total supporting services</b>	<b>4,513,757</b>	<b>-</b>	<b>4,513,757</b>
<b>Total expenses</b>	<b>19,357,010</b>	<b>-</b>	<b>19,357,010</b>
<b>Change in Net Assets</b>	<b>104,118</b>	<b>36,503</b>	<b>140,621</b>
<b>Net Assets, Beginning of Year</b>	<b>938,380</b>	<b>3,599,605</b>	<b>4,537,985</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,042,498</b>	<b>\$ 3,636,108</b>	<b>\$ 4,678,606</b>

The Center for Victims of Torture  
Statement of Functional Expenses  
Year Ended September 30, 2019

	Program Services					Supporting Services			Total
	Client Services	Capacity Development	Research	Public Policy/ Education	International Services	Total Program Services	Fundraising	Management and General	
Salaries	\$ 2,021,588	\$ 650,500	\$ 176,943	\$ 401,943	\$ 6,262,071	\$ 9,513,045	\$ 476,573	\$ 1,972,123	\$ 11,961,741
Benefits and taxes	445,634	143,187	36,087	93,315	1,524,252	2,242,475	107,787	527,875	2,878,137
	2,467,222	793,687	213,030	495,258	7,786,323	11,755,520	584,360	2,499,998	14,839,878
Consultants	23,381	154,251	-	11,700	438,134	627,466	128,921	361,882	1,118,269
Travel	31,020	77,185	20,331	24,843	821,575	974,954	38,694	33,656	1,047,304
Sub-grants	-	-	-	-	451,147	451,147	-	-	451,147
Meetings and conferences	12,414	71,978	675	5,643	203,244	293,954	50,030	48,260	392,244
Client assistance	134,900	9,040	330	560	553,836	698,666	52	3,690	702,408
Occupancy	179,329	46,753	5,795	61,652	599,036	892,565	42,038	116,178	1,050,781
Printing	8,125	2,800	333	182,271	5,830	199,359	476,069	29,297	704,725
Office support	129,550	36,545	10,920	39,574	643,178	859,767	47,388	190,856	1,098,011
Service fees and allowances	18,821	2,279	482	7,142	64,374	93,098	58,082	183,565	334,745
Depreciation	43,531	12,718	2,068	2,075	32,373	92,765	10,912	63,419	167,096
Total expenses	<u>\$ 3,048,293</u>	<u>\$ 1,207,236</u>	<u>\$ 253,964</u>	<u>\$ 830,718</u>	<u>\$ 11,599,050</u>	<u>\$ 16,939,261</u>	<u>\$ 1,436,546</u>	<u>\$ 3,530,801</u>	<u>\$ 21,906,608</u>

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

	Program Services					Total Program Services	Supporting Services		
	Client Services	Capacity Development	Research	Public Policy/ Education	International Services		Fundraising	Management and General	Total
Salaries	\$ 2,048,961	\$ 576,966	\$ 189,596	\$ 301,055	\$ 5,222,390	\$ 8,338,968	\$ 540,084	\$ 1,745,945	\$ 10,624,997
Benefits and taxes	421,769	121,249	38,259	64,173	1,420,295	2,065,745	115,808	381,043	2,562,596
	2,470,730	698,215	227,855	365,228	6,642,685	10,404,713	655,892	2,126,988	13,187,593
Consultants	17,090	365,017	5,475	-	365,959	753,541	126,639	429,123	1,309,303
Travel	35,466	83,913	11,693	32,009	719,408	882,489	38,124	35,883	956,496
Sub-grants	75,527	-	-	-	360,628	436,155	-	-	436,155
Meetings and conferences	4,153	71,998	-	9,290	182,582	268,023	44,603	13,344	325,970
Client assistance	137,003	10,000	181	185	489,361	636,730	91	15,548	652,369
Occupancy	148,000	36,703	5,900	53,064	481,878	725,545	37,943	46,935	810,423
Printing	4,715	2,005	282	149,187	10,911	167,100	300,370	26,804	494,274
Office support	112,269	20,278	13,232	25,855	275,976	447,610	95,693	174,666	717,969
Service fees and sllowances	15,080	1,766	226	923	25,973	43,968	52,684	129,844	226,496
Depreciation	44,577	5,440	6,960	806	19,596	77,379	2,412	160,171	239,962
Total expenses	<u>\$ 3,064,610</u>	<u>\$ 1,295,335</u>	<u>\$ 271,804</u>	<u>\$ 636,547</u>	<u>\$ 9,574,957</u>	<u>\$ 14,843,253</u>	<u>\$ 1,354,451</u>	<u>\$ 3,159,306</u>	<u>\$ 19,357,010</u>

The Center for Victims of Torture  
Statements of Cash Flows  
Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (918,018)	\$ 140,621
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	167,096	239,962
Realized and unrealized (gain) loss on investments	(2,351)	(27,647)
Change in value of split-interest agreement	(595)	(595)
Donated stocks included in contributions	-	(165,872)
Contributions restricted for endowment	(76,775)	(370,000)
Endowment net investment return	(42,119)	(95,548)
Changes in operating assets and liabilities		
Accounts receivable	(213,744)	196,229
Promises to give	97,080	(271,345)
Prepaid expenses	(31,073)	(51,698)
Other asset	(6,418)	(81,344)
Accounts payable	17,068	151,890
Accrued expenses and other liabilities	83,602	(129,708)
Deferred grants	122,548	75,083
Lease incentive	(19,992)	(80,008)
Net Cash from Operating Activities	(823,691)	(469,980)
Cash Flows from Investing Activities		
Proceeds from sales of investments and restricted investments	-	214,700
Purchase of investments and restricted investments	-	(78,929)
Addition to endowment	22,947	370,000
Withdrawal from assets held under split-interest agreement	6,781	6,781
Purchase of property and equipment	(218,959)	(232,504)
Net Cash from Investing Activities	(189,231)	280,048
Cash Flows from Financing Activities		
Collections of contributions restricted to endowment	76,775	50,000
Net borrowings under line of credit	401,806	502,447
Net Cash from Financing Activities	478,581	552,447
Net Change in Cash and Cash Equivalents	(534,341)	362,515
Cash and Cash Equivalents, Beginning of Year	1,195,070	832,555
Cash and Cash Equivalents, End of Year	\$ 660,729	\$ 1,195,070
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for Interest	\$ 30,464	\$ 11,326

## **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 1,300 torture survivors and family members. The program offers services in Minnesota in St. Paul and St. Cloud, as well as in Atlanta, Georgia. While each service program is adapted to meet the needs of the particular community and setting, the core intervention at all domestic sites is psychotherapy and case management to connect survivors with resources available in the community.

### Capacity Development

CVT training operations consist of two capacity-building projects:

The National Capacity Building (NCB) project organizes technical assistance for the US-based network of 40 torture survivor centers and programs in 24 states, and other refugee and immigrant service organizations. NCB provides direct technical training, consultations and other learning resources to strengthen the delivery of integrated, sustainable care for survivors across the United States, including: measured-impact webinars; on-site and remote consultations; eLearning; and the HealTorture.org web site, which averages 4,500 web hits 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 248 tactics and reaches upwards of 155,000 users annually from 215 countries. New Tactics trainings have been held in more than 25 countries, with resources translated into 26 languages.

### Research

Monitoring, 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 CVT's International Services.

### Public Policy/Education

Policy advocacy centers around 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 \$36 million annually: \$16 million for domestic torture survivor programs through the U.S. Office of Refugee Resettlement; \$12 million to programs worldwide through the Victims of Torture Fund at U.S. Agency for International Development; and \$8 million in funds for torture survivor programs worldwide through a State Department contribution to the United Nations Voluntary Fund for Victims of Torture.

### International Services

CVT's international projects utilize group counseling/therapy, social services, and physical therapy. In Ethiopia, CVT works in refugee camps near Shire in the country's north, and in Gambella in the west. In Jordan, CVT cares for urban refugees in Amman. 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 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.

### 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.

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. On average, CVT has 410 full-time and 55 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 thousands of survivors of torture and other atrocities. In its domestic services this year, CVT provided trauma rehabilitation services to over 1,300 survivors of torture. In its international direct service programs, CVT provided trauma rehabilitation services to over 3,800 survivors of war violence and human rights violations, including about 1,900 survivors of torture; these services are also estimated to have benefited about 19,000 household members of clients.

### **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, endowments that are perpetual in nature, 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, 2019 and 2018, the allowance was \$63,125 and \$66,026, 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, 2019 and 2018.

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, 2019 and 2018, is \$295,262 and \$231,364, 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 annual distributions 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. Two of the funds are permanent endowment funds. 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 return (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.

### **Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available-for-use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve at September 30, 2018. During 2019, the governing board approved to remove the designation.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**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 (Note 11).

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits and taxes, printing and office support, occupancy, and depreciation which are allocated on the basis of estimates of time and effort.

**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.

### **Change in Accounting Policy**

As of October 1, 2018, CVT adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for CVT's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to improve a financial statement user's ability to assess CVT's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the disclosure about liquidity and availability of resources. CVT has elected not to present comparative information for this amendment.

### **Subsequent Events**

CVT has evaluated subsequent events through March 11, 2020, 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 - Liquidity and Availability**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 660,729
Accounts receivable	800,149
Promises to give, net	996,228
Assets with donor restrictions (likely to be released within 12 months)	430,831
	\$ 2,887,937

In addition to financial assets available to meet general expenditures over the next 12 months, CVT anticipates collecting sufficient grant revenue to cover general expenditures not covered by donor-restricted resources. As more fully described in Note 7, CVT also has a committed line of credit in the amount of \$1,500,000, which it could draw upon in the event of an unanticipated liquidity need.

**Note 3 - 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 can be accessed 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, inputs are developed 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 the community foundation. These are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis at September 30, 2019:

	<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, 2019</u>				
Investments				
Assets held by community foundations	\$ 32,899	\$ -	\$ -	\$ 32,899
Restricted investments				
Money market mutual funds	\$ 207,751	\$ 207,751	\$ -	\$ -
Assets held by community foundations	1,309,092	-	-	1,309,092
	<u>\$ 1,516,843</u>	<u>\$ 207,751</u>	<u>\$ -</u>	<u>\$ 1,309,092</u>

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

	<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, 2018</u>				
Investments				
Assets held by community foundations	\$ 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
	<u>\$ 1,413,693</u>	<u>\$ 195,244</u>	<u>\$ -</u>	<u>\$ 1,218,449</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, 2019 and 2018:

	<u>Assets Held by Community Foundations</u>
<u>Year Ended September 30, 2019</u>	
Balance, beginning of year	\$ 1,256,200
Purchases/contributions of investments	52,651
Investment return, net	39,775
Other	(5,955)
Distributions	(680)
Balance at September 30, 2019	<u>\$ 1,341,991</u>
<u>Year Ended September 30, 2018</u>	
Balance, beginning of period	\$ 1,105,805
Purchases/contributions of investments	50,000
Investment return, net	98,285
Other	2,208
Distributions	(98)
Ending balance	<u>\$ 1,256,200</u>

**Note 4 - Financial Instruments**

Cash and cash equivalents include the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash in U.S. accounts	\$ 302,622	\$ 948,673
Cash in Kenya		
Held in Kenyan shillings	42,856	46,681
Cash in Jordan		
Held in Jordanian dinars	107,979	101,969
Cash in Uganda		
Held in U.S. dollars	47,336	22,415
Cash in Ethiopia		
Held in Ethiopian birr	127,770	59,910
Cash in Iraq		
Held in Iraqi dinars	32,166	15,422
	<u>\$ 660,729</u>	<u>\$ 1,195,070</u>

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 1,032,768	\$ 1,118,580
In one to five years	676,055	776,824
	<u>1,708,823</u>	<u>1,895,404</u>
Less discount to net present value	(29,588)	(39,414)
Less allowance for uncollectible promises to give	(63,125)	(66,026)
	<u>\$ 1,616,110</u>	<u>\$ 1,789,964</u>

**Note 6 - Property and Equipment**

Property and equipment consists of the following at September 30, 2019 and 2018:

	2019	2018
Land	\$ 96,300	\$ 96,300
Building and property improvements	1,121,365	1,121,365
Leasehold improvement	646,820	642,220
Furniture and equipment	1,262,238	1,047,877
Vehicles	263,573	263,573
	3,390,296	3,171,335
Less accumulated depreciation	(2,245,269)	(2,078,172)
	\$ 1,145,027	\$ 1,093,163

**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 5.75% and 4% at September 30, 2019 and 2018. The agreement requires CVT to comply with certain financial and non-financial covenants, all of which CVT was in compliance with at September 30, 2019 and 2018. There was \$905,570 and \$503,764 outstanding on the line of credit as of September 30, 2019 and 2018, respectively.

**Note 8 - Leases**

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

Years Ending September 30,	Amount
2020	\$ 340,070
2021	129,837
2022	53,324
2023	45,542
	\$ 568,773

Total lease expense for the year ended September 30, 2019 and 2018, totaled \$731,894 and \$538,922, 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 retains in perpetuity (a) the original value of initial and subsequent gift amounts and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered 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, 2019 and 2018, CVT had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>September 30, 2019</u>			
Donor-restricted funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,871,775	\$ 1,871,775
<u>September 30, 2018</u>			
Donor-restricted funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,795,000	\$ 1,795,000

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). CVT has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

### 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, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Year Ended September 30, 2019</u>			
Endowment net assets, beginning of year	\$ -	\$ 1,795,000	\$ 1,795,000
Investment return	-	42,119	42,119
Contributions	-	76,775	76,775
Appropriation of endowment assets pursuant to spending-rate policy	-	(42,119)	(42,119)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,871,775</u>	<u>\$ 1,871,775</u>
<u>Year Ended September 30, 2018</u>			
Endowment net assets, beginning of year	\$ -	\$ 1,425,000	\$ 1,425,000
Investment return	-	95,398	95,398
Contributions	-	370,000	370,000
Appropriation of endowment assets pursuant to spending-rate policy	-	(95,398)	(95,398)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,795,000</u>	<u>\$ 1,795,000</u>

**Note 10 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods.

	2019	2018 (As Restated)
	<u>2019</u>	<u>(As Restated)</u>
Subject to Expenditure for Specified Purpose		
New Tactics in Human Rights Project - Middle East and North Africa Initiative	\$ 93	\$ 117
Client services	111,001	198,469
Zimbabwe Data Project	26,654	26,655
Uganda	51,578	324,628
Jordan	48,486	119,096
Kenya	27,114	58,929
Ethiopia	36,444	10,522
Public policy	74,492	220,165
Comprehensive Campaign	-	825,626
	<u>375,862</u>	<u>1,784,207</u>
Subject to the Passage of Time	<u>50,716</u>	<u>56,901</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Innovation	1,535,000	1,505,000
Client services	311,775	265,000
General use	25,000	25,000
	<u>1,871,775</u>	<u>1,795,000</u>
Total endowments	<u>\$ 2,298,353</u>	<u>\$ 3,636,108</u>

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30, 2019 and 2018:

	2019	2018 (As Restated)
Program restriction		
New Tactics in Human Rights Project - Middle East and North Africa Initiative	\$ 230,024	\$ 410,631
Client services	473,407	506,572
Zimbabwe Data Project	-	4,144
Uganda	323,051	25,034
Jordan	210,609	180,904
Kenya	171,815	96,195
Ethiopia	44,078	59,478
Syria	-	16,898
Public policy	245,673	157,934
Comprehensive Campaign	1,713,101	525,134
	<u>3,411,758</u>	<u>1,982,924</u>
Timing restriction		
General operations	6,781	57,386
	<u>\$ 3,418,539</u>	<u>\$ 2,040,310</u>

**Note 11 - Donated Professional Services and Materials**

CVT received donated professional services and materials as follows during the year ended September 30, 2019 and 2018:

	Client Services	Management and General	Total
<u>Year Ended September 30, 2019</u>			
In-kind gift cards	\$ 25	\$ -	\$ 25
In-kind State Fair tickets	450	-	450
In-kind beds	1,450	-	1,450
In-kind legal services	-	38,609	38,609
	<u>\$ 1,925</u>	<u>\$ 38,609</u>	<u>\$ 40,534</u>
<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
	<u>\$ 1,930</u>	<u>\$ 50,965</u>	<u>\$ 52,895</u>

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

For the years ended September 30, 2019 and 2018, 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:

	2019	1905
Fundraising	\$ 170,603	\$ 149,480
Public policy and education	185,348	162,914
Grassroots lobbying	11,940	8,001
	<u>\$ 367,891</u>	<u>\$ 320,395</u>

**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 domestic 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. CVT offers retirement stipends to expatriates also. Expatriates who are not eligible to participate in CVT's U.S.-based retirement plan, are provided an equivalent stipend of 1% to 5% of salary. Plan expenses incurred by CVT were \$406,133 and \$341,660 for the year ended September 30, 2019 and 2018, respectively.

**Note 15 - Adoption of ASU 2016-14 and Correction of an Error**

CVT adopted the provisions of FASB Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, as of October 1, 2018. As part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets.

During 2019, the Organization identified a misstatement within the 2018 financial statements resulting in overstatement of previously reported net assets without donor restrictions and understatement of net assets with donor restrictions of \$287,511 as of September 30, 2018. Accordingly, amounts reported for net assets with donor restrictions and without donor restrictions have been restated in the 2018 financial statements now presented to correct the error.

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Notes to Financial Statements

September 30, 2019 and 2018

The following financial statement line items for the year ended September 30, 2018, were adjusted as a result of the adoption and correction of an error:

Statement of Financial Position	As Previously Reported	Adoption of ASU 2016-14 and Restatement	As Adjusted and Restated
Unrestricted			
Undesignated	\$ 867,577	\$ (867,577)	\$ -
Board-designated reserves	462,432	(462,432)	-
Temporarily restricted net assets	1,507,489	(1,507,489)	-
Permanently restricted net assets	1,841,108	(1,841,108)	-
Net assets without donor restrictions			
Undesignated	-	580,066	580,066
Board-designated operating reserve	-	462,432	462,432
Net assets with donor restrictions			
Time-restricted for future period	-	56,901	56,901
Purpose restrictions	-	1,784,207	1,784,207
Perpetual in nature	-	1,795,000	1,795,000

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September 30, 2019 and 2018

The effect on the Organization's statement of activities for the year ended September 30, 2018, is as follows:

Statement of Activities	As Previously Reported	Adoption of ASU 2016-14 and Restatement	As Adjusted and Restated
Revenue, support, and gains			
Contributions			
Temporarily restricted	\$ 1,796,914	\$ (1,796,914)	\$ -
Permanently restricted	370,000	(370,000)	-
With donor restrictions	-	2,076,218	2,076,218
Change in value of split interest agreements			
Temporarily restricted	595	(595)	-
With donor restrictions	-	595	595
Net investment return			
Unrestricted	123,195	(123,195)	-
Without donor restrictions	-	27,647	27,647
With donor restrictions	-	95,548	95,548
Net assets released from restriction pursuant to endowment spending-rate distribution formula			
Unrestricted	95,548	(95,548)	-
Temporarily restricted	(95,548)	95,548	-
Without donor restrictions	-	95,548	95,548
With donor restrictions	-	(95,548)	(95,548)
Net assets released from restrictions			
Temporarily restricted	(2,040,310)	2,040,310	-
With donor restrictions	-	(2,040,310)	(2,040,310)
Net assets, beginning of year			
Unrestricted	1,221,039	(1,221,039)	-
Temporarily restricted	1,845,838	(1,845,838)	-
Permanently restricted	1,471,108	(1,471,108)	-
Without donor restrictions	-	938,380	938,380
With donor restrictions	-	3,599,605	3,599,605
Net assets, end of year			
Unrestricted	1,330,009	(1,330,009)	-
Temporarily restricted	1,507,489	(1,507,489)	-
Permanently restricted	1,841,108	(1,841,108)	-
Without donor restrictions	-	1,042,498	1,042,498
With donor restrictions	-	3,636,108	3,636,108