

HUMAN RIGHTS FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

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10025 Governor Warfield Parkway
Suite 108
Columbia, MD 21044

Phone: 410-772-8090
Fax: 410-772-8098
Toll Free: 888-432-2351

BGCKO

Betz, Goldman, Clearfield, Kramer & Ocampo, LLP

Certified Public Accountants

E-Mail: Info@bgckocpa.com
www.bgckocpa.com

Stuart I. Goldman, CPA
sgoldman@bgckocpa.com
Adam M. Clearfield, CPA
aclearfield@bgckocpa.com
Michael J. Ocampo, CPA
mocampo@bgckocpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Human Rights Foundation
New York, NY

We have audited the accompanying financial statements of the Human Rights Foundation (a non-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 the Human Rights Foundation as of December 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the financial statements as a whole.

Betz Goldman, Clearfield, Kramer & Ocampo, LLP
Columbia, MD
September 9, 2017

**HUMAN RIGHTS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 1,475,652	\$ 1,333,539
Due From Employee	6,247	7,081
Contributions and Grants Receivable	227,910	139,800
Prepaid Expenses	150,420	211,036
Marketable Securities	-	45,285
Digital Currency	25,289	6,423
Security Deposit	<u>70,493</u>	<u>9,520</u>
TOTAL ASSETS	<u>\$ 1,956,011</u>	<u>\$ 1,752,684</u>
 LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	<u>\$ 200,296</u>	<u>\$ 182,842</u>
TOTAL LIABILITIES	<u>200,296</u>	<u>182,842</u>
 NET ASSETS		
Unrestricted	1,700,051	1,557,342
Temporarily Restricted	<u>55,664</u>	<u>12,500</u>
TOTAL NET ASSETS	<u>1,755,715</u>	<u>1,569,842</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,956,011</u>	 <u>\$ 1,752,684</u>

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

**HUMAN RIGHTS FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

CHANGES IN UNRESTRICTED NET ASSETS

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2016 TOTAL</u>	<u>2015 TOTAL</u>
REVENUES, GAINS AND OTHER SUPPORT				
Individuals	\$ 2,299,095	\$ 222,479	\$ 2,521,574	\$ 2,038,321
Foundations	995,455	440,000	1,435,455	1,012,487
Project Donations	5,030	-	5,030	91,127
Corporate Grants	114,548	-	114,548	19,410
Realized Gain on Investments	7,064	-	7,064	-
Unrealized Gain on Investments	13,820	-	13,820	20,124
Release of Temporarily Restricted Assets	619,315	(619,315)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>4,054,327</u>	<u>43,164</u>	<u>4,097,491</u>	<u>3,181,469</u>
EXPENSES				
Program Services	3,620,395	-	3,620,395	2,472,706
Management and General	112,363	-	112,363	172,316
Fundraising	178,860	-	178,860	121,158
TOTAL EXPENSES	<u>3,911,618</u>	<u>-</u>	<u>3,911,618</u>	<u>2,766,180</u>
INCREASE IN NET ASSETS	142,709	43,164	185,873	415,289
NET ASSETS - BEGINNING	<u>1,557,342</u>	<u>12,500</u>	<u>1,569,842</u>	<u>1,154,553</u>
NET ASSETS - ENDING	<u>\$ 1,700,051</u>	<u>\$ 55,664</u>	<u>\$ 1,755,715</u>	<u>\$ 1,569,842</u>

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

**HUMAN RIGHTS FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 185,873	\$ 415,289
Adjustments to Reconcile Change in Net Assets to Net Cash Provided In Operating Activities:		
Depreciation and Amortization	-	500
Realized Gain on Investments	(7,064)	-
Unrealized Gain on Investments	(13,820)	(20,124)
Marketable Securities Donated	(115,831)	(31,584)
(Increase) Decrease in:		
Due From Employee	834	2,919
Receivables	(88,109)	(116,458)
Prepaid Expenses	60,615	(158,324)
Security Deposit	(60,972)	-
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	17,454	49,577
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(21,020)</u>	<u>141,795</u>
NET CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	<u>163,133</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>163,133</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	142,113	141,795
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,333,539</u>	<u>1,191,744</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,475,652</u>	<u>\$ 1,333,539</u>

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

**HUMAN RIGHTS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Human Rights Foundation operates as a voluntary, non-profit, non-stock corporation chartered under the laws of the State of New York. The Foundation's purpose is to promote and protect human rights globally, with a focus on closed societies. Their mission is to ensure that freedom is both preserved and promoted. The Foundation is exempt from income taxes on its exempt activities under Section 501(c) (3) of the Internal Revenue Code.

The Foundation's Return of Organization Exempt from Income Tax (Form 990) for the years ended December 31, 2016, 2015 and 2014 are subject to examination, generally for three years after they were filed.

Subsequent Events:

In the normal course of preparing the Foundation's financial statements, management reviews events that occur after the statement of financial position dated December 31, 2016 for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through September 9, 2017, which is the date the financial statements were available to be issued.

Method of Accounting:

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Financial Statement Presentation:

The net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may/or will be met, either by actions of the Foundation and/or the passage of time.

**HUMAN RIGHTS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

For the purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents.

Property and Equipment:

Property and equipment are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>YEARS</u>
Furniture and Fixtures	7
Computer Equipment	3-5

NOTE B – PROPERTY AND EQUIPMENT, NET

Property and equipment are summarized as follows:

	<u>2016</u>	<u>2015</u>
Furniture and Fixtures	\$ 5,786	\$ 5,786
Computer Equipment	<u>15,752</u>	<u>15,752</u>
	21,538	21,538
Less: Accumulated Depreciation	<u>21,538</u>	<u>21,538</u>
	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was \$0 and \$500 for the years ended December 31, 2016 and 2015, respectively.

**HUMAN RIGHTS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE C – OPERATING LEASE

The Foundation has entered into an operating lease for office space expiring on August 31, 2023. Rent expense under the lease was \$85,484 for the current year.

The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2016:

<u>Year Ending</u>	<u>Amount</u>
2017	270,749
2018	276,164
2019	281,687
2020	291,659
2021	306,328
Thereafter	<u>845,840</u>
Total	<u>\$ 2,272,427</u>

NOTE D – FAIR VALUE MEASUREMENTS

Accounting Standards Codification 820 (ASC 820), *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy, which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Following three levels are defined by ASC 820 as a means of measuring fair value:

Level 1

Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**HUMAN RIGHTS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE D – FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3

Unobservable inputs reflecting the entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used since December 31, 2016.

Interest-bearing cash, certificates of deposit, equity securities, bond securities and government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**HUMAN RIGHTS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE D – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth the Foundation's assets at fair value, by level, within the fair value hierarchy as of December 31, 2016 and 2015:

December 31, 2016	Level 1	Level 2	Level 3
Equity Securities	\$ -	\$ -	\$ -
Digital Currency	-	25,289	-
Totals	<u>\$ -</u>	<u>\$ 25,289</u>	<u>\$ -</u>

December 31, 2015	Level 1	Level 2	Level 3
Equity Securities	\$ 45,285	\$ -	\$ -
Digital Currency	-	6,423	-
Totals	<u>\$ 45,285</u>	<u>\$ 6,423</u>	<u>\$ -</u>

Investments are recorded at market value. The historical cost and market value of investments available for sale at December 31, 2016 were:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Marketable Securities	\$ -	\$ -	24,931	42,285
Digital Currency	<u>11,699</u>	<u>25,289</u>	<u>6,653</u>	<u>6,423</u>
Total	<u>\$ 11,699</u>	<u>\$ 25,289</u>	<u>\$ 31,584</u>	<u>\$ 48,708</u>

Investment income from these investments is summarized as follows:

	<u>2016</u>	<u>2015</u>
Realized Gain on Investments	\$ 7,064	\$ -
Unrealized Gain on Investments	<u>13,820</u>	<u>20,124</u>
Total Investment Income	<u>\$ 20,884</u>	<u>\$ 20,124</u>

**HUMAN RIGHTS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE E – DIGITAL CURRENCY OR DIGITAL MONEY

Digital currency or digital money is an Internet-based medium of exchange distinct from physical (such as banknotes and coins) that exhibits properties similar to physical currencies, but allows for instantaneous transactions and borderless transfer-of-ownership.

NOTE F – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE G – FINANCIAL INSTRUMENT RISK

The Federal Deposit Insurance Corporation (“FDIC”) insures the total of all accounts at a single banking institution up to \$250,000. The amount in excess of the FDIC limit totaled \$1,039,572 at December 31, 2016.

**SUPPLEMENTARY
INFORMATION**

**HUMAN RIGHTS FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	SUPPORTING SERVICES				
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	2016 TOTAL	2015 TOTAL
Awards	\$ 27,806	\$ -	\$ -	\$ 27,806	\$ -
Conferences/Meetings	20,144	-	16,788	36,932	-
Consultant's Fees	82,286	429	44,400	127,115	-
Depreciation	-	-	-	-	500
Development	-	-	-	-	17,007
Dues and Subscriptions	815	660	-	1,475	767
Employee Benefits	110,728	15,992	7,367	134,087	113,010
Event Production	1,443,627	-	-	1,443,627	-
General Programs	332,879	3,762	13,787	350,428	748,234
Information Technology	16,867	3,033	1,042	20,942	-
Insurance	16,822	3,206	-	20,028	18,044
Leased Equipment	3,035	463	192	3,690	3,990
Licenses	4,193	447	-	4,640	401
Office Expenses	37,616	7,548	8,912	54,076	195,823
Payroll Taxes	71,993	3,561	4,072	79,626	67,525
Postage and Delivery	19,693	176	3,783	23,652	18,539
Printing	33,857	546	3,863	38,266	-
Professional Services	225,525	13,616	7,270	246,411	391,953
Rent and Utilities	75,826	4,506	5,152	85,484	110,466
Salaries	1,077,713	53,300	60,952	1,191,965	1,056,212
Telephone and Internet	18,970	1,118	1,280	21,368	23,709
	<u>\$ 3,620,395</u>	<u>\$ 112,363</u>	<u>\$ 178,860</u>	<u>\$ 3,911,618</u>	<u>\$ 2,766,180</u>

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