

PROGRAM FOR TORTURE VICTIMS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

PASADENA
234 E Colorado Blvd
Suite M150
Pasadena, CA 91101
Tel: 626.403.6801
Fax: 626.403.6866

A Trusted Nonprofit Partner
Experience. Service. Respect.
www.npocpas.com

SAN FRANCISCO
50 Francisco St
Suite 160
San Francisco, CA 94133
Tel: 415.391.3131
Fax: 415.391.3233

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Program for Torture Victims

Report on the Financial Statements

We have audited the accompanying financial statements of Program for Torture Victims, which comprise the Statement of Financial Position as of September 30, 2015, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year 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.

Auditors' 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 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 auditors' 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 Program for Torture Victims as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Summarized Comparative Information

We have previously audited Program for Torture Victims' 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California

January 25, 2016

PROGRAM FOR TORTURE VICTIMS

STATEMENT OF FINANCIAL POSITION

September 30, 2015

With comparative totals at September 30, 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents (Note 2)	\$ 198,928	\$ 114,047
Accounts receivable	2,203	100,000
Pledges receivable (Note 2)	12,200	24,406
Prepaid expenses	10,221	4,377
Property and equipment (Note 3)	4,931	8,065
Total assets	<u>\$ 228,483</u>	<u>\$ 250,895</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 6,898	\$ 4,270
Accrued payroll and vacation	34,450	34,966
Capital lease obligation (Note 5)	1,851	3,560
Total liabilities	<u>43,199</u>	<u>42,796</u>
Net assets		
Unrestricted	177,384	189,954
Temporarily restricted (Note 6)	7,900	18,145
Total net assets	<u>185,284</u>	<u>208,099</u>
Total liabilities and net assets	<u>\$ 228,483</u>	<u>\$ 250,895</u>

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

PROGRAM FOR TORTURE VICTIMS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	Unrestricted	Temporarily Restricted	2015	2014
Revenue and support				
Government grant	\$ 436,032	\$ -	\$ 436,032	\$ 436,032
In-kind contributions (Note 2)	163,158		163,158	151,149
Other grants	123,400		123,400	150,500
Special events, net of expenses \$31,717	63,092		63,092	62,523
Contributions	16,137	7,900	24,037	25,871
Other income	4,211		4,211	7,334
Net assets released from program restrictions	18,145	(18,145)	-	-
Total revenue and support	824,175	(10,245)	813,930	833,409
Expenses				
Program services	656,298		656,298	670,681
General and administrative	83,406		83,406	79,792
Fundraising	97,041		97,041	117,750
Total expenses	836,745	-	836,745	868,223
Change in net assets	(12,570)	(10,245)	(22,815)	(34,814)
Net assets, beginning of year	189,954	18,145	208,099	242,913
Net assets, end of year	\$ 177,384	\$ 7,900	\$ 185,284	\$ 208,099

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

PROGRAM FOR TORTURE VICTIMS

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				2015	2014
Personnel expenses	\$ 529,279	\$ 68,451	\$ 78,770	\$ 676,500	\$ 709,458
Occupancy	36,942	4,711	5,455	47,108	46,508
Contracted services	38,226			38,226	33,809
Professional fees	18,895	3,514	3,941	26,350	28,164
Printing	5,325	990	1,111	7,426	5,155
Telephone	4,222	785	881	5,888	7,503
Insurance expense	3,569	455	527	4,551	4,140
Office expense	3,318	424	490	4,232	4,305
Client emergency fund	3,574			3,574	9,087
Other marketing			3,375	3,375	413
Travel and meetings	2,267	422	473	3,162	3,372
Depreciation expense	2,248	417	469	3,134	2,897
Payroll services	2,204	410	460	3,074	3,007
Postage	2,083	387	435	2,905	4,413
Bank and credit card charges		1,430		1,430	1,697
Miscellaneous	811	151	170	1,132	1,153
Repairs and maintenance	760	141	159	1,060	495
Client groups/workshops	1,014			1,014	795
Network and outreach	700	130	146	976	277
Dues and subscriptions	567	105	118	790	575
Hiring and training		428		428	397
Interest expense	294	55	61	410	603
Total 2015 functional expenses	\$ 656,298	\$ 83,406	\$ 97,041	\$ 836,745	
Total 2014 functional expenses	<u>\$ 670,681</u>	<u>\$ 79,792</u>	<u>\$ 117,750</u>		<u>\$ 868,223</u>

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

PROGRAM FOR TORTURE VICTIMS

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (22,815)	\$ (34,814)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,134	2,897
Changes in operating assets and liabilities:		
Decrease in accounts receivable	97,797	20
Decrease (increase) in pledges receivable	12,206	(9,652)
(Increase) in prepaid expenses	(5,844)	(33)
Increase (decrease) in accounts payable	2,628	(4,431)
(Decrease) increase in accrued payroll and vacation	(516)	18,749
	86,590	(27,264)
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	-	(2,931)
	-	(2,931)
Net cash (used) by investing activities		
Cash flows from financing activities:		
Principal payments on capital lease obligation	(1,709)	(1,580)
	(1,709)	(1,580)
Net cash (used) by financing activities		
Net increase (decrease) in cash and cash equivalents	84,881	(31,775)
Cash and cash equivalents, beginning of year	114,047	145,822
Cash and cash equivalents, end of year	\$ 198,928	\$ 114,047
Supplemental disclosure:		
Operating activities reflect interest paid of:	\$ 410	\$ 603

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

PROGRAM FOR TORTURE VICTIMS

NOTES TO FINANCIAL STATEMENTS

1. Organization

Program for Torture Victims is a California nonprofit organization located in Los Angeles whose mission is to alleviate the suffering and health consequences of torture through psychological, medical, and social services to victims of state-sponsored violence.

For 35 years, the Program for Torture Victims has helped new United States refugees, from over 70 countries, heal their physical and psychological wounds, and start a second life here in California.

The first torture rehabilitation center in the United States, PTV:

- Helps survivors heal and transition from pain to purpose
- Assists with basic needs such as transportation, food, clothing, housing, and language classes
- Helps integrate new immigrants into American culture
- Works to reunite and re-acclimate families so that survivors can once again become parents to their children and spouses to their wives or husbands
- Helps clients navigate the complex and bureaucratic United States' asylum process
- Documents the widespread practice of torture and persecution through reports to the United Nations, the United States and international human rights organizations
- Helps to hold individuals and governments accountable for torture or persecution by providing expert medical and psychological testimony in United States and international courts.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Program for Torture Victims are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

continued

PROGRAM FOR TORTURE VICTIMS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Temporarily Restricted. Program for Torture Victims reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities, as net assets released from program or capital restrictions. Program for Torture Victims has \$7,900 in temporarily restricted net assets at September 30, 2015.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Program for Torture Victims to expend all of the income (or other economic benefits) derived from the donated assets. Program for Torture Victims has no permanently restricted net assets at September 30, 2015.

Cash and Cash Equivalents

Program for Torture Victims defined cash and cash equivalents as cash in banks and money market accounts at securities institutions.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. The pledges of \$12,200 recorded in these financial statements are expected to be collected within one year and are deemed fully collectible. Therefore, no discount or allowance for doubtful receivables has been recorded.

Concentration of Credit Risks

Program for Torture Victims maintains cash and cash equivalents at high-credit quality financial institutions. At times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limit. Program for Torture Victims has not incurred losses related to these deposits.

Approximately 54% of Program for Torture Victims' total revenue is derived from government grants.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

continued

PROGRAM FOR TORTURE VICTIMS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donated Materials, Facility, and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended September 30, 2015, Program for Torture Victims received \$163,158 in donated materials, facilities, and services.

Income Taxes

Program for Torture Victims is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Program for Torture Victims in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Program for Torture Victims' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing the Program for Torture Victims' programs and other activities have been presented in the Statement of Functional Expenses. Certain indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Program for Torture Victims uses relative square footage and labor time estimates to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Reclassification

For comparability, certain September 30, 2014 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at September 30, 2015.

Subsequent Events

Management has evaluated subsequent events through January 25, 2016, the date which the financial statements were available.

continued

PROGRAM FOR TORTURE VICTIMS

NOTES TO FINANCIAL STATEMENTS

3. Property and Equipment

Property and equipment at September 30, 2015 consist of the following:

Office equipment	\$ 43,007
Office furniture	11,553
Audio visual equipment	<u>5,582</u>
	60,142
Less: accumulated depreciation	<u>(55,211)</u>
	<u>\$ 4,931</u>

Depreciation expense for the year ended September 30, 2015 was \$3,134.

4. Commitments and Contingencies

Obligations Under Operating Leases

Program for Torture Victims entered into a five year lease agreement that commenced in February 2015, occupying 2,423 square feet of new office space. Future minimum payments, by year and in the aggregate, under this lease consist of the following:

<u>Year ended September 30,</u>	
2016	\$ 43,614
2017	44,583
2018	45,068
2019	45,068
2020	<u>15,023</u>
	<u>\$193,356</u>

Rent expense under operating lease for the year ended September 30, 2015 was \$26,440.

continued

PROGRAM FOR TORTURE VICTIMS

NOTES TO FINANCIAL STATEMENTS

5. Capital Lease Obligation

Program for Torture Victims acquired a copier under a capital lease obligation during the year ended September 30, 2011. The quarterly payments commenced in July 2011 are to end in July 2016. The asset and liability under the capital lease were recorded at the lower of the present value of the lease terms or its estimated useful lives. Amortization of the copier under capital lease is included in depreciation expense in the accompanying financial statements. Depreciation of the copier under the capital lease charged to expense during the year ended September 30, 2015 was \$1,687.

Future minimum payments under the lease are as follows:

Total future minimum lease payments	\$1,944
Less: amount representing interest	<u>(93)</u>
Present value of net minimum lease payments	<u>\$1,851</u>

The net book value of the copier under the capital lease at September 30, 2015, consists of the following:

Equipment	\$ 8,433
Less: accumulated depreciation	<u>(7,168)</u>
Net book value	<u>\$ 1,265</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2015 consists of \$7,900 restricted for program purposes from Change a Life Foundation. For the year ended September 30, 2015, net assets released from program restrictions were \$18,145.

7. Employee Benefit Plan

Program for Torture Victims has a 403(b) Retirement Savings Plan available to all employees. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. Program for Torture Victims does not make matching contributions to the Plan.

8. United Nations Grant Expenses Compliance

In March 2015, Program for Torture Victims was awarded a \$20,000 grant from the United Nations. The grant was to be used for the assistance of torture victims for the period January through December 2015 and was fully spent as of September 30, 2015. The grant from the United Nations was used in accordance with its purpose, budget and conditions during the year ended September 30, 2015.