



Financial Statements
December 31, 2011 and 2010

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

We have audited the accompanying statement of financial position of The Center for Victims of Torture (CVT) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of CVT's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from CVT's financial statements as of December 31, 2010, and, in our report dated March 9, 2010, we expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CVT as of December 31, 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012, 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, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Minneapolis, Minnesota
March 26, 2012

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,165,576	\$ 951,905
Investments	38,700	83,043
Accounts receivable	836,531	662,458
Unconditional promises to give	696,859	526,000
Net pledges receivable	69,500	43,860
Prepaid expenses	136,239	97,500
Interest receivable	101	451
Total current assets	<u>2,943,506</u>	<u>2,365,217</u>
Property and Equipment		
Land	96,300	96,300
Building and improvements	1,107,075	1,090,825
Leasehold improvements	432,499	432,499
Furniture and equipment	295,194	319,672
Vehicles	427,510	313,488
Total property and equipment	<u>2,358,578</u>	<u>2,252,784</u>
Less accumulated depreciation	<u>1,317,560</u>	<u>1,213,471</u>
Net property and equipment	<u>1,041,018</u>	<u>1,039,313</u>
Other Assets		
Net promises to give greater than one year	450,423	39,216
Net pledges receivable greater than one year	158,030	104,292
Restricted cash	20,000	25,000
Restricted investments	70,347	45,318
Beneficial interest in lead trust	83,065	-
Total other assets	<u>781,865</u>	<u>213,826</u>
Total Assets	<u>\$ 4,766,389</u>	<u>\$ 3,618,356</u>

See Notes to Financial Statements

The Center for Victims of Torture
Statement of Financial Position
December 31, 2011
(With Comparative Totals for 2010)

	2011	2010
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 179,022	\$ 116,784
Accrued compensation	109,370	59,535
Deferred grants	140,272	128,572
Total liabilities	428,664	304,891
Net Assets		
Unrestricted		
Net investment in property and equipment	1,041,018	1,039,313
Board designated	100,460	-
Undesignated	1,292,127	1,330,403
Temporarily restricted	1,813,802	873,431
Permanently restricted	90,318	70,318
Total net assets	4,337,725	3,313,465
Total Liabilities and Net Assets	\$ 4,766,389	\$ 3,618,356

The Center for Victims of Torture
Statement of Activities
Year Ended December 31, 2011
(With Comparative Totals for 2010)

	2011			Total	2010
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue					
Public Support					
Corporate	\$ 33,371	\$ 50,000	\$ -	\$ 83,371	\$ 195,234
Foundation	427,874	1,790,784	-	2,218,658	593,413
Special events (net)	250,528	-	-	250,528	297,825
Individual	1,236,424	86,954	20,000	1,343,378	1,386,045
Other institutions	88,569	20,000	-	108,569	118,542
U.N. Voluntary Fund	20,000	-	-	20,000	441,000
Return of unexpended funds	-	(40,542)	-	(40,542)	-
Change in value of split interest agreements	-	2,891	-	2,891	-
Net assets released from restrictions	969,716	(969,716)	-	-	-
Total public support	3,026,482	940,371	20,000	3,986,853	3,032,059
Revenue					
Program service revenue	6,425,671	-	-	6,425,671	5,909,135
Third-party billings	516,183	-	-	516,183	322,042
Speaking fees	41,114	-	-	41,114	11,586
Investment return	3,136	-	-	3,136	8,381
Miscellaneous revenue	33,372	-	-	33,372	42,365
Total revenue	7,019,476	-	-	7,019,476	6,293,509
Total Support and Revenue	10,045,958	940,371	20,000	11,006,329	9,325,568
Expenses					
Program Services					
Client services	1,615,220	-	-	1,615,220	1,578,971
Professional training	1,212,002	-	-	1,212,002	1,046,956
Research	40,506	-	-	40,506	249,751
Public policy/education	688,907	-	-	688,907	679,104
International services	5,538,983	-	-	5,538,983	4,784,200
Total program services	9,095,618	-	-	9,095,618	8,338,982
Supporting Services					
Fund raising	635,288	-	-	635,288	629,644
Management and general	251,163	-	-	251,163	214,806
Total supporting services	886,451	-	-	886,451	844,450
Total Expenses	9,982,069	-	-	9,982,069	9,183,432
Change in Net Assets	63,889	940,371	20,000	1,024,260	142,136
Net Assets, Beginning of Year	2,369,716	873,431	70,318	3,313,465	3,171,329
Net Assets, End of Year	\$ 2,433,605	\$ 1,813,802	\$ 90,318	\$ 4,337,725	\$ 3,313,465

2011

	Program Services				
	Client Services	Professional Training	Research	Public Policy/ Education	International Services
Salaries	\$ 901,246	\$ 432,221	\$ 20,176	\$ 295,448	\$ 2,402,846
Benefits and Taxes	264,251	119,205	4,843	63,598	664,294
Total salaries and related expenses	1,165,497	551,426	25,019	359,046	3,067,140
Program Expenses	10,651	22,128	-	28,775	95,021
Consultant Expenses	110,839	89,281	-	21,218	91,822
Printing Services	601	740	49	94,212	13,780
Facility Expense	36,912	28,217	-	28,580	312,119
Deliveries	843	1,174	5	681	9,394
Travel	12,658	111,868	8,235	23,075	654,437
Office Support	23,558	66,674	340	23,842	247,802
Fees	6,113	3,967	650	3,897	136,904
Sub-grants	-	150,776	-	-	61,660
Total expense before depreciation	1,367,672	1,026,251	34,298	583,326	4,690,079
Depreciation	-	-	-	-	-
Direct program expenses	1,367,672	1,026,251	34,298	583,326	4,690,079
Administrative Overhead Allocation	247,548	185,751	6,208	105,581	848,904
Total expenses	\$ 1,615,220	\$ 1,212,002	\$ 40,506	\$ 688,907	\$ 5,538,983

See Notes to Financial Statements

The Center for Victims of Torture
Statement of Functional Expenses
Year Ended December 31, 2011
(With Comparative Totals for 2010)

2011				
Total Program Services	Supporting Services		Total Expenses	2010 Expenses
	Fund- Raising	Management & General		
\$ 4,051,937	\$ 70,109	\$ 873,751	\$ 4,995,797	\$ 4,684,353
1,116,191	18,454	225,130	1,359,775	1,090,003
5,168,128	88,563	1,098,881	6,355,572	5,774,356
156,575	4,392	4,676	165,643	193,456
313,160	98,159	111,898	523,217	552,943
109,382	374,399	1,929	485,710	435,117
405,828	9,302	156,570	571,700	514,542
12,097	3,767	3,459	19,323	23,278
810,273	9,589	22,846	842,708	866,929
362,216	31,997	84,763	478,976	360,266
151,531	15,120	19,541	186,192	92,040
212,436	-	-	212,436	205,234
7,701,626	635,288	1,504,563	9,841,477	9,018,161
-	-	140,592	140,592	165,271
7,701,626	635,288	1,645,155	9,982,069	9,183,432
1,393,992	-	(1,393,992)	-	-
<u>\$ 9,095,618</u>	<u>\$ 635,288</u>	<u>\$ 251,163</u>	<u>\$ 9,982,069</u>	<u>\$ 9,183,432</u>

The Center for Victims of Torture
Statement of Cash Flows
Year Ended December 31, 2011
(With Comparative Totals for 2010)

	2011	2010
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,024,260	\$ 142,136
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Change in value of split-interest agreement	(2,891)	-
Depreciation	140,592	165,271
Donated stocks included in contributions	(37,849)	(63,813)
Net realized (gains) losses on investments and restricted investments	653	(449)
Net unrealized losses on investments and restricted investments	680	293
Contributions received for endowment	(20,000)	(25,000)
Gain on sale of property and equipment	(3,000)	(2,889)
Changes in operating assets and liabilities		
Accounts receivable	(174,073)	(187,931)
Unconditional promises to give	(582,066)	273,684
Net pledges receivable	(79,378)	(148,152)
Prepaid expenses	(38,739)	(22,594)
Interest receivable	350	236
Accounts payable	62,238	(3,141)
Accrued compensation	49,835	(34,521)
Deferred grants	11,700	(33,043)
Net Cash from Operating Activities	352,312	60,087
Cash Flows from Investing Activities		
Restricted cash used to purchase endowment investment	25,000	-
Proceeds from sales of investments and restricted investments	106,013	161,340
Purchase of investments and restricted investments	(50,183)	(25,001)
Sales of property and equipment	3,000	8,942
Purchase of property and equipment	(142,297)	(11,150)
Net Cash (used for) from Investing Activities	(58,467)	134,131
Cash Flows from Financing Activities		
Payment under split-interest agreement	6,781	-
Proceeds under split-interest agreement	(86,955)	-
Net Cash used for Financing Activities	(80,174)	-
Net Change in Cash	213,671	194,218
Cash and Cash Equivalents, Beginning of Year	951,905	757,687
Cash and Cash Equivalents, End of Year	\$ 1,165,576	\$ 951,905
Supplemental Disclosures		
Stock investment donations	\$ 37,849	\$ 63,813
Restricted cash contributions received for endowment	20,000	25,000

Note 1 - Principal Activity and Significant Accounting Policies

Nature of Business

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

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

Client Services

CVT's Client Services Program annually serves approximately 1,500 torture survivors living in Minnesota. The Twin Cities based healing program is a unique and integrated program serving 250 clients per year in a multidisciplinary care and treatment program that involves the professions of medicine, psychiatry, psychology, social work, nursing and physical therapy. Care is also provided for family members of clients and through community-based interventions. Information and referral services provide referral for torture survivors and others who cannot travel to CVT for care.

Professional Training

The National Capacity Building project provides training for approximately 35 U.S. torture rehabilitation centers. Capacity building priorities include program operations, service delivery expertise, impact assessment and financial sustainability. In 2011, training and capacity building methods included training institutes, capacity building and program partnership sub-grants, live and archived webinars, an annual 30-hour blended learning course for new staff, and online resources via www.healtorture.org. Priorities include building and supporting a 'community of practice' among those specializing in the rehabilitation of torture survivors.

The Healing in Partnership (HIP) project develops culturally-specific, strength-based and wellness-focused interventions for survivors of war and torture with a community approach. HIP improves the identification of torture survivors who need mental health services in Minnesota and nationwide by disseminating screening tools to clinics and by training in their use. HIP improves effectiveness of referral systems statewide by building the capacity of providers to meet the needs of refugee and immigrant clients who are war survivors.

Through the New Tactics in Human Rights Project, launched in 1999, CVT promotes enhanced strategic thinking among the human rights community through research and dissemination of innovative approaches to human rights work, development of tools and resource materials, and sponsorship of in-person and online cross-training opportunities. Project highlights include:

- Five-day International Symposium that drew nearly 450 participants from 89 countries
- Award-winning workbook documenting 100 innovative human rights tactics
- 49 detailed tactical notebooks on practical applications of tactics
- Searchable online database documenting 200 innovative tactics
- Materials translated into 24 languages
- Awarded more than 60 small grants to organizations in 56 countries advancing innovations

- More than 30 online training dialogues featuring over 300 activists from 62 countries
- A growing online community network of nearly 4,000 activists worldwide

In 2011, CVT hosted online dialogues for human rights activists worldwide; presented customized online training for Iranian human rights activists; continued a partnership in the Middle East/North Africa (MENA) region with the Academy for Educational Development-Civil Society Program in Jordan; and secured funding for a major expansion of the project's work in the MENA region. Open Society Foundations has invested \$1.3 million over two years to support CVT's efforts to strengthen the capacity of civil society activists and organizations in Egypt and Tunisia and to engage in democracy-building and rights-based activities.

In 2010, an individual donor contributed \$100,000 toward an effort to strengthen CVT's relationship with the University of Minnesota. The objective is to establish the University as the premier international institution for the study of human rights trauma – with CVT being a practical expression and application of that study. The collaboration continues to grow in both the local community and international projects.

Research

CVT conducts ongoing program evaluation and research to describe its client population (demographic background, trauma and torture history, presenting diagnoses, symptoms, and complaints), patterns of service utilization, and responses to treatment. The research program focuses on developing a methodology that will allow CVT and other treatment centers serving torture survivors to document changes in physical, psychological and behavioral adaptation that are meaningful for a culturally diverse torture survivor population. Findings are disseminated through written and oral presentation in a variety of professional and media contacts.

In 2011, Research provided training and support for CVT's International Services clinical assessment and program evaluation activities in Kenya, the Democratic Republic of Congo and Jordan to ensure that our programs comply with clinical, evaluation, and program management requirements. Since 2005, Research has provided services to the Asia Foundation in Sri Lanka to support several Sri Lankan NGOs providing mental health services to torture survivors. In addition, Research collaborates with Tree of Life, a Zimbabwean community mental health program, to implement a research project designed to evaluate the effectiveness of their interventions for survivors.

Public Policy/Education

By rebuilding the lives of more than 23,000 torture survivors, CVT has accumulated a vast depth of knowledge and experience as well as a unique authority about torture. CVT has found that it has an effective presence with state, national and international policy makers; that presence has given voice to torture survivors and healing groups emerging in the United States and abroad, providing them access to tell their stories and find new allies and resources to support their work.

The objective of CVT's policy work is to create new financial resources to heal survivors and new allies in efforts to end torture. Because of CVT's work in 2011, with investments totaling more than \$25 million the U.S. was again the world's largest donor to torture survivor rehabilitation. This funding did not come close to meeting the extraordinary need, but it did make it possible for tens of thousands of torture survivors to receive the care they so urgently needed.

Also in 2011, CVT worked to resolve continuing problems created by the United States government's embrace of torture post-9/11. CVT worked for elimination of Appendix M of the Army Field Manual on Human Intelligence Collector Operations, which allows for sleep and sensory deprivation at levels that constitute cruel, inhuman and degrading treatment if not torture. CVT worked for an end to indefinite detention, which causes severe physical and psychological damage to prisoners. CVT also worked for establishment of a non-partisan, independent commission to investigate the use of torture and cruelty in counterterrorism efforts following the terrorist attacks of September 11, 2001.

International Services

CVT directly provides psychosocial services to adult victims of torture in the Democratic Republic of Congo and to refugees of the war in Somalia in the Dadaab refugee camps in Kenya. In Jordan, CVT provides psychosocial and physiotherapy services to Iraqi torture survivors and their families. In addition, professional expatriate clinicians recruit, hire, train and supervise national staff, many of whom were refugees or internally displaced during their countries' war, to be paraprofessional psychosocial counselors and work under the direction of the professional staff. CVT extends its services through large-group and community wide sensitization events; small-group counseling; and individual counseling.

Through the Partners Allied in Trauma Healing (PATH) initiative, CVT assists foreign torture survivor rehabilitation centers develop their mental health counseling skills, organizational and financial sustainability, and their program evaluation and monitoring practices.

Management, General and Fundraising

The area represents the administrative sector of The Center for Victims of Torture. Professional staff secures resources necessary to operate CVT, allocate and monitor the use of those resources, and manage the organization on a day-to-day basis.

Financial Statement Presentation

CVT follows the requirements of Accounting Standards Codification Topic ASC 958-205 (previously SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*). Under these rules, CVT is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CVT also follows Accounting Standards Codification Topic ASC 958-605 (previously SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Accounting 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

CVT considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents does not include cash received with donor-imposed restrictions that limit their use to long-term purposes.

The National Endowment for Democracy requires a separate, interest-bearing account; therefore CVT established a savings account to accommodate the requirement.

Restricted Cash

Amounts received for the endowment and included in permanently restricted net assets, prior to investment, are included in restricted cash. At December 31, 2011, restricted cash was \$20,000.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentations. These reclassifications resulted in no change in previously reported net income or changes in net assets or net assets but were changed to agree with classifications used in the 2011 financial statements.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on management's assessment of the funders having outstanding balances and current relationships with them, management has concluded that realization of losses on balances outstanding at year end will be immaterial.

Promises to Give

Contributions are recognized when the donor makes a promise to give to CVT that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

CVT uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experiences and management's analysis of specific promises made.

Investments

CVT carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Fair values are based on quoted market prices. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Beneficial Interest in Lead Trust

CVT is the recipient of a 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.

Fair Value Measurements

CVT has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB Accounting Standards Codification Topic ASC 820-10 (previously FAS 157, *Fair Value Measurements*), which provides a framework for measuring fair value under generally accepted accounting principles.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs and also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of 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 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

CVT uses Level 1 inputs to determine fair market value for its investments.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

CVT receives a substantial amount of services donated by volunteers. CVT records contributed services if they meet the criteria for recognition under Accounting Standards Codification Topic ASC 958-605 (previously SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). Many individuals volunteer their time to perform a variety of tasks that assist specific programs and campaign solicitations. In 2011, approximately 275 active volunteers provided 11,600 volunteer hours to CVT.

Property and Equipment

Expenditures of \$5,000 or greater for property and equipment having continuing value are capitalized at the cost paid for the asset, or the fair market value at the date of contribution for donated assets. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Building and leasehold improvements	15 - 40 years
Furniture and equipment	3 - 7 years

CVT retains title to property and equipment purchased with funding from U.S. State Department Bureau of Population, Refugees and Migration contracts. Upon termination of those agreements, the property shall be transferred back to the Bureau unless the Bureau approves CVT to retain title. The net value of property and equipment purchased under these contracts is \$105,072.

CVT does not retain title to property and equipment purchased with funding under its current agreement with the European Community's European Instrument for Democracy and Human Rights. After termination of the agreement on December 31, 2011, equipment, vehicles and supplies must be transferred to partners named in the agreement or to the final recipients of the action supported by the agreement. The net value of property and equipment purchased under this contract is \$8,464.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets depending on the existence of any donor 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported in unrestricted support. Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.

Net Assets

Net assets are classified based upon the presence or absence of donor restrictions. The composition of CVT's donor restricted net assets is discussed further in Note 6. In 2011, the Board of Directors of CVT established a Board designated reserve based on 1% of annual support and revenue which appears as a component of unrestricted net assets. In addition, CVT has elected to designate the amount of net property and equipment as a separate amount within unrestricted net assets.

Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with CVT's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Concentration of Credit Risk

CVT maintains cash in U. S. bank deposit accounts which at times may exceed FDIC limits. CVT has not experienced any losses on such accounts and CVT believes they are not exposed to any significant credit risk on cash and cash equivalents.

Income Taxes

CVT is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. In addition, CVT qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

CVT has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10 (previously Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*), on January 1, 2009. The implementation of this standard had no impact on the financial statements. As of both the date of adoption, and as of December 31, 2011, the unrecognized tax benefit accrual was zero. The CVT will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Functional Allocation of Expenses

Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated among the programs and supporting services benefited.

For the year ended December 31, 2011, CVT has allocated joint costs for program activities that are conducted with the quarterly newsletter, annual report, and various fund raising appeals. The costs have been allocated among program and supporting services as follows:

Fundraising	\$ 144,050
Public policy and education	100,503
	<hr/>
	\$ 244,553
	<hr/> <hr/>

Note 2 - Financial Instruments

Cash and cash equivalents include the following:

Cash in U.S accounts	\$ 1,008,449
Cash in Kenya	
Held in U.S. dollars	14,960
Held in Shillings	43,315
Cash in Jordan	
Held in U.S. dollars	29,557
Held in Dinars	36,392
Cash in Democratic Republic of Congo	
Held in U.S. dollars	23,176
Cash in Uganda	
Held in U.S. dollars	9,523
Held in Shillings	204
	\$ 1,165,576
	\$ 1,165,576

The U.S. dollars are converted to Shillings and Dinars as needed. The funds in Kenya, Jordan, DRC, and Uganda are subject to the political activity in those countries.

Note 3 - Investments

Investments consist of the following at December 31, 2011:

	Market Value
Equity securities	\$ 5,166
U.S. government obligations	22,009
Money market	57,408
	84,583
Investments held at Minneapolis Foundation	24,464
	\$ 109,047

The investments are recorded on CVTs financial statements in the following accounts:

Investments	\$ 38,700
Restricted investments	70,347
	\$ 109,047

A summary of earnings on investments for the year ended December 31, 2011 is as follows:

Interest	\$	3,915
Dividends		554
Net realized loss		(653)
Net unrealized loss		(680)
		(680)
		\$ 3,136

All investment income and net realized gains or losses summarized above are investments carried at fair value.

Note 4 - Fair Value Measurements

The following table sets forth by level, within fair value hierarchy, CVT's assets at fair value as of December 31, 2011:

	Quoted Prices in Active Markets (Level 1)	Unobservable Inputs (Level 3)
Equity securities	\$ 5,166	\$ -
U.S. government obligations	22,009	-
Money market	57,408	-
Investments held at Minneapolis Foundation	-	24,464
	\$ 84,583	\$ 24,464

The table sets forth a summary of changes in the fair value of CVT's Level 3 assets for the year ended December 31, 2011:

	Alternative Investments
Balance, beginning of year	\$ 24,575
Unrealized gain	91
Purchases, sales, issuances, and settlements (net)	(202)
	\$ 24,464

Note 5 - Promises to Give

Unconditional promises to give are as follows:

Foundation to Promote Open Society in Colloboration with Open Society Institute	\$ 100,000
Foundation to Promote Open Society in Colloboration with Open Society Institute	957,282
Huss Foundation	40,000
Other funders	<u>50,000</u>
	<u>\$ 1,147,282</u>
Unconditional promises to give	\$ 696,859
Net promises to give greater than one year	<u>450,423</u>
	<u>\$ 1,147,282</u>

Management believes all promises are collectible. Therefore, no allowance for uncollectible promises was recorded.

Note 6 - Restrictions on Net Assets

Temporarily restricted net assets include gifts for which donor imposed restrictions have not been met and promises to give for which the ultimate purpose of the proceeds is not permanently restricted. Temporarily restricted net assets for the year ended December 31, 2011, are available for the following purposes:

Program restrictions	
New Tactics in Human Rights Project	\$ 151,317
New Tactics in Human Rights Project - Middle East and North Africa Initiative	1,215,707
Healing in Partnership	126,915
University of Minnesota Collaboration	51,800
Public Policy	<u>170,000</u>
	1,715,739
Timing restrictions	
General operations	<u>98,063</u>
	<u>\$ 1,813,802</u>

The releases of restrictions for the year ended December 31, 2011 are as follows:

Program restrictions	
New Tactics in Human Rights Project	\$ 114,430
New Tactics in Human Rights Project - Middle East and North Africa Initiative	84,293
Client services	240,667
Democratic Republic of Congo	135,000
Jordan	90,000
Healing in Partnership	149,384
University of Minnesota Collaboration	39,161
Public policy	100,000
	952,935
Timing restrictions	
General operations	16,781
	\$ 969,716

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support CVT's building maintenance or client services.

Note 7 - Pledges Receivable

Pledges receivable have been recorded for future commitments made by donors at the organization's annual fundraising event. Doubtful accounts were identified and a 100% allowance for them was recorded. A 5% allowance was established on the remaining balance of pledges receivable. Pledges are recorded at the present value of the annual cash flows as pledged by donors. The discounts of those amounts were computed using U.S. Treasury Yield Curve Rates for the average duration of the cash flows for October 2011, the month of the event (.29%). Amortization of these discounts is included in public support revenue.

Pledges receivable in one year or less	\$ 80,000
Less:	
Allowance for uncollectible pledges	(9,900)
Unamortized discount	(600)
	\$ 69,500
Pledges receivable greater than one year	\$ 170,830
Less:	
Allowance for uncollectible pledges	(10,600)
Unamortized discount	(2,200)
	\$ 158,030

Note 8 - Concentration of Support and Revenue

Program service fees account for 64% of total support and revenue. Federal grants and contracts account for 82% of program service fees. A reduction in the level of these grants and contracts would have an effect on CVT's program and activities.

Program service fees funded the following program areas:

Client services	\$ 600,886
Training services - National Capacity Building	503,147
Training services - New Tactics in Human Rights	204,098
International services - PATH	649,336
International services - PEACH	387,975
International services - Democratic Republic of Congo	1,348,893
International services - Jordan	1,335,720
International services - Uganda	216,442
International services - Zimbabwe	167,964
International services - Kenya	1,013,687
International services - Liberia	<u>(2,477)</u>
	<u><u>\$ 6,425,671</u></u>

CVT operates professional training facilities in the Democratic Republic of Congo, Kenya and Jordan. Funds to support these operations represent 58% of the program service revenue and are subject to the political activity in those countries.

In addition, total Foundation support consists of 63% from one donor, of which \$606,859 is included in unconditional promises to give and \$450,423 is included in net promises to give greater than one year at December 31, 2011.

Note 9 - In-kind Contributions

CVT received the following in-kind contributions:

Office rent	\$ 51,180
Professional services	13,217
Legal services	<u>3,074</u>
	<u><u>\$ 67,471</u></u>

A total of 507 hours were donated by health care professionals who provided treatment to clients. The value of their services was approximately \$13,217 for the year ended December 31, 2011.

Note 10 - Retirement Plan

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. In 2010, the plan was suspended between May and October and no contributions were made to the plan. Plan expenses incurred by CVT were \$180,222 for the year ended December 31, 2011.

Note 11 - Facility Leases

CVT is renting a facility from the University of Minnesota. Rent is one dollar per year through August 31, 2013. CVT must pay for renovation, furnishing and maintenance of the building.

CVT is leasing additional office space in St. Paul through August 31, 2013, and in Washington, D.C. through October 31, 2011, at which time the lease continued on a month-to-month basis. Facility rent expense was \$146,925 for the year ended December 31, 2011.

Future minimum lease payments are as follows:

Years Ending December 31,	Amount
2012	\$ 114,913
2013	77,367
	\$ 192,280

Note 12 - 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.

CVT is involved in a legal proceeding arising in the ordinary course of business. In the opinion of management, although the outcome of any legal proceedings cannot be predicted, the ultimate liability of CVT in connection with its legal proceedings will not have a material adverse affect on the financial position or activities of CVT.

Note 13 - Line of Credit

CVT has available a \$500,000 line of credit with Western Bank; secured by a security agreement and all assets of CVT, expiring October 10, 2012. The interest rate is the prime rate plus 0.5%, with a minimum rate of 5%. As of December 31, 2011, there was no outstanding balance.

Note 14 - Sabbatical Leave Policy

CVT has a sabbatical leave policy intended for professional and personal renewal and growth of CVT staff, which allows for an extended leave of absence of either three months at full pay or six months at half-time pay. Employees who hold long-term professional or management positions may apply for a sabbatical after completing at least seven years of continuous service of at least an average of 75% time over the preceding five years if they anticipate at least two additional years of service after the sabbatical. Staff members are not guaranteed a sabbatical during their employment, and approval rests with the Executive Director. There was no sabbatical leave granted for 2011.

Note 15 - Endowment

CVT's endowment consists of two individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

CVT has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

The composition of Endowment Net Assets by fund type as of December 31, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 90,318	\$ 90,318

Changes in Endowment Net Assets for the year ending December 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 192	\$ -	\$ 70,318	\$ 70,510
Investment return:				
Investment income	40	-	-	40
Contributions	-	-	20,000	20,000
Appropriation of endowment assets for expenditure	(232)	-	-	(232)
Endowment net assets, end of year	\$ -	\$ -	\$ 90,318	\$ 90,318

The components of endowment funds classified as temporarily restricted net assets and permanently restricted net assets as of December 31, 2011 and 2010, respectively, are as follows:

	2011	2010
Permanently Restricted Net Assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	\$ 90,318	\$ 70,318

Return Objectives and Risk Parameters

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.

Strategies Employed for Achieving Objectives

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

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.

Note 16 - Subsequent Events

CVT has evaluated subsequent events through March 26, 2012, the date which the financial statements were available to be issued. CVT determined that there were no subsequent events that met the criteria for recognition or disclosure.