

FRIENDS OF THE
LEGAL RESOURCES CENTRE
OF SOUTH AFRICA

FINANCIAL STATEMENTS

MARCH 31, 2024 and 2023

FRIENDS OF THE LEGAL RESOURCES CENTRE OF SOUTH AFRICA

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements	
Statements of financial position as of March 31, 2024 and 2023	3
Statements of activities for the years ended March 31, 2024 and 2023	4
Statements of functional expenses for the years ended March 31, 2024 and 2023	5
Statements of cash flows for the years ended March 31, 2024 and 2023	6
Notes to financial statements	7 - 11

INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of the Legal Resources Centre of South Africa

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Friends of the Legal Resources Centre of South Africa (the "Foundation"), which comprise the statements of financial position as of March 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Friends of the Legal Resources Centre of South Africa as of March 31, 2024 and 2023, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Foundation's 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
December 10, 2024



FRIENDS OF THE LEGAL RESOURCES CENTRE OF SOUTH AFRICA

Statements of Financial Position

	March 31,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 3,439	\$ 17,205
Contributions receivable	750	2,750
Investments	5,485,597	4,824,519
Prepaid expenses	<u>1,612</u>	<u>1,382</u>
	<u>\$ 5,491,398</u>	<u>\$ 4,845,856</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 25,629</u>	<u>\$ 31,218</u>
Commitments (Note F)		
NET ASSETS		
Without donor restrictions	5,465,769	4,811,888
With donor restrictions	<u>-</u>	<u>2,750</u>
	<u>5,465,769</u>	<u>4,814,638</u>
Total net assets	<u>\$ 5,491,398</u>	<u>\$ 4,845,856</u>

FRIENDS OF THE LEGAL RESOURCES CENTRE OF SOUTH AFRICA

Statements of Activities

	Year Ended March 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions of financial assets	\$ 35,281	\$ -	\$ 35,281	\$ 25,655	\$ 2,750	\$ 28,405
Contributions of nonfinancial assets	949,860	-	949,860	-	-	-
Investment income (losses), net	<u>746,309</u>	<u>-</u>	<u>746,309</u>	<u>(345,018)</u>	<u>-</u>	<u>(345,018)</u>
Total operating support and revenue before net assets released from restrictions	1,731,450	-	1,731,450	(319,363)	-	(316,613)
Net assets released from restrictions	<u>2,750</u>	<u>(2,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>1,734,200</u>	<u>(2,750)</u>	<u>1,731,450</u>	<u>(319,363)</u>	<u>2,750</u>	<u>(316,613)</u>
Expenses:						
Program services	<u>984,683</u>	<u>-</u>	<u>984,683</u>	<u>153,868</u>	<u>-</u>	<u>153,868</u>
Supporting services:						
Management and general	91,329	-	91,329	75,140	-	75,140
Fund-raising	<u>4,307</u>	<u>-</u>	<u>4,307</u>	<u>3,568</u>	<u>-</u>	<u>3,568</u>
Total supporting services	<u>95,636</u>	<u>-</u>	<u>95,636</u>	<u>78,708</u>	<u>-</u>	<u>78,708</u>
Total expenses	<u>1,080,319</u>	<u>-</u>	<u>1,080,319</u>	<u>232,576</u>	<u>-</u>	<u>232,576</u>
Change in net assets	653,881	(2,750)	651,131	(551,939)	2,750	(549,189)
Net assets, beginning of year	<u>4,811,888</u>	<u>2,750</u>	<u>4,814,638</u>	<u>5,363,827</u>	<u>-</u>	<u>5,363,827</u>
Net assets, end of year	<u>\$ 5,465,769</u>	<u>\$ -</u>	<u>\$ 5,465,769</u>	<u>\$ 4,811,888</u>	<u>\$ 2,750</u>	<u>\$ 4,814,638</u>

See notes to financial statements.

FRIENDS OF THE LEGAL RESOURCES CENTRE OF SOUTH AFRICA

Statements of Functional Expenses

Year Ended March 31, 2024

	Program Services	Supporting Services			
	Legal Resources Centre	Management and General	Fund-raising	Total Supporting Services	Total Expenses
Professional fees	\$ 949,860	\$ 54,930	\$ -	\$ 54,930	\$ 1,004,790
Administrative Director fees	14,356	10,049	4,307	14,356	28,712
Insurance	4,143	4,142	-	4,142	8,285
Board meetings, travel and meals	16,324	16,323	-	16,323	32,647
Office expenses	-	1,638	-	1,638	1,638
Computer service	-	1,970	-	1,970	1,970
Miscellaneous	-	2,277	-	2,277	2,277
Total expenses	<u>\$ 984,683</u>	<u>\$ 91,329</u>	<u>\$ 4,307</u>	<u>\$ 95,636</u>	<u>\$ 1,080,319</u>

Year Ended March 31, 2023

	Program Services	Supporting Services			
	Legal Resources Centre	Management and General	Fund-raising	Total Supporting Services	Total Expenses
Grants	\$ 132,484	\$ -	\$ -	\$ -	\$ 132,484
Professional fees	-	50,257	-	50,257	50,257
Administrative Director fees	11,894	8,326	3,568	11,894	23,788
Insurance	4,067	4,066	-	4,066	8,133
Board meetings, travel and meals	5,423	9,114	-	9,114	14,537
Website	-	172	-	172	172
Office expenses	-	1,520	-	1,520	1,520
Computer service	-	1,170	-	1,170	1,170
Registered agent fees	-	180	-	180	180
Miscellaneous	-	335	-	335	335
Total expenses	<u>\$ 153,868</u>	<u>\$ 75,140</u>	<u>\$ 3,568</u>	<u>\$ 78,708</u>	<u>\$ 232,576</u>

FRIENDS OF THE LEGAL RESOURCES CENTRE OF SOUTH AFRICA

Statements of Cash Flows

	Year Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 651,131	\$ (549,189)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized (gains) losses on investments	(651,964)	468,079
Changes in operating assets and liabilities:		
Contributions receivable	2,000	(2,750)
Prepaid expenses	(230)	(158)
Accounts payable and accrued expenses	(5,589)	6,215
Net cash used in operating activities	(4,652)	(77,803)
Cash flows from investing activities:		
Proceeds from sales of investments	808,042	1,010,679
Purchases of investments	(817,156)	(921,255)
Net cash (used in) provided by investing activities	(9,114)	89,424
Change in cash and cash equivalents	(13,766)	11,621
Cash and cash equivalents - beginning of year	17,205	5,584
Cash and cash equivalents - end of year	<u>\$ 3,439</u>	<u>\$ 17,205</u>
Supplemental disclosure of cash flow information:		
Donated nonfinancial assets	<u>\$ 949,860</u>	<u>\$ -</u>

FRIENDS OF THE LEGAL RESOURCES CENTRE OF SOUTH AFRICA

Notes to Financial Statements March 31, 2024 and 2023

NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Foundation:

Friends of the Legal Resources Centre of South Africa (the "Foundation") is a non-profit organization formed under the District of Columbia's Non-Profit Corporation law, dedicated to supporting the Legal Resources Centre of South Africa (the "LRC"), an independent, public interest law center in South Africa, in its mission to advance human rights, equality, and social justice in South Africa. The organization provides financial support to the LRC, collaborates on joint initiatives, and raises awareness of the LRC's achievements both in the United States and globally. The Foundation is a public charity exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and from state and local taxes under comparable laws.

[2] Basis of accounting:

The financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and support and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

[4] Cash and cash equivalents:

The Foundation considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. Cash and cash equivalents held as part of the Foundation's investment portfolio are reflected as investments in the statements of financial position.

[5] Investments:

The Foundation's investments in mutual funds and exchange traded funds, consisting of equity and fixed-income, are reported at their fair values in the statements of financial position based on quoted market prices.

The Foundation's investments, in general, are subject to various risks, such as interest-rate, market and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the costs at the time of acquisition to proceeds received at the time of disposition. Unrealized gains and losses on investments are determined by comparing each investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned. Interest and dividends are presented net of the investment fees that are embedded in mutual fund transactions.

FRIENDS OF THE LEGAL RESOURCES CENTRE OF SOUTH AFRICA

Notes to Financial Statements March 31, 2024 and 2023

NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Net assets:

(i) *Net assets without donor restrictions:*

The Foundation's net assets without donor restrictions represent those resources that are available for current operations, as there are no restrictions on their use.

(ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or a specific period of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. Contributions with restrictions, the requirements of which are met in the year of donation, are reported as without donor restrictions.

As of March 31, 2023, the Foundation's net assets with donor restrictions were entirely restricted for time. Through the passage of time the net assets with donor restrictions were fully released as of March 31, 2024.

[7] Revenue recognition:

(i) *Contributions of financial assets and pledges:*

Contributions are recognized as revenue upon the receipt of cash, unconditional pledges, or other assets. Contributions are considered without donor restrictions, unless the donors restrict the use thereof, either through purpose restrictions or time considerations, as to their use. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Foundation's management or necessary events have taken place. Contributions to be received over a period longer than a single year are discounted at an appropriate discount rate commensurate with the risk involved. Contributions receivables are expected to be fully collected in the subsequent year and accordingly, no allowance for doubtful accounts was deemed necessary by management.

(ii) *Contributions of nonfinancial assets:*

The Foundation, from time to time, receives various forms of in-kind contributions, which are contributions of nonfinancial assets, primarily legal services. These types of contributions are reported as support without donor restrictions at their estimated fair value on the date of receipt and reported as expenses. The Foundation utilized a published index of law firm billable rates in estimating the fair value of donated services. For recognition of donated services in the Foundation's financial statements, such services must: (i) create or enhance nonfinancial assets, (ii) typically need to be acquired if not provided by donation, (iii) require a specialized skill, and (iv) be provided by individuals possessing these skills.

[8] Grants:

The Foundation provides grant support to the Legal Resources Centre of South Africa. Unconditional grants are recognized as expenses in the financial statements at the time of approval. Unconditional grants approved, but not yet paid, are reported as grants payable in the statements of financial position at each year-end. Grants payable are generally paid within the next fiscal year. Grants are awarded by the Foundation in U.S. Dollars and South African Rand ("ZAR"). Grants awarded in ZAR, but not yet paid as of March 31st, are reported in the statements of financial position at the prevailing exchange rate at the end of the year. Conditional grants are not reported as expenses until the conditions or milestones are met by the intended recipients.

FRIENDS OF THE LEGAL RESOURCES CENTRE OF SOUTH AFRICA

Notes to Financial Statements March 31, 2024 and 2023

NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Functional allocation of expenses:

The costs of providing the Foundation's program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by functional and natural classification. Accordingly, direct costs have been reflected within the program and supporting services categories based on the nature of the expense. Natural expenses that are attributable to more than one category are allocated by management based on time and effort. The program-related expenses include all expenses related to: (i) the administration of grants, and (ii) other expenses related to the operation of the program of the Foundation.

[10] Income tax uncertainties:

The Foundation is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Foundation's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Foundation's financial statements. Additionally, the Foundation incurred expenses related to delinquent obligations of federal and state payroll taxes of \$1,930 and \$2,675 in fiscal years 2024 and 2023, respectively.

[11] Subsequent events:

The Foundation evaluated subsequent events through December 10, 2024, the date on which the financial statements were available to be issued.

NOTE B - INVESTMENTS

At each fiscal year end, investments consisted of the following:

	March 31,			
	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 57,133	\$ 57,133	\$ 58,721	\$ 58,721
Mutual funds and exchange traded funds:				
Equity	3,207,968	2,109,849	2,715,271	2,210,478
Fixed-income	<u>2,220,496</u>	<u>2,382,287</u>	<u>2,050,527</u>	<u>2,311,699</u>
Total investments	<u>\$ 5,485,597</u>	<u>\$ 4,549,269</u>	<u>\$ 4,824,519</u>	<u>\$ 4,580,898</u>

Concentrations of the Foundation's investments, defined as being in excess of 10% of the fair value of its portfolio included: (i) approximately 41% invested in two equity mutual funds and 16% invested in one fixed-income mutual fund for fiscal year 2024; and (ii) approximately 36% invested in two equity mutual funds and 28% in two fixed-income mutual funds for fiscal year 2023.

FRIENDS OF THE LEGAL RESOURCES CENTRE OF SOUTH AFRICA

Notes to Financial Statements March 31, 2024 and 2023

NOTE B - INVESTMENTS (CONTINUED)

During each fiscal year, investment returns consisted of the following:

	Year Ended March 31,	
	2024	2023
Interest and dividends	\$ 126,217	\$ 155,006
Realized losses	(40,743)	(6,165)
Unrealized gains (losses)	692,707	(461,914)
Investment advisory fees	(31,872)	(31,945)
	<u>\$ 746,309</u>	<u>\$ (345,018)</u>

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.
- Level 2: Valuations are based on: (i) quoted prices for similar investments, in active markets; or (ii) quoted prices for those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where: (i) there is little, if any, market activity for the investments; or (ii) the investments cannot be independently valued.

The Foundation's mutual funds and exchange traded funds were all included in Level 1 as of March 31, 2024 and 2023.

The availability of market data is monitored by the Foundation's management to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

NOTE C - CONCENTRATION OF REVENUE

During fiscal-years 2024 and 2023, 96% and 83%, respectively, of contributions were received from one donor.

NOTE D - RELATED PARTY RELATIONSHIPS

One member of the Foundation's Board of Directors is also a director of the LRC. This individual does not constitute a majority of the LRC's governing body; thus, the two organizations' financial statements are not consolidated.

FRIENDS OF THE LEGAL RESOURCES CENTRE OF SOUTH AFRICA

Notes to Financial Statements March 31, 2024 and 2023

NOTE E - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available for general use within one year of the statements of financial position date for general expenditures (including scheduled grant payments) are as follows:

	March 31,	
	2024	2023
Cash and cash equivalents	\$ 3,439	\$ 17,205
Contributions receivable	750	-
Investments	<u>5,485,597</u>	<u>4,824,519</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,489,786</u>	<u>\$ 4,841,724</u>

Liquidity policy:

As part of the Foundation's liquidity management, the Foundation maintains a sufficient level of operating cash and investments, available to meet general expenditures, current liabilities and other obligations as they come due.

NOTE F - COMMITMENTS

In the normal course of business, the Foundation enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.