

CITIZENS COMMISSION ON HUMAN RIGHTS

DECEMBER 31, 2015 and 2014



September 13, 2016

INDEPENDENT AUDITORS' REPORT

Board of Directors
Citizens Commission on Human Rights
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Citizens Commission on Human Rights (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibility (Continued)

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 Citizens Commission on Human Rights of December 31, 2015 and 2014, and the statements of activities, functional expenses and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

NSBN LLP

NSBN LLP

Los Angeles, California

CITIZENS COMMISSION ON HUMAN RIGHTS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 338,704	\$ 127,847
Receivables, net	10,722	15,517
Grants receivable	59,516	-
Deposits and other assets	397,776	695,867
Donated assets	56,417	66,822
Inventory	36,110	43,879
Property and equipment, net	<u>135,100</u>	<u>32,722</u>
 TOTAL ASSETS	 \$ <u>1,034,345</u>	 \$ <u>982,654</u>
 LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>115,970</u>	\$ <u>20,695</u>
TOTAL LIABILITIES	<u>115,970</u>	<u>20,695</u>
NET ASSETS - unrestricted	<u>918,375</u>	<u>961,959</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>1,034,345</u>	 \$ <u>982,654</u>

See accompanying independent auditors' report.
The notes are an integral part of these financial statements.

CITIZENS COMMISSION ON HUMAN RIGHTS
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 and 2014

REVENUE AND SUPPORT	2015	2014
Educational publications and materials sales	\$ 41,362	\$ 55,694
Contribution from related parties	434,636	538,125
Grant from another nonprofit organization	503,819	1,524,508
Donations	2,487,003	1,512,637
License fee income	38,085	44,966
Membership income	89,185	35,450
Special events income	210,819	261,212
Other revenue	34,588	16,809
TOTAL REVENUE AND SUPPORT	\$ 3,839,497	\$ 3,989,401
EXPENSES		
Program services		
Hotline for psychiatric abuse	\$ 249,436	\$ 163,799
Lobbying	144,087	112,100
Public awareness and information campaign	2,185,188	1,897,783
Educational publications	299,291	318,732
Research	399,387	231,613
Supporting services		
Management and general	205,187	203,133
Fundraising	400,505	309,464
TOTAL EXPENSES	\$ 3,883,081	\$ 3,236,624
CHANGES IN NET ASSETS - unrestricted	(43,584)	752,777
NET ASSETS - unrestricted, January 1	961,959	209,182
NET ASSETS - unrestricted, December 31	<u>\$ 918,375</u>	<u>\$ 961,959</u>

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CITIZENS COMMISSION ON HUMAN RIGHTS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets - unrestricted	\$ (43,584)	\$ 752,777
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,832	12,226
Loss on disposition of property and equipment	19	-
(Increase) decrease in assets:		
Receivables	4,795	927
Grants receivables	(59,516)	-
Deposits and other assets	298,091	(684,829)
Donated assets	10,405	(5,362)
Inventory	7,769	13,434
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	95,275	(10,907)
Due to related party	-	(93,925)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	334,086	(15,659)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(123,229)	(8,243)
NET CASH (USED IN) INVESTING ACTIVITIES	(123,229)	(8,243)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	210,857	(23,902)
CASH AND CASH EQUIVALENTS, January 1	127,847	151,749
CASH AND CASH EQUIVALENTS, December 31	\$ <u>338,704</u>	\$ <u>127,847</u>

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CITIZENS COMMISSION ON HUMAN RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services					Supporting Services			
	Hotline for Psychiatric Abuse	Lobbying	Public Awareness and Information Campaign	Educational Publications	Research	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and employee benefits	\$ 158,557	\$ 88,649	\$ 416,387	\$ 148,782	\$ 233,236	\$ 1,045,611	\$ 103,751	\$ 118,050	\$ 1,267,412
Payroll taxes	13,970	7,242	33,844	13,108	18,276	86,440	9,141	10,401	105,982
	172,527	95,891	450,231	161,890	251,512	1,132,051	112,892	128,451	1,373,394
Cost of materials sold	-	-	-	15,915	-	15,915	-	-	15,915
Fundraising commissions	-	-	-	-	-	-	-	116,078	116,078
Insurance	2,763	1,677	12,406	3,752	2,980	23,578	2,938	2,666	29,182
Maintenance	738	544	5,570	1,460	546	8,858	1,231	952	11,041
Office and administrative	2,259	1,171	9,518	3,438	16,079	32,465	7,296	54,830	94,591
Postage and shipping	1,938	1,005	5,023	3,319	2,535	13,820	1,268	4,946	20,034
Printing and promotion	26,799	13,893	1,163,033	27,604	35,061	1,266,390	17,536	31,811	1,315,737
Professional fees	4,877	2,528	14,029	4,577	10,003	36,014	4,291	3,631	43,936
Rent	26,621	19,636	200,895	61,056	19,693	327,901	44,406	34,352	406,659
Special events costs	-	-	257,727	-	-	257,727	-	6,793	264,520
Taxes, dues and fees	56	30	2,329	57	50,071	52,543	343	1,648	54,534
Telephone	5,005	2,595	12,125	4,696	6,548	30,969	3,275	3,726	37,970
Travel	52	838	8,523	49	68	9,530	34	3,135	12,699
Utilities	4,409	3,252	33,271	8,723	3,261	52,916	7,354	5,689	65,959
Total expenses before depreciation	248,044	143,060	2,174,680	296,536	398,357	3,260,677	202,864	398,708	3,862,249
Depreciation	1,392	1,027	10,508	2,755	1,030	16,712	2,323	1,797	20,832
Total Expenses	\$ 249,436	\$ 144,087	\$ 2,185,188	\$ 299,291	\$ 399,387	\$ 3,277,389	\$ 205,187	\$ 400,505	\$ 3,883,081

See accompanying independent auditors' report.
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CITIZENS COMMISSION ON HUMAN RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program Services					Supporting Services			
	Hotline for Psychiatric Abuse	Lobbying	Public Awareness and Information Campaign	Educational Publications	Research	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and employee benefits	\$ 111,554	\$ 72,464	\$ 396,086	\$ 176,801	\$ 168,257	\$ 925,162	\$ 91,377	\$ 104,118	\$ 1,120,657
Payroll taxes	9,896	5,994	32,964	14,815	14,057	77,726	8,106	9,237	95,069
	121,450	78,458	429,050	191,616	182,314	1,002,888	99,483	113,355	1,215,726
Contributions to affiliated organizations	-	-	8,950	-	-	8,950	-	-	8,950
Cost of materials sold	-	-	-	27,114	-	27,114	-	-	27,114
Fundraising commissions	-	-	-	-	-	-	-	63,849	63,849
Insurance	2,998	2,055	17,638	5,362	3,023	31,076	3,997	3,446	38,519
Maintenance	613	453	4,629	1,214	454	7,363	1,023	792	9,178
Office and administrative	899	545	10,406	4,663	12,066	28,579	7,885	39,647	76,111
Postage and shipping	940	569	40,032	5,595	1,335	48,471	770	877	50,118
Printing and promotion	95	154	877,089	4,303	135	881,776	78	4,349	886,203
Professional fees	-	-	2,000	-	1,575	3,575	30,961	10,029	44,565
Rent	26,620	19,635	200,884	61,072	19,692	327,903	44,404	34,350	406,657
Staff Training	392	237	1,304	586	556	3,075	321	2,200	5,596
Special events costs	-	-	230,327	-	-	230,327	-	25,379	255,706
Taxes, dues and fees	25	16	12,356	39	193	12,629	279	186	13,094
Telephone	4,415	2,674	14,706	6,609	6,271	34,675	3,616	4,121	42,412
Travel	58	3,399	8,463	86	82	12,088	1,486	54	13,628
Utilities	4,477	3,302	33,782	8,856	3,312	53,729	7,467	5,776	66,972
Total expenses before depreciation	162,982	111,497	1,891,616	317,115	231,008	2,714,218	201,770	308,410	3,224,398
Depreciation	817	603	6,167	1,617	605	9,809	1,363	1,054	12,226
Total Expenses	\$ 163,799	\$ 112,100	\$ 1,897,783	\$ 318,732	\$ 231,613	\$ 2,724,027	\$ 203,133	\$ 309,464	\$ 3,236,624

See accompanying independent auditors' report.
The notes are an integral part of these financial statements.

CITIZENS COMMISSION ON HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Description of Reporting Entity-

Citizens Commission on Human Rights (CCHR) is a California, tax-exempt, nonprofit, public benefit corporation dedicated to investigating and exposing psychiatric violations of human rights. As a research and educational organization, CCHR's primary goal is to provide the general public with the facts they need for a better understanding of the social, medical, economic and legal effects of certain psychiatric practices and treatments. It also seeks to protect the public against increasing encroachment on individual rights and civil liberties that result from psychiatry's impingement on society.

CCHR's objectives are to bring these matters to the attention of the public and relevant governmental entities and to encourage a more responsible approach to mental healing that respects human and civil rights of all individuals concerned.

CCHR achieves its goals through extensive educational and outreach activities. It conducts research, publishes educational literature, serves as an international informational clearinghouse, hosts educational events, and engages in other public outreach and educational activities, including providing tours of its permanent museum, Psychiatry, the Industry of Death Museum.

Tax Exempt Status-

CCHR is recognized by the Internal Revenue Service as exempt from Federal income tax under Section 501(c)(3). CCHR is also recognized by the California Franchise Tax Board as exempt from California Corporation Franchise Tax under Section 23772(a)(2)(A)(i) of the California Revenue and Taxation Code and exempt from income tax under Section 2370(1)(d). CCHR qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Income Taxes-

CCHR files Form 990, Return of Organization Exempt from Income Tax, and Form 199, California Exempt Organization Annual Information Return.

CCHR has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state level. It has determined that all income tax positions are more likely than not (greater than 50% chance) of being sustained upon potential audit or examination; therefore, no recognition or disclosure of uncertain income tax positions is required in the financial statements.

With few exceptions, CCHR is no longer subject to U.S. federal and state examinations by tax authorities for years before 2012 and 2011, respectively.

CITIZENS COMMISSION ON HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(Continued)

Basis of Accounting-

The financial statements of CCHR have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

Basis of Presentation-

The financial statements of CCHR have been presented in accordance with the AICPA's Audit and Accounting Guide, "Not-For-Profit Organizations." The accounting policies followed are described below.

Net Asset Classes-

The accompanying financial statements present information regarding CCHR's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The three classes are differentiated by donor restrictions:

a- Unrestricted

Net assets that are not subject to donor-imposed restrictions, or donor-restricted contributions whose restrictions are met within the same reporting period.

b- Temporarily Restricted

Net assets that are subject to donor-imposed time or use restrictions that have not been met as of year-end. Temporarily restricted net assets are restricted for time (e.g., multi-year pledges) or specific programs. There were no temporarily restricted net assets at December 31, 2015 and 2014.

c- Permanently Restricted

Net assets subject to donor-imposed restrictions that are maintained permanently. There were no permanently restricted net assets at December 31, 2015 and 2014.

Functional Expense Allocation-

The costs of providing CCHR's programs and the supporting services have been summarized on a functional basis in the statement of activities, and in the statement of functional expenses. Accordingly, certain costs have been allocated between program and supporting services in reasonable ratios determined by management.

Use of Estimates in the Preparation of Financial Statements -

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.

CITIZENS COMMISSION ON HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(Continued)

Cash and Cash Equivalents-

Cash and cash equivalents include all funds in banks and highly liquid investments in other financial institutions, with initial maturity of three months or less. The carrying value approximates fair value.

Inventory-

Inventory is stated at lower of cost or market; cost is determined by the average cost method. Inventory consists of public awareness and/or educational booklets, pamphlets and books, as well as insignia promoting the museum. Shipping costs are expensed when paid.

Fair value measurements-

CCHR adopted the Financial Accounting Standards Board issued ASC number 820-10, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by ASC number 820-10. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include listed equities held in the name of the Organization, and exclude listed equities and other securities held indirectly through commingled funds.

Level II Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

CITIZENS COMMISSION ON HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(Continued)

Property and equipment-

Property and equipment are carried at cost. Depreciation is computed using primarily the straight-line method, with the following estimated useful lives:

	<u>YEARS</u>
Furniture and equipment	5-7
Display fixtures	7
Software	3

Expenditures for maintenance, repairs, and renewals of minor items are charged to expense as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

Donated assets-

Non-cash donations are recorded as contributions at fair market value at the time of donation.

Receivables-

Receivables represent amounts owed to CCHR by CCHR chapters for license fees, and by donors for pledged unconditional promises to give. The receivables are stated at fair value net of allowances.

Subsequent events-

Management has evaluated subsequent events through September 13, 2016, the date the financial statements were available to be issued.

Note 2 DONATED ASSETS

Donated assets consisted of non-cash donations. These donated assets are recorded as contributions at the fair market value at the time of donation. The fair value of the donated assets has been measured on a nonrecurring basis using quoted prices for similar assets in inactive markets (Level II inputs).

CITIZENS COMMISSION ON HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 3 FAIR VALUE MEASUREMENTS

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value at December 31, 2015 and 2014 are as follows:

	<u>Fair Value</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>Measured on a Nonrecurring Basis at December 31, 2015</u>				
Donated assets	\$ 56,417	\$ -	\$ 56,417	\$ -
<u>Measured on a Nonrecurring Basis at December 31, 2014</u>				
Donated assets	\$ 66,822	\$ -	\$ 66,822	\$ -

Note 4 RECEIVABLES

	<u>2015</u>	<u>2014</u>
License fees receivable	\$ 15,869	\$ 30,109
Pledges receivable	5,575	925
	21,444	31,034
Less allowance for doubtful accounts	(10,722)	(15,517)
	<u>\$ 10,722</u>	<u>\$ 15,517</u>

Note 5 PROPERTY AND EQUIPMENT

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 1,271,340	\$ 1,283,242
Display fixtures	760,157	720,420
Software	50,040	49,509
	2,081,537	2,053,171
Less accumulated depreciation	(1,946,437)	(2,020,449)
	<u>\$ 135,100</u>	<u>\$ 32,722</u>

CITIZENS COMMISSION ON HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 6 RELATED PARTY TRANSACTIONS

CCHR is affiliated with Church of Scientology International (CSI) and Social Betterment Properties Incorporated (SBPI), both of which are tax-exempt nonprofit corporations.

CCHR is related to all CCHR chapters globally and all license fees receivable are from related parties.

CCHR occupies a facility owned by SBPI, rent free. The approximate fair value of the monthly rent was estimated to be \$32,460, which is included in contributions and rent expenses in the statement of activities.

Included in printing and promotion are dissemination expenses paid to related parties in the amount of \$813,195 and \$827,992, in 2015 and 2014, respectively.

Included in contribution from related party are CCHR's operating expenses paid by CSI in the amount of \$28,437 and \$27,528, in 2015 and 2014, respectively. CSI also contributed \$16,683 and \$121,801 in 2015 and 2014, respectively, to CCHR for liability insurance premiums.

Included in deposits and other assets are prepaid expenses paid to CSI for dissemination in the amount of \$368,427 and \$687,177, in 2015 and 2014, respectively.

Included in acquisitions of property and equipment are display fixtures paid to CSI in the amount of \$93,616 in 2015.

Note 7 CONCENTRATION OF CREDIT RISK

Cash and cash equivalents include approximately \$89,310 and \$574,650 in 2015 and 2014, respectively, in excess of insured limits.