

**CITIZENS COMMISSION ON HUMAN RIGHTS**

**DECEMBER 31, 2016 and 2015**



September 15, 2017

## INDEPENDENT AUDITORS' REPORT

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

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, 2016 and 2015, 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 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.

INDEPENDENT AUDITORS' REPORT

*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 as of December 31, 2016 and 2015, and the statements of activities, functional expenses and cash flows for the years then ended in accordance 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, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 302,508	\$ 338,704
Receivables, net	7,548	10,722
Grants receivable	112,345	59,516
Deposits and other assets	119,266	397,776
Donated assets	57,767	56,417
Inventory	28,433	36,110
Property and equipment, net	<u>109,744</u>	<u>135,100</u>
 TOTAL ASSETS	 <u>\$ 737,611</u>	 <u>\$ 1,034,345</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 160,193	\$ 111,681
Deferred revenue	<u>2,581</u>	<u>4,289</u>
 TOTAL LIABILITIES	 162,774	 115,970
 NET ASSETS - unrestricted	 <u>574,837</u>	 <u>918,375</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 737,611</u>	 <u>\$ 1,034,345</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, 2016 and 2015

REVENUE AND SUPPORT	2016	2015
Educational publications and materials sales	\$ 33,321	\$ 41,362
Contribution from related parties	441,174	434,636
Grant from another nonprofit organization	1,423,141	503,819
Donations	1,591,408	2,487,003
License fee income	48,217	38,085
Membership income	96,780	89,185
Special events income	221,235	210,819
Other revenue	25,900	34,588
	<u>\$ 3,881,176</u>	<u>\$ 3,839,497</u>
EXPENSES		
Program services		
Hotline for psychiatric abuse	\$ 219,816	\$ 249,436
Lobbying	165,101	144,087
Public awareness and information campaign	2,697,269	2,185,188
Educational publications	287,862	299,291
Research	310,055	399,387
Supporting services		
Management and general	220,112	205,187
Fundraising	324,499	400,505
	<u>\$ 4,224,714</u>	<u>\$ 3,883,081</u>
CHANGES IN NET ASSETS - unrestricted	(343,538)	(43,584)
NET ASSETS - unrestricted, January 1	918,375	961,959
NET ASSETS - unrestricted, December 31	<u>\$ 574,837</u>	<u>\$ 918,375</u>

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CITIZENS COMMISSION ON HUMAN RIGHTS  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets - unrestricted	\$ (343,538)	\$ (43,584)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	28,920	20,832
Loss on disposition of property and equipment	-	19
(Increase) decrease in assets:		
Receivables	3,174	4,795
Grants receivables	(52,829)	(59,516)
Deposits and other assets	278,510	298,091
Donated assets	(1,350)	10,405
Inventory	7,677	7,769
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	48,512	95,132
Deferred revenue	<u>(1,708)</u>	<u>143</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(32,632)</b>	<b>334,086</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	<u>(3,564)</u>	<u>(123,229)</u>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(3,564)</b>	<b>(123,229)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(36,196)</b>	<b>210,857</b>
<b>CASH AND CASH EQUIVALENTS, January 1</b>	<b><u>338,704</u></b>	<b><u>127,847</u></b>
<b>CASH AND CASH EQUIVALENTS, December 31</b>	<b><u>\$ 302,508</u></b>	<b><u>\$ 338,704</u></b>

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CITIZENS COMMISSION ON HUMAN RIGHTS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2016

	Program Services					Supporting Services		Total Expenses	
	Hotline for Psychiatric Abuse	Lobbying	Public Awareness and Information Campaign	Educational Publications	Research	Total Program Services	Management and General		Fundraising
Salaries and employee benefits	\$ 151,642	\$ 115,546	\$ 444,664	\$ 151,505	\$ 226,942	\$ 1,090,299	\$ 124,930	\$ 123,796	\$ 1,339,025
Payroll taxes	13,334	9,604	36,301	13,322	17,731	90,292	10,985	10,886	112,163
	<u>164,976</u>	<u>125,150</u>	<u>480,965</u>	<u>164,827</u>	<u>244,673</u>	<u>1,180,591</u>	<u>135,915</u>	<u>134,682</u>	<u>1,451,188</u>
Cost of materials sold	-	-	-	15,246	-	15,246	-	-	15,246
Fundraising commissions	-	-	-	-	-	-	-	37,275	37,275
Insurance	2,670	1,947	13,817	3,997	2,750	25,181	3,346	2,823	31,350
Maintenance	1,198	884	9,044	2,371	887	14,384	1,999	1,546	17,929
Office and administrative	2,126	1,365	8,741	3,241	16,103	31,576	10,523	50,439	92,538
Postage and shipping	3,240	2,333	8,820	6,617	4,308	25,318	2,669	4,309	32,296
Printing and promotion	1,566	1,128	1,678,726	7,788	2,083	1,691,291	1,290	18,218	1,710,799
Professional fees	5,457	3,930	14,856	5,452	7,456	37,151	4,496	4,455	46,102
Rent	26,885	19,831	202,885	60,579	19,888	330,068	44,846	34,692	409,606
Special events costs	-	-	205,319	-	-	205,319	-	22,224	227,543
Staff training	1,271	915	3,460	1,270	1,690	8,606	1,047	1,037	10,690
Taxes, dues and fees	-	-	1,693	-	-	1,693	170	1,355	3,218
Telephone	4,243	3,056	11,550	4,239	5,642	28,730	3,495	3,464	35,689
Travel	-	-	10,724	-	-	10,724	-	-	10,724
Utilities	4,251	3,136	32,081	8,411	3,145	51,024	7,091	5,486	63,601
Total expenses before depreciation	<u>217,883</u>	<u>163,675</u>	<u>2,682,681</u>	<u>284,038</u>	<u>308,625</u>	<u>3,656,902</u>	<u>216,887</u>	<u>322,005</u>	<u>4,195,794</u>
Depreciation	<u>1,933</u>	<u>1,426</u>	<u>14,588</u>	<u>3,824</u>	<u>1,430</u>	<u>23,201</u>	<u>3,225</u>	<u>2,494</u>	<u>28,920</u>
Total Expenses	<u>\$ 219,816</u>	<u>\$ 165,101</u>	<u>\$ 2,697,269</u>	<u>\$ 287,862</u>	<u>\$ 310,055</u>	<u>\$ 3,680,103</u>	<u>\$ 220,112</u>	<u>\$ 324,499</u>	<u>\$ 4,224,714</u>

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

	Program Services					Supporting Services			Total Expenses
	Hotline for Psychiatric Abuse	Lobbying	Public Awareness and Information Campaign	Educational Publications	Research	Total Program Services	Management and General	Fundraising	
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
	<u>172,527</u>	<u>95,891</u>	<u>450,231</u>	<u>161,890</u>	<u>251,512</u>	<u>1,132,051</u>	<u>112,892</u>	<u>128,451</u>	<u>1,373,394</u>
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	<u>248,044</u>	<u>143,060</u>	<u>2,174,680</u>	<u>296,536</u>	<u>398,357</u>	<u>3,260,677</u>	<u>202,864</u>	<u>398,708</u>	<u>3,862,249</u>
Depreciation	<u>1,392</u>	<u>1,027</u>	<u>10,508</u>	<u>2,755</u>	<u>1,030</u>	<u>16,712</u>	<u>2,323</u>	<u>1,797</u>	<u>20,832</u>
Total Expenses	<u>\$ 249,436</u>	<u>\$ 144,087</u>	<u>\$ 2,185,188</u>	<u>\$ 299,291</u>	<u>\$ 399,387</u>	<u>\$ 3,277,389</u>	<u>\$ 205,187</u>	<u>\$ 400,505</u>	<u>\$ 3,883,081</u>

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, 2016 and 2015

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 2013 and 2012, respectively.

CITIZENS COMMISSION ON HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015

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, 2016 and 2015.

c- Permanently Restricted

Net assets subject to donor-imposed restrictions that are maintained permanently. There were no permanently restricted net assets at December 31, 2016 and 2015.

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, 2016 and 2015

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, other than exchange quoted prices in active markets, including broker quotes, are generally available for the investment and are either directly or indirectly observable as of the reporting date.
- Level III Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the models and methodologies that determine 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, 2016 and 2015

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 15, 2017, 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, 2016 and 2015

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, 2016 and 2015 are as follows:

	Fair Value	Level I	Level II	Level III
<u>Measured on a Nonrecurring Basis at December 31, 2016</u>				
Donated assets	\$ 57,767	\$ -	\$ 57,767	\$ -
<u>Measured on a Nonrecurring Basis at December 31, 2015</u>				
Donated assets	\$ 56,417	\$ -	\$ 56,417	\$ -

Note 4 RECEIVABLES

	2016	2015
License fees receivable	\$ 14,221	\$ 15,869
Pledges receivable	875	5,575
	15,096	21,444
Less allowance for doubtful accounts	(7,548)	(10,722)
	\$ 7,548	\$ 10,722

Note 5 PROPERTY AND EQUIPMENT

	2016	2015
Furniture and equipment	\$ 1,274,904	\$ 1,271,340
Display fixtures	760,157	760,157
Software	50,040	50,040
	2,085,101	2,081,537
Less accumulated depreciation	(1,975,357)	(1,946,437)
	\$ 109,744	\$ 135,100

CITIZENS COMMISSION ON HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015

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 \$588,323 and \$813,195 in 2016 and 2015, respectively.

Included in contribution from related parties are CCHR's operating expenses paid by CSI in the amount of \$34,290 and \$28,437 in 2016 and 2015, respectively. CSI also contributed \$17,367 and \$16,683 in 2016 and 2015, 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 \$94,019 and \$368,427 in 2016 and 2015, respectively.

Included in acquisitions of property and equipment are display fixtures paid to CSI in the amount of \$0 and \$93,616 in 2016 and 2015, respectively.

Note 7 CONCENTRATION OF CREDIT RISK

Cash and cash equivalents include approximately \$63,521 and \$89,310 in 2016 and 2015, respectively, in excess of insured limits.