

CITIZENS COMMISSION ON HUMAN RIGHTS

DECEMBER 31, 2011 and 2010



CERTIFIED PUBLIC ACCOUNTANTS
&
BUSINESS CONSULTANTS

September 13, 2012

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Citizens Commission on Human Rights (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 Citizens Commission on Human Rights of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

NSBN LLP
NSBN LLP

CITIZENS COMMISSION ON HUMAN RIGHTS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 494,964	\$ 298,428
Receivables, net of allowance	26,017	27,417
Deposits and other assets	12,700	26,219
Donated assets	98,911	107,094
Inventory	41,055	45,975
Property and equipment, net	<u>76,579</u>	<u>189,738</u>
 TOTAL ASSETS	 \$ <u>750,226</u>	 \$ <u>694,871</u>
 LIABILITIES		
Accounts payable and accrued liabilities	\$ 268,094	\$ 338,751
Due to related party	<u>60,774</u>	<u>42,180</u>
 TOTAL LIABILITIES	 <u>328,868</u>	 <u>380,931</u>
 NET ASSETS - unrestricted	 <u>421,358</u>	 <u>313,940</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>750,226</u>	 \$ <u>694,871</u>

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

CITIZENS COMMISSION ON HUMAN RIGHTS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 and 2010

REVENUE AND SUPPORT	<u>2011</u>	<u>2010</u>
Educational publications and materials sales	\$ 80,280	\$ 81,132
Contribution from related party	389,516	389,516
Grant from another nonprofit organization	743,154	1,554,535
Donations	1,424,150	1,432,232
License fee income	52,765	61,681
Membership income	35,893	45,648
Special events income	225,047	271,229
Other revenue	<u>11,756</u>	<u>4,653</u>
TOTAL REVENUE AND SUPPORT	<u>\$ 2,962,561</u>	<u>\$ 3,840,627</u>
EXPENSES		
Program services		
Hotline for psychiatric abuse	\$ 121,984	\$ 127,001
Lobbying	136,696	134,956
Public awareness and information campaign	1,603,143	2,603,890
Educational publications	291,704	266,507
Research	156,436	143,248
Supporting services		
Management and General	254,433	240,711
Fundraising	<u>290,747</u>	<u>363,544</u>
TOTAL EXPENSES	<u>\$ 2,855,143</u>	<u>\$ 3,879,857</u>
CHANGES IN NET ASSETS - unrestricted	107,418	(39,230)
NET ASSETS - unrestricted, January 1	<u>313,940</u>	<u>353,170</u>
NET ASSETS - unrestricted, December 31	<u>\$ 421,358</u>	<u>\$ 313,940</u>

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CITIZENS COMMISSION ON HUMAN RIGHTS
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets - unrestricted	\$ 107,418	\$ (39,230)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	126,179	171,878
Loss on disposition of fixed assets	23	-
(Increase) decrease in assets:		
Receivables	1,400	1,357
Deposits and other assets	13,519	(804)
Donated assets	8,183	(107,309)
Inventory	4,920	6,050
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	<u>(52,063)</u>	<u>(44,856)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	209,579	(12,914)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of fixed assets	<u>(13,043)</u>	<u>(3,427)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(13,043)</u>	<u>(3,427)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	196,536	(16,341)
CASH AND CASH EQUIVALENTS, January 1	<u>298,428</u>	<u>314,769</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 494,964</u>	<u>\$ 298,428</u>

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CITIZENS COMMISSION ON HUMAN RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

	Program Services						Supporting Services			Total Expenses
	Hotline	Lobbying	Public Awareness	Educational Publications	Research	Total Program Services	Management and General	Fundraising		
Salaries and employee benefits	\$ 66,233	\$ 57,029	\$ 342,739	\$ 116,574	\$ 96,895	\$ 679,470	\$ 104,789	\$ 82,554	\$ 866,813	
Payroll taxes	6,662	5,358	32,581	10,968	8,989	64,558	10,539	8,303	83,400	
	72,895	62,387	375,320	127,542	105,884	744,028	115,328	90,857	950,213	
Contributions to other Scientology organizations	2,818	2,266	13,783	4,640	3,803	27,310	4,458	3,512	35,280	
Cost of materials sold	-	-	-	30,041	-	30,041	-	-	30,041	
Fundraising commissions	-	-	-	-	-	-	-	102,596	102,596	
Insurance	2,765	2,141	16,825	4,966	2,974	29,671	4,482	3,501	37,654	
Maintenance	694	512	5,235	1,372	513	8,326	1,157	895	10,378	
Office and administrative	749	605	15,681	4,024	9,887	30,946	37,875	8,458	77,279	
Postage and shipping	552	444	12,338	9,105	745	23,184	1,226	1,364	25,774	
Printing and promotion	259	37,720	561,112	23,210	350	622,651	562	7,505	630,718	
Professional fees	-	-	-	-	-	-	20,456	-	20,456	
Grant	26,529	19,568	200,199	58,636	19,625	324,557	44,252	34,233	403,042	
Special events costs	-	-	287,918	-	-	287,918	-	18,924	306,842	
Taxes, dues and fees	4	3	570	8	3	588	332	25	945	
Telephone	2,847	2,290	13,926	4,688	3,842	27,593	4,505	3,549	35,647	
Travel	46	37	10,993	76	62	11,214	73	68	11,355	
Utilities	3,392	2,502	25,596	6,710	2,509	40,709	5,658	4,377	50,744	
Total expenses before depreciation	113,550	130,475	1,539,496	275,018	150,197	2,208,736	240,364	279,864	2,728,964	
Depreciation	8,434	6,221	63,647	16,686	6,239	101,227	14,069	10,883	126,179	
Total Expenses	\$ 121,984	\$ 136,696	\$ 1,603,143	\$ 291,704	\$ 156,436	\$ 2,309,963	\$ 254,433	\$ 290,747	\$ 2,855,143	

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CITIZENS COMMISSION ON HUMAN RIGHTS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	Program Services						Supporting Services			Total Expenses
	Hotline	Lobbying	Public Awareness	Educational Publications	Research	Total Program Services	Management and General	Fundraising		
Salaries and employee benefits	\$ 68,785	\$ 54,482	\$ 339,870	\$ 98,320	\$ 85,559	\$ 647,016	\$ 110,939	\$ 116,408	\$ 874,363	
Payroll taxes	6,396	4,738	29,962	8,486	7,300	56,882	10,316	10,824	78,022	
	<u>75,181</u>	<u>59,220</u>	<u>369,832</u>	<u>106,806</u>	<u>92,859</u>	<u>703,898</u>	<u>121,255</u>	<u>127,232</u>	<u>962,385</u>	
Contributions to other Scientology organizations	-	-	44,375	-	-	44,375	-	-	44,375	
Cost of materials sold	-	-	-	26,788	-	26,788	-	-	26,788	
Fundraising commissions	-	-	-	-	-	-	-	87,118	87,118	
Insurance	2,033	1,502	12,759	3,815	1,823	21,932	3,347	2,942	28,221	
Maintenance	480	354	3,505	1,071	355	5,765	801	620	7,186	
Office and administrative	519	384	11,962	1,910	8,769	23,544	5,037	44,753	73,334	
Postage and shipping	794	588	5,737	5,635	906	13,660	1,291	5,924	20,875	
Printing and promotion	1,956	38,937	1,565,865	15,286	2,832	1,624,876	4,744	10,484	1,640,104	
Professional fees	-	-	-	-	-	-	27,192	9,063	36,255	
Rent	26,434	19,498	193,568	64,765	19,554	323,819	44,093	34,110	402,022	
Special events costs	-	-	262,645	-	-	262,645	-	13,823	276,468	
Taxes, dues and fees	4	3	159	448	3	617	481	460	1,558	
Telephone	3,589	2,659	16,813	4,762	4,096	31,919	5,788	6,074	43,781	
Travel	515	382	3,603	683	588	5,771	831	943	7,545	
Utilities	4,007	2,955	29,245	8,933	2,964	48,104	6,687	5,173	59,964	
Total expenses before depreciation	115,512	126,482	2,520,068	240,902	134,749	3,137,713	221,547	348,719	3,707,979	
Depreciation	11,489	8,474	83,822	25,605	8,499	137,889	19,164	14,825	171,878	
Total Expenses	<u>\$ 127,001</u>	<u>\$ 134,956</u>	<u>\$ 2,603,890</u>	<u>\$ 266,507</u>	<u>\$ 143,248</u>	<u>\$ 3,275,602</u>	<u>\$ 240,711</u>	<u>\$ 363,544</u>	<u>\$ 3,879,857</u>	

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

CITIZENS COMMISSION ON HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

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 2008 and 2007, respectively.

CITIZENS COMMISSION ON HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

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.

Certain 2010 amounts are reclassified to conform to the 2011 presentation.

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, 2011 and 2010.

c- Permanently Restricted

Net assets subject to donor-imposed restrictions that are maintained permanently. There were no permanently restricted net assets at December 31, 2011 and 2010.

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, 2011 and 2010

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, 2011 and 2010

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 donor 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, 2012, the date the financial statements were available to be issued.

Note 2 DONATED ASSETS

Donated assets consisted of non-cash donations from CCHR's special events, and 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 2 inputs).

CITIZENS COMMISSION ON HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

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, 2011 and 2010 are as follows:

	Fair Value	Level I	Level II	Level III
<u>Measured on a Nonrecurring Basis at December 31, 2011</u>				
Donated assets	\$ 98,911	\$ -	\$ 98,911	\$ -
<u>Measured on a Nonrecurring Basis at December 31, 2010</u>				
Donated assets	\$ 107,094	\$ -	\$ 107,094	\$ -

Note 4 RECEIVABLES

	2011	2010
License fees receivable	\$ 43,183	\$ 51,697
Pledges receivable	8,854	3,137
	52,037	54,834
Less allowance for doubtful accounts	(26,020)	(27,417)
	\$ 26,017	\$ 27,417

Note 5 PROPERTY AND EQUIPMENT

	2011	2010
Furniture and equipment	\$ 1,282,659	\$ 1,367,187
Display fixtures	720,051	720,051
Software	47,086	45,471
	2,049,796	2,132,709
Less accumulated depreciation	(1,973,217)	(1,942,971)
	\$ 76,579	\$ 189,738

CITIZENS COMMISSION ON HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

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 due to related party is liability insurance premiums Due to CSI under group insurance policies obtained and paid for by CSI, in the amount of \$60,744 and \$42,180, in 2011 and 2010, respectively.

Included in printing and promotion is dissemination expenses paid to related parties in the amount of \$58,159 and \$882,651, in 2011 and 2010, respectively.

Note 7 CONCENTRATION OF CREDIT RISK

Cash and cash equivalents include approximately \$243,269 in 2011, in excess of insured limits. It is the opinion of CCHR management that the solvency of the relevant financial institutions is not of particular concern.