

**CITIZENS COMMISSION ON HUMAN RIGHTS**

**DECEMBER 31, 2012 and 2011**



CERTIFIED PUBLIC ACCOUNTANTS  
&  
BUSINESS CONSULTANTS

September 20, 2012

## 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, 2012 and 2011, 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.

### ***Auditor's Responsibility***

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 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.

*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, 2012 and 2011, and the results of its operation 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

Beverly Hills, CA

CITIZENS COMMISSION ON HUMAN RIGHTS  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012 and 2011

ASSETS	2012	2011
Cash and cash equivalents	\$ 452,858	\$ 494,964
Receivables, net of allowance	19,623	26,017
Deposits and other assets	13,554	12,700
Donated assets	60,143	98,911
Inventory	58,879	41,055
Property and equipment, net	21,607	76,579
 TOTAL ASSETS	 \$ 626,664	 \$ 750,226
 LIABILITIES		
Accounts payable and accrued liabilities	\$ 61,282	\$ 268,094
Due to related party	76,712	60,774
 TOTAL LIABILITIES	 137,994	 328,868
 NET ASSETS - unrestricted	 488,670	 421,358
 TOTAL LIABILITIES AND NET ASSETS	 \$ 626,664	 \$ 750,226

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, 2012 and 2011

REVENUE AND SUPPORT	2012	2011
Educational publications and materials sales	\$ 65,823	\$ 80,280
Contribution from related party	407,694	389,516
Grant from another nonprofit organization	477,532	743,154
Donations	1,784,682	1,424,150
License fee income	45,855	52,765
Membership income	53,998	35,893
Special events income	211,857	225,047
Other revenue	15,518	11,756
	<u>\$ 3,062,959</u>	<u>\$ 2,962,561</u>
EXPENSES		
Program services		
Hotline for psychiatric abuse	\$ 140,939	\$ 121,984
Lobbying	104,331	136,696
Public awareness and information campaign	1,731,501	1,603,143
Educational publications	266,698	291,704
Research	177,566	156,436
Supporting services		
Management and General	239,367	254,433
Fundraising	335,245	290,747
	<u>\$ 2,995,647</u>	<u>\$ 2,855,143</u>
CHANGES IN NET ASSETS - unrestricted	67,312	107,418
NET ASSETS - unrestricted, January 1	<u>421,358</u>	<u>313,940</u>
NET ASSETS - unrestricted, December 31	<u>\$ 488,670</u>	<u>\$ 421,358</u>

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

CITIZENS COMMISSION ON HUMAN RIGHTS  
STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets - unrestricted	\$ 67,312	\$ 107,418
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	62,430	126,179
Loss on disposition of property and equipment	5	23
(Increase) decrease in assets:		
Receivables	6,394	1,400
Deposits and other assets	(854)	13,519
Donated assets	38,768	8,183
Inventory	(17,825)	4,920
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(206,812)	(70,657)
Due to related party	15,938	18,594
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(34,644)	209,579
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	<u>(7,462)</u>	<u>(13,043)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(7,462)</u>	<u>(13,043)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(42,106)	196,536
CASH AND CASH EQUIVALENTS, January 1	<u>494,964</u>	<u>298,428</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 452,858</u>	<u>\$ 494,964</u>

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

CITIZENS COMMISSION ON HUMAN RIGHTS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2012

	Program Services					Supporting Services			Total Expenses
	Holline for Psychiatric Abuse	Lobbying	Public Awareness and Information Campaign	Educational Publications	Research	Total Program Services	Management and General	Fundraising	
Salaries and employee benefits	\$ 86,388	\$ 64,660	\$ 292,309	\$ 140,940	\$ 109,908	\$ 694,205	\$ 111,087	\$ 76,501	\$ 881,793
Payroll taxes	8,616	6,078	27,301	13,316	10,221	65,532	11,079	7,630	84,241
	95,004	70,738	319,610	154,256	120,129	759,737	122,166	84,131	986,034
Contributions to affiliated organizations	-	-	82,021	-	-	82,021	-	-	82,021
Cost of materials sold	-	-	-	8,325	-	8,325	-	-	8,325
Fundraising commissions	-	-	-	-	-	-	-	130,229	130,229
Insurance	2,619	1,882	12,962	4,508	2,631	24,602	3,774	2,750	31,126
Maintenance	534	394	4,028	1,055	395	6,406	891	689	7,986
Office and administrative	1,147	809	20,704	3,750	10,790	37,200	14,707	18,546	70,453
Postage and shipping	761	537	10,263	4,256	903	16,720	979	2,909	20,608
Printing and promotion	-	-	685,191	6,002	-	691,193	-	3,448	694,641
Professional fees	-	-	-	-	10,000	10,000	30,620	9,956	50,576
Rent	26,515	19,558	200,093	58,543	19,614	324,323	44,229	34,215	402,767
Staff Training	984	694	3,119	1,521	1,168	7,486	1,266	872	9,624
Special events costs	-	-	284,014	-	-	284,014	-	31,557	315,571
Taxes, dues and fees	4	3	12,064	8	3	12,082	177	540	12,799
Telephone	4,529	3,195	14,353	7,000	5,373	34,450	5,825	4,011	44,286
Travel	42	30	16,674	65	50	16,861	54	37	16,952
Utilities	4,627	3,413	34,915	9,153	3,423	55,531	7,718	5,970	69,219
Total expenses before depreciation	136,766	101,253	1,700,011	258,442	174,479	2,370,951	232,406	329,860	2,933,217
Depreciation	4,173	3,078	31,490	8,256	3,087	50,084	6,961	5,385	62,430
Total Expenses	\$ 140,939	\$ 104,331	\$ 1,731,501	\$ 266,698	\$ 177,566	\$ 2,421,035	\$ 239,367	\$ 335,245	\$ 2,995,647

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

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

	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	\$ 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
Rent	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

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, 2012 and 2011

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 2009 and 2008, respectively.

CITIZENS COMMISSION ON HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011

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, 2012 and 2011.

c- Permanently Restricted

Net assets subject to donor-imposed restrictions that are maintained permanently. There were no permanently restricted net assets at December 31, 2012 and 2011.

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, 2012 and 2011

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, 2012 and 2011

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, 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, 2012 and 2011

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, 2012 and 2011 are as follows:

	Fair Value	Level I	Level II	Level III
<u>Measured on a Nonrecurring Basis at December 31, 2012</u>				
Donated assets	\$ <u>60,143</u>	\$ <u>-</u>	\$ <u>60,143</u>	\$ <u>-</u>
<u>Measured on a Nonrecurring Basis at December 31, 2011</u>				
Donated assets	\$ <u>98,911</u>	\$ <u>-</u>	\$ <u>98,911</u>	\$ <u>-</u>

Note 4 RECEIVABLES

	2012	2011
License fees receivable	\$ 38,989	\$ 43,183
Pledges receivable	258	8,854
	39,247	52,037
Less allowance for doubtful accounts	(19,624)	(26,020)
	\$ 19,623	\$ 26,017

Note 5 PROPERTY AND EQUIPMENT

	2012	2011
Furniture and equipment	\$ 1,267,414	\$ 1,282,659
Display fixtures	720,420	720,051
Software	47,384	47,086
	2,035,218	2,049,796
Less accumulated depreciation	(2,013,611)	(1,973,217)
	\$ 21,607	\$ 76,579

CITIZENS COMMISSION ON HUMAN RIGHTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011

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 \$76,712 and \$60,744 in 2012 and 2011, respectively.

Included in printing and promotion is dissemination expenses paid to related parties in the amount of \$11,607 and \$58,159, in 2012 and 2011, respectively.

Included in contributions from related party is CCHR's operating expenses paid by CSI in the amount of approximately \$18,000.

Note 7 CONCENTRATION OF CREDIT RISK

Cash and cash equivalents include approximately \$176,445 and \$243,269 in 2012 and 2011, respectively, 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.