

PHYSICIANS FOR HUMAN RIGHTS, INC.

FINANCIAL STATEMENTS

June 30, 2014

CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
<hr/>	
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities and changes in net assets	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7 - 15
<hr/>	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	16 - 17

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Physicians for Human Rights, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Physicians for Human Rights, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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.

-1-

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Physicians for Human Rights, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2015, on our consideration of Physicians for Human Rights, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Physicians for Human Rights, Inc.'s internal control over financial reporting and compliance.

*Rachelon Trechette,
McCoy, Michael & Co.*

Providence, Rhode Island
May 12, 2015

PHYSICIANS FOR HUMAN RIGHTS, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS	2014	2013*
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,041,186	\$ 1,318,666
Accounts receivable	5,264	4,808
Grant and contribution receivables	3,526,622	2,746,926
Prepaid expenses and other	101,010	85,640
Total current assets	4,674,082	4,156,040
 PROPERTY AND EQUIPMENT, less accumulated depreciation 2014 \$86,667; 2013 \$240,457	 441,442	 56,603
OTHER ASSETS		
Grant and contribution receivables, net of current portion	300,000	217,557
Investments	3,841,508	2,914,046
Deposits	49,658	55,901
	4,191,166	3,187,504
	\$ 9,306,690	\$ 7,400,147
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 1,486,891	\$ -
Accounts payable	82,325	251,943
Accrued expenses	303,896	357,268
Deferred revenue	462	462
Total current liabilities	1,873,574	609,673
 NET ASSETS		
Unrestricted	3,643,536	3,461,230
Temporarily restricted	3,789,580	3,329,244
	7,433,116	6,790,474
	\$ 9,306,690	\$ 7,400,147

*Reclassified for comparative purposes

See Notes to Financial Statements

PHYSICIANS FOR HUMAN RIGHTS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2014 and 2013

	Year Ended June 30, 2014		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and service contracts	\$ 2,085,381	\$ 2,827,093	\$ 4,912,474
Federal support	-	795,050	795,050
Contributions and memberships	1,159,315	-	1,159,315
Contributed services	757,218	-	757,218
Other	24,052	-	24,052
Interest income	144	-	144
Investment gain	488,518	-	488,518
Net assets released from restrictions	3,104,578	(3,104,578)	-
Other decreases	-	(57,229)	(57,229)
Total support and revenue	<u>7,619,206</u>	<u>460,336</u>	<u>8,079,542</u>
 OPERATING EXPENSES			
Program services	5,875,468	-	5,875,468
Fundraising	369,484	-	369,484
Management and general	863,192	-	863,192
Total operating expenses	<u>7,108,144</u>	<u>-</u>	<u>7,108,144</u>
 Increase (decrease) in net assets before other expenses	 511,062	 460,336	 971,398
 OTHER EXPENSES			
Interest expense	36,681	-	36,681
Transition and relocation	292,075	-	292,075
	<u>328,756</u>	<u>-</u>	<u>328,756</u>
 Increase (decrease) in net assets	 182,306	 460,336	 642,642
 NET ASSETS, beginning	 3,461,230	 3,329,244	 6,790,474
NET ASSETS, ending	<u>\$ 3,643,536</u>	<u>\$ 3,789,580</u>	<u>\$ 7,433,116</u>

Year Ended June 30, 2013

Unrestricted	Temporarily Restricted	Total
\$ 917,110	\$ 2,003,135	\$ 2,920,245
-	-	-
989,436	-	989,436
759,150	-	759,150
37,292	-	37,292
1,218	-	1,218
409,020	-	409,020
3,866,035	(3,866,035)	-
-	-	-
<u>6,979,261</u>	<u>(1,862,900)</u>	<u>5,116,361</u>
5,265,065	-	5,265,065
542,938	-	542,938
660,490	-	660,490
<u>6,468,493</u>	<u>-</u>	<u>6,468,493</u>
510,768	(1,862,900)	(1,352,132)
-	-	-
348,545	-	348,545
<u>348,545</u>	<u>-</u>	<u>348,545</u>
162,223	(1,862,900)	(1,700,677)
3,299,007	5,192,144	8,491,151
<u>\$ 3,461,230</u>	<u>\$ 3,329,244</u>	<u>\$ 6,790,474</u>

See Notes to Financial Statements

PHYSICIANS FOR HUMAN RIGHTS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2014 and 2013

	Year Ended June 30, 2014			
	Program Services	Fundraising	Management and General	Total
PERSONNEL				
Salaries	\$ 1,805,510	\$ 218,908	\$ 293,428	\$ 2,317,846
Payroll taxes and benefits	375,126	43,387	56,945	475,458
Pension	15,760	1,938	15,596	33,294
	<u>2,196,396</u>	<u>264,233</u>	<u>365,969</u>	<u>2,826,598</u>
OCCUPANCY				
Rent	336,245	-	67,543	403,788
Utilities	8,743	-	1,694	10,437
	<u>344,988</u>	<u>-</u>	<u>69,237</u>	<u>414,225</u>
EXPENSES				
Advertising	2,000	-	740	2,740
Bank and payroll fees	14,533	12	1,616	16,161
Consultants and stipends	1,797,875	31,277	257,402	2,086,554
Contract services	233,994	1,965	22,983	258,942
Depreciation	36,089	6	9,016	45,111
Equipment rental	20,693	900	1,942	23,535
Filing fees	-	11,293	500	11,793
Insurance	-	-	42,856	42,856
Internet/telephone expense	81,640	994	6,971	89,605
Meetings and conferences	123,383	5,350	19,082	147,815
Miscellaneous	8,723	329	-	9,052
Office supplies	59,882	1,493	11,815	73,190
Postage and delivery	11,572	1,208	5,235	18,015
Printing and duplication	79,999	4,499	3,155	87,653
Professional fees	41,207	-	2,743	43,950
Program supplies	88,788	843	5,812	95,443
Telemarketing and direct mail	-	32,748	-	32,748
Travel	733,706	12,334	36,118	782,158
	<u>3,334,084</u>	<u>105,251</u>	<u>427,986</u>	<u>3,867,321</u>
	<u>\$ 5,875,468</u>	<u>\$ 369,484</u>	<u>\$ 863,192</u>	<u>\$ 7,108,144</u>

Year Ended June 30, 2013

Program Services	Fundraising	Management and General	Total
\$ 1,757,521	\$ 226,203	\$ 149,076	\$ 2,132,800
346,585	44,051	26,513	417,149
42,971	5,177	-	48,148
<u>2,147,077</u>	<u>275,431</u>	<u>175,589</u>	<u>2,598,097</u>
351,374	38,256	54,110	443,740
9,187	1,169	1,504	11,860
<u>360,561</u>	<u>39,425</u>	<u>55,614</u>	<u>455,600</u>
1,646	45,142	985	47,773
16,063	1,275	8,370	25,708
1,236,080	100,420	230,429	1,566,929
408,675	16,575	120,961	546,211
10,169	685	3,657	14,511
10,640	691	1,198	12,529
-	2,771	500	3,271
15,294	1,547	2,090	18,931
58,613	1,593	8,096	68,302
106,555	4,553	4,057	115,165
19,585	2,645	2,776	25,006
47,390	3,907	11,782	63,079
6,508	1,401	970	8,879
36,751	3,111	3,393	43,255
6,524	-	23,476	30,000
43,877	-	-	43,877
-	36,890	-	36,890
733,057	4,876	6,547	744,480
<u>2,757,427</u>	<u>228,082</u>	<u>429,287</u>	<u>3,414,796</u>
<u>\$ 5,265,065</u>	<u>\$ 542,938</u>	<u>\$ 660,490</u>	<u>\$ 6,468,493</u>

See Notes to Financial Statements

PHYSICIANS FOR HUMAN RIGHTS, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	2014	2013*
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 642,642	\$ (1,700,677)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Realized gain on sale of investments	(251,920)	(99,039)
Unrealized gain on investments	(124,425)	(309,981)
Depreciation	45,111	14,511
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(456)	(3,470)
Grant and contribution receivables	(862,139)	1,613,202
Prepaid expenses and other	(15,370)	10,202
Deposits	6,243	(29,931)
Increase (decrease) in:		
Accounts payable	(169,618)	199,950
Accrued expenses	(53,372)	87,231
Net cash used in operating activities	<u>(783,304)</u>	<u>(218,002)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(429,950)	(53,482)
Purchase of investments	(3,332,853)	(517,474)
Proceeds from sales of investments	2,781,736	1,397,444
Net cash (used in) provided by investing activities	<u>(981,067)</u>	<u>826,488</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Net advances on line of credit	1,486,891	-
Net cash provided by financing activity	<u>1,486,891</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(277,480)	608,486
CASH AND CASH EQUIVALENTS		
Beginning	1,318,666	710,180
Ending	<u>\$ 1,041,186</u>	<u>\$ 1,318,666</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 36,681</u>	<u>\$ -</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITY		
Disposal of property and equipment:		
Cost basis	\$ 200,887	\$ -
Accumulated depreciation	<u>\$ 200,887</u>	<u>\$ -</u>

*Reclassified for comparative purposes

See Notes to Financial Statements

PHYSICIANS FOR HUMAN RIGHTS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Note 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Physicians for Human Rights (the Organization) is a not-for-profit 501c(3) organization that uses medicine and science to document and call attention to mass atrocities and severe human rights violations. The Organization leverages the specialized skills and credible voices of health professionals to document human rights violations and seek justice for victims of these crimes. PHR's investigations and expertise are used to advocate for persecuted health workers, prevent torture, document mass atrocities, and hold those who violate human rights accountable. PHR's headquarters are located in New York, New York, with additional offices in Boston, Massachusetts and Washington, DC.

A summary of the significant accounting policies follows:

Basis of presentation: The Organization prepares its financial statements on the accrual basis of accounting. The financial statements are presented in accordance with generally accepted accounting principles (GAAP), as a not-for-profit organization. This guidance requires the Organization to report information regarding its financial position and activities according to three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets - net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated by the board of directors for specific purposes.

Temporarily restricted net assets - net assets that are stipulated by donors for specific operating purposes. The Organization has elected, however, to report restricted contributions whose restrictions are met in the same reporting period as they are received as unrestricted support.

The Organization has no permanently restricted net assets.

Temporary net asset restriction expirations are reported as reclassifications between the applicable classes of net assets.

Contributions: Contribution and grant revenue are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions. Restricted net assets are transferred to unrestricted net assets upon satisfaction of time or purpose restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in support and revenue.

Conditional promises to give are not included in support and revenue until all of the conditions are substantially met.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

PHYSICIANS FOR HUMAN RIGHTS, INC.

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013**

**Note 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash and cash equivalents: Cash and cash equivalents include highly liquid investments with initial maturities of three months or less.

Financial instruments: The Organization has cash deposits at financial institutions which have a federally insured limit of \$250,000. At June 30, 2014 and 2013, the Organization's uninsured cash balance was approximately \$882,000 and \$1,276,000, respectively. Management feels the risk of loss related to these excess deposits is minimal based upon the reported strength of the institutions.

Grant and contribution receivables: On a periodic basis, the Organization evaluates its grant and contribution receivables and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Property and equipment: Property and equipment are recorded at cost, or if donated, at the estimated fair market value at the date of the donation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred and major renewals and betterments are capitalized. When property and equipment are retired or sold, the related carrying value and accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The fair values of investments are based on quoted market prices. Unrealized gains and losses are included in the statement of activities in the appropriate net asset category.

Functional expenses: Costs associated with the Organization's programs and administrative activities are summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs are allocated among the program and support services benefited.

Advertising: Advertising costs are expensed as incurred.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes: The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

The Organization recognizes and measures its unrecognized tax benefits in accordance with GAAP. Under that guidance the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

PHYSICIANS FOR HUMAN RIGHTS, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Note 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

The Organization's federal and state income tax returns are open and subject to examination from the 2010 return year and forward. That latest date will be subject to change based on going back to the three years that are open.

Note 2. GRANT AND CONTRIBUTION RECEIVABLES

Grant and contribution receivables consisted of the following at June 30, 2014 and 2013:

	2014	2013
Receivables in less than one year	\$ 3,526,622	\$ 2,746,926
Receivables in one to three years	300,000	217,557
	\$ 3,826,622	\$ 2,964,483

Note 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2014 and 2013:

	2014	2013
Furniture and equipment	\$ 409,467	\$ 259,498
Computer software	51,362	23,546
Leasehold improvements	67,280	14,016
	528,109	297,060
Less accumulated depreciation	(86,667)	(240,457)
	\$ 441,442	\$ 56,603

Note 4. INVESTMENTS

Investments consisted of the following at June 30, 2014 and 2013:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Fixed income	\$ 1,025,314	\$ 1,023,626	\$ 1,173,698	\$ 1,136,733
Equities	2,566,331	2,817,882	1,516,778	1,777,313
	\$ 3,591,645	\$ 3,841,508	\$ 2,690,476	\$ 2,914,046

PHYSICIANS FOR HUMAN RIGHTS, INC.

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013**

Note 4. INVESTMENTS (CONTINUED)

Investment return and its classification in the statements of activities are as follows:

	Years ended June 30	
	2014	2013
Unrestricted:		
Interest and dividends	\$ 112,173	\$ 76,771
Unrealized gain on investments	124,425	233,210
Realized gain on sale of investments	251,920	99,039
	\$ 488,518	\$ 409,020

Note 5. CONTRIBUTED SERVICES

The Organization receives contributions of medical and scientific consultation, office space rental, research and representation services that qualify for financial statement recognition. The fair value of contributed items totaled \$757,218 and \$759,150 in 2014 and 2013, respectively.

Note 6. LINE OF CREDIT

The Organization has a \$3,000,000 revolving line of credit secured by its investment portfolio and due on demand. The line of credit is subject to interest at the 30-day LIBOR rate plus 3.00% (3.25% at June 30, 2014). As of June 30, 2014, the amount outstanding under the line of credit was \$1,486,891. As part of the available borrowings under the line of credit agreement, the Organization has a letter of credit in the amount of \$239,950 in favor of its landlord, which has been renewed through July 2015. There are no amounts outstanding on the letter of credit as of June 30, 2014. The Organization had \$1,273,159 available for draw on its line of credit as of June 30, 2014.

Note 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2014 and 2013:

	2014	2013
Specific programs	\$ 3,049,176	\$ 2,588,840
Long-term fund (institutional building)	740,404	740,404
	\$ 3,789,580	\$ 3,329,244

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified, as follows:

	2014	2013
Specific programs	\$ 3,104,578	\$ 3,866,035

PHYSICIANS FOR HUMAN RIGHTS, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Note 8. FAIR VALUE MEASUREMENTS

GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Cash and equivalents: Valued at cost, which approximates fair value.

Stocks and corporate bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

PHYSICIANS FOR HUMAN RIGHTS, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Note 8. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2014:

	June 30, 2014			Total
	Level 1	Level 2	Level 3	
Stocks				
Basic Materials	\$ 167,046	\$ -	\$ -	\$ 167,046
Conglomerates	57,511	-	-	57,511
Consumer goods	46,878	-	-	46,878
Financial	86,082	-	-	86,082
Healthcare	158,903	-	-	158,903
Industrial goods	45,673	-	-	45,673
Services	99,102	-	-	99,102
Technology	258,138	-	-	258,138
Other	53,494	-	-	53,494
Exchange trades and closed-end funds	1,845,056	-	-	1,845,056
Bonds				
AA credit rating	388,323	-	-	388,323
A credit rating	360,846	-	-	360,846
BBB credit rating	274,456	-	-	274,456
Total investments at fair value	\$ 3,841,508	\$ -	\$ -	\$ 3,841,508

PHYSICIANS FOR HUMAN RIGHTS, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Note 8. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2013:

	June 30, 2013			Total
	Level 1	Level 2	Level 3	
Stocks				
Basic Materials	\$ 154,839	\$ -	\$ -	\$ 154,839
Conglomerates	31,712	-	-	31,712
Consumer goods	195,131	-	-	195,131
Financial	286,774	-	-	286,774
Healthcare	255,250	-	-	255,250
Industrial goods	56,008	-	-	56,008
Services	292,663	-	-	292,663
Technology	333,328	-	-	333,328
Utilities	20,962	-	-	20,962
Other	110,604	-	-	110,604
Exchange trades and closed-end funds	25,013	-	-	25,013
Bonds				
AA credit rating	397,845	-	-	397,845
A credit rating	477,693	-	-	477,693
BBB credit rating	276,224	-	-	276,224
Total investments at fair value	<u>\$ 2,914,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,914,046</u>

Note 9. RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan for all employees meeting certain eligibility requirements. The Organization made contributions of \$33,294 and \$48,148 during the years ended June 30, 2014 and 2013, respectively.

Note 10. CONCENTRATIONS OF RISK

During the year ended June 30, 2014, the Organization received approximately 24% of its total support and revenue from two grantors. Included in grant and contribution receivables at June 30, 2014 is \$1,450,000 due from these grantors.

During the year ended June 30, 2013, the Organization received approximately 19% of its total support and revenue from two grantors. Included in grant and contribution receivables at June 30, 2013 was \$896,575 due from these grantors.

PHYSICIANS FOR HUMAN RIGHTS, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Note 11. COMMITMENTS

During the year ended June 30, 2013, the Organization moved its headquarters from Cambridge, Massachusetts to New York, New York. As part of the relocation, the Organization received contributed in-kind rental space in New York (see Note 5), which were used until its permanent location in New York was available. In addition, the Organization maintains a satellite office in Boston, Massachusetts. During the years ended June 30, 2014 and 2013, the Organization incurred approximately \$292,000 and \$348,000 of costs related to this relocation, respectively. These costs include employee relocation costs, employee recruitment fees, consultant costs, moving company fees and costs related to the permanent office headquarters.

Prior to the relocation, the Organization leased office space in Cambridge, Massachusetts. The lease required monthly payments of base rent plus the Organization's proportionate share of increases in operating costs. As part of the relocation, the Organization renegotiated the lease terms with the lessor to cancel the lease effective June 30, 2013, with no additional financial commitment. Rent expense was \$0 and \$295,398 for the years ended June 30, 2014 and 2013, respectively.

The Organization leased office space in Washington D.C. under a noncancelable lease which expired February 2014. The lease required monthly payments of base rent plus the Organization's proportionate share of real estate taxes and operating costs. Rent expense was \$67,396 and \$121,887 for the years ended June 30, 2014 and 2013, respectively.

In 2013, the Organization entered into an agreement to lease office space in New York, New York under a noncancelable lease, occupying the space during the year ended June 30, 2014. The lease requires monthly payments of base rent plus the Organization's proportionate share of increases in operating costs. Rent expense under this agreement was approximately \$144,000 for the year ended June 30, 2014.

In 2013, the Organization entered into an agreement to lease office space in Boston, Massachusetts under a noncancelable lease. The lease required monthly payments of base rent plus the Organization's proportionate share of electricity usage. Rent expense under this agreement was approximately \$71,000 for the year ended June 30, 2014.

Future minimum payments required under these operating leases are as follows:

Years ended June 30	Boston	New York	Total
2015	\$ 73,368	\$ 295,139	\$ 368,507
2016	-	302,517	302,517
2017	-	310,080	310,080
2018	-	317,832	317,832
2019	-	325,778	325,778
Thereafter	-	1,755,208	1,755,208
	<u>\$ 73,368</u>	<u>\$ 3,306,554</u>	<u>\$ 3,379,922</u>

PHYSICIANS FOR HUMAN RIGHTS, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Note 11. COMMITMENTS (CONTINUED)

The Organization subleased a portion of the Washington office under a cancelable sublease agreement. Sublease rental income is included in other income, and totaled approximately \$12,000 for the year ended 2013. The Organization no longer subleases this location as of June 30, 2014.

The Organization leases office space in Tallahassee, Florida under a tenant-at-will arrangement. Rent expense was \$3,600 for both years ended June 30, 2014 and 2013.

In 2006, the Organization entered into a four-year software licensing agreement. Under the agreement, the Organization pays a monthly minimum fee, as defined. In June 2010, the licensing agreement was extended for an additional four-year term. In October 2013, the licensing agreement was extended for an additional three-year term. License fee expense was \$36,225 and \$64,800 for the years ended June 30, 2014 and 2013, respectively.

Future minimum payments required under this agreement are as follows:

Years ended June 30	
2015	\$ 26,700
2016	21,300
2017	4,875
	<u>\$ 52,875</u>

Note 12. OTHER DECREASES IN NET ASSETS

Other decreases in net assets include grant funds that were unexpended as of the end of the grant period. As of June 30, 2014, such unexpended funds totaled \$57,229. The Organization has recorded a liability for this amount, which is included in accrued expenses in the statement of financial position at June 30, 2014. As is consistent with the Organization's policy, the Organization has notified the grantor of these unexpended funds and has recorded the liability subject to future disposition of the unexpended funds.

Note 13. GRANT EXPENDITURES

As required under the terms of a grant agreement with the National Endowment for Democracy, the Organization is required to report expenditures made under such grant as follows:

Grant Name	Grant Number	Expenditure Amount
Investigating the Long-term Effects of Forced Displacement in Burma	2014-381	\$ 2,509

Note 14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 12, 2015 the date the financial statements were available to be issued and determined that there have been no events that have occurred that would require adjustment to the financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Physicians for Human Rights, Inc.
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Physicians for Human Rights, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
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GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rachelon Trechetta,
McCrory, Michael & Co.*

Providence, Rhode Island
May 12, 2015