Physicians for Human Rights, Inc.

Financial Statements
Year Ended June 30, 2018

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.
Physicians for Human Rights, Inc.

Financial Statements
Year Ended June 30, 2018
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</tr>
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Independent Auditor’s Report

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. (the Entity), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 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 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 Physicians for Human Rights, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Physicians for Human Rights, Inc.’s financial statements, and our report dated March 1, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

February 19, 2019
Physicians for Human Rights, Inc.

Statement of Financial Position
(with comparative totals for 2017)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2018</th>
<th>June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 2)</td>
<td>$2,626,248</td>
<td>$4,672,912</td>
</tr>
<tr>
<td>Investments (Notes 2, 3 and 6)</td>
<td>3,180,647</td>
<td>2,985,315</td>
</tr>
<tr>
<td>Grants and contributions receivable, current portion (Notes 2 and 4)</td>
<td>3,254,092</td>
<td>1,390,814</td>
</tr>
<tr>
<td>Prepaid expenses and other assets (Note 2)</td>
<td>211,191</td>
<td>99,016</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$9,272,178</td>
<td>$9,148,057</td>
</tr>
<tr>
<td>457 Plan Assets Held for Others (Notes 2, 3 and 10)</td>
<td>82,583</td>
<td>59,101</td>
</tr>
<tr>
<td>Grants and Contributions Receivable, net of current portion and discount (Notes 2 and 4)</td>
<td>237,455</td>
<td>662,455</td>
</tr>
<tr>
<td>Fixed Assets, Net (Notes 2 and 5)</td>
<td>224,281</td>
<td>279,455</td>
</tr>
<tr>
<td>Security Deposit (Note 2)</td>
<td>54,608</td>
<td>54,408</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$9,871,105</td>
<td>$10,203,476</td>
</tr>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$216,728</td>
<td>$244,579</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>276,638</td>
<td>288,783</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>493,366</td>
<td>533,362</td>
</tr>
<tr>
<td>Line of Credit (Note 6)</td>
<td>487,432</td>
<td>1,482,812</td>
</tr>
<tr>
<td>Deferred Compensation Payable (Note 10)</td>
<td>82,583</td>
<td>59,101</td>
</tr>
<tr>
<td>Deferred Rent (Note 11)</td>
<td>100,643</td>
<td>88,949</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>1,164,024</td>
<td>2,164,224</td>
</tr>
<tr>
<td><strong>Commitments and Contingencies</strong> (Notes 2, 6, 9, 10, 11 and 12)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets</strong> (Notes 2 and 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>2,332,972</td>
<td>1,790,130</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>6,374,109</td>
<td>6,249,122</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>8,707,081</td>
<td>8,039,252</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$9,871,105</td>
<td>$10,203,476</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
Physicians for Human Rights, Inc.

Statement of Activities
(with comparative totals for 2017)

Year ended June 30,

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and service contracts</td>
<td>$ 1,243,984</td>
<td>$ 2,054,285</td>
<td>$ 3,298,269</td>
<td>$ 5,230,083</td>
<td></td>
</tr>
<tr>
<td>Federal support</td>
<td>1,442,425</td>
<td></td>
<td>1,442,425</td>
<td>1,508,839</td>
<td></td>
</tr>
<tr>
<td>Contributions and memberships</td>
<td>1,639,691</td>
<td></td>
<td>1,639,691</td>
<td>1,291,172</td>
<td></td>
</tr>
<tr>
<td>Contributed services (Notes 2 and 8)</td>
<td>1,151,325</td>
<td>-</td>
<td>1,151,325</td>
<td>1,902,481</td>
<td></td>
</tr>
<tr>
<td>Investment income, net (Note 2)</td>
<td>166,887</td>
<td>-</td>
<td>166,887</td>
<td>210,318</td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td>29,020</td>
<td>-</td>
<td>29,020</td>
<td>39,464</td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions (Note 7)</td>
<td>1,929,298</td>
<td>(1,929,298)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Support and Revenue, before special events</strong></td>
<td>7,602,630</td>
<td>124,987</td>
<td>7,727,617</td>
<td>10,182,357</td>
<td></td>
</tr>
<tr>
<td><strong>Special Events</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gala revenue</td>
<td>833,391</td>
<td></td>
<td>833,391</td>
<td>615,512</td>
<td></td>
</tr>
<tr>
<td>Less: direct expense to donors</td>
<td>(212,056)</td>
<td>-</td>
<td>(212,056)</td>
<td>(268,521)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Revenue from Special Events</strong></td>
<td>621,335</td>
<td>-</td>
<td>621,335</td>
<td>346,991</td>
<td></td>
</tr>
<tr>
<td><strong>Total Support Revenue, including special events</strong></td>
<td>8,223,965</td>
<td>124,987</td>
<td>8,348,952</td>
<td>10,529,348</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>6,541,722</td>
<td></td>
<td>6,541,722</td>
<td>7,343,352</td>
<td></td>
</tr>
<tr>
<td>Fundraising</td>
<td>812,940</td>
<td></td>
<td>812,940</td>
<td>770,077</td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>283,743</td>
<td></td>
<td>283,743</td>
<td>210,963</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>7,638,405</td>
<td></td>
<td>7,638,405</td>
<td>8,324,392</td>
<td></td>
</tr>
<tr>
<td><strong>Change in Net Assets, before other expenses</strong></td>
<td>585,560</td>
<td>124,987</td>
<td>710,547</td>
<td>2,204,956</td>
<td></td>
</tr>
<tr>
<td><strong>Other Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>42,718</td>
<td></td>
<td>42,718</td>
<td>48,963</td>
<td></td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>542,842</td>
<td>124,987</td>
<td>667,829</td>
<td>2,155,993</td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets, beginning of year</strong></td>
<td>1,790,130</td>
<td>6,249,122</td>
<td>8,039,252</td>
<td>5,883,259</td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets, end of year</strong></td>
<td>$ 2,332,972</td>
<td>$ 6,374,109</td>
<td>$ 8,707,081</td>
<td>$ 8,039,252</td>
<td></td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*
Physicians for Human Rights, Inc.

Statement of Functional Expenses
(with comparative totals for 2017)

Year ended June 30, 2018

<table>
<thead>
<tr>
<th>Supporting Services</th>
<th>Program Services</th>
<th>Fundraising</th>
<th>Management and General</th>
<th>Total Supporting Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$2,192,007</td>
<td>$330,142</td>
<td>$90,829</td>
<td>$420,971</td>
<td>$2,612,978</td>
</tr>
<tr>
<td>Salaries</td>
<td>2,192,007</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll taxes and benefits</td>
<td>399,195</td>
<td>50,636</td>
<td>7,090</td>
<td>57,726</td>
<td>456,921</td>
</tr>
<tr>
<td>Retirement plan contribution</td>
<td>81,159</td>
<td>19,502</td>
<td>6,794</td>
<td>26,296</td>
<td>107,455</td>
</tr>
<tr>
<td>Total Personnel Expenses</td>
<td>2,672,361</td>
<td>400,280</td>
<td>104,713</td>
<td>504,993</td>
<td>3,177,354</td>
</tr>
<tr>
<td>Occupancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent (Note 11)</td>
<td>344,352</td>
<td>64,659</td>
<td>27,442</td>
<td>92,101</td>
<td>436,453</td>
</tr>
<tr>
<td>Utilities</td>
<td>34,225</td>
<td>7,115</td>
<td>2,479</td>
<td>9,594</td>
<td>43,819</td>
</tr>
<tr>
<td>Total Occupancy Expenses</td>
<td>378,577</td>
<td>71,774</td>
<td>29,921</td>
<td>101,695</td>
<td>480,272</td>
</tr>
<tr>
<td>Other Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank, payroll, and filing fees</td>
<td>21,293</td>
<td>4,931</td>
<td>27,391</td>
<td>32,322</td>
<td>53,615</td>
</tr>
<tr>
<td>Consultants and stipends (Note 8)</td>
<td>2,588,637</td>
<td>161,675</td>
<td>41,347</td>
<td>203,022</td>
<td>2,791,659</td>
</tr>
<tr>
<td>Professional fees</td>
<td>39,215</td>
<td>8,613</td>
<td>3,001</td>
<td>11,614</td>
<td>50,829</td>
</tr>
<tr>
<td>Equipment rental</td>
<td>8,461</td>
<td>3,215</td>
<td>699</td>
<td>3,914</td>
<td>12,375</td>
</tr>
<tr>
<td>Insurance</td>
<td>40,463</td>
<td>9,597</td>
<td>3,343</td>
<td>12,940</td>
<td>53,403</td>
</tr>
<tr>
<td>Internet/telephone expense</td>
<td>58,500</td>
<td>9,499</td>
<td>3,307</td>
<td>12,806</td>
<td>71,306</td>
</tr>
<tr>
<td>Meetings and conferences</td>
<td>72,067</td>
<td>15,945</td>
<td>11,275</td>
<td>27,220</td>
<td>99,287</td>
</tr>
<tr>
<td>Office supplies</td>
<td>100,747</td>
<td>14,505</td>
<td>2,041</td>
<td>16,546</td>
<td>117,293</td>
</tr>
<tr>
<td>Printing and duplication</td>
<td>29,166</td>
<td>9,524</td>
<td>647</td>
<td>10,171</td>
<td>39,337</td>
</tr>
<tr>
<td>Program supplies</td>
<td>48,180</td>
<td>7,458</td>
<td>-</td>
<td>7,458</td>
<td>55,638</td>
</tr>
<tr>
<td>Telemarketing and direct mail</td>
<td>-</td>
<td>51,334</td>
<td>-</td>
<td>51,334</td>
<td>51,334</td>
</tr>
<tr>
<td>Travel</td>
<td>442,924</td>
<td>28,865</td>
<td>10,810</td>
<td>39,675</td>
<td>482,599</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>26,926</td>
<td>6,377</td>
<td>4,279</td>
<td>20,004</td>
<td>46,390</td>
</tr>
<tr>
<td>Total Other Expenses</td>
<td>3,476,579</td>
<td>340,886</td>
<td>108,140</td>
<td>449,026</td>
<td>3,925,605</td>
</tr>
<tr>
<td>Depreciation</td>
<td>14,205</td>
<td>-</td>
<td>40,969</td>
<td>40,969</td>
<td>55,174</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$6,541,722</td>
<td>$812,940</td>
<td>$283,743</td>
<td>$1,096,683</td>
<td>$7,638,405</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
Physicians for Human Rights, Inc.

Statement of Cash Flows
(with comparative totals for 2017)

<table>
<thead>
<tr>
<th>Year ended June 30,</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 667,829</td>
<td>$ 2,155,993</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized loss on sale of investments</td>
<td>13,591</td>
<td>21,102</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>(101,996)</td>
<td>(184,522)</td>
</tr>
<tr>
<td>Donated stock</td>
<td>(78,807)</td>
<td>(378,897)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>55,174</td>
<td>56,068</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>2,700</td>
</tr>
<tr>
<td>Grants and contributions receivable</td>
<td>(1,438,278)</td>
<td>14,579</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(112,175)</td>
<td>36,678</td>
</tr>
<tr>
<td>Security deposit</td>
<td>(200)</td>
<td>(3,750)</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(27,851)</td>
<td>51,842</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(12,145)</td>
<td>25,539</td>
</tr>
<tr>
<td>Deferred compensation payable</td>
<td>23,482</td>
<td>19,566</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(11,694)</td>
<td>62,319</td>
</tr>
<tr>
<td><strong>Net Cash Provided by (Used in) Operating Activities</strong></td>
<td>(1,023,070)</td>
<td>1,879,217</td>
</tr>
</tbody>
</table>

| **Cash Flows from Investing Activities** |            |            |
| Purchases of fixed assets | -          | (8,208)    |
| Purchases of investments | (1,490,064) | (509,756)  |
| Proceeds from sales of investments | 1,466,470  | 1,503,258  |
| **Net Cash Provided by (Used in) Investing Activities** | (23,594)   | 985,294    |

| **Cash Flows from Financing Activities** |            |            |
| Paydown of line of credit | (1,000,000) | (399)      |
| **Net Cash Used in Financing Activities** | (1,000,000) | (399)      |

| **Net Increase (Decrease) in Cash and Cash Equivalents** | (2,046,664) | 2,864,112 |
| **Cash and Cash Equivalents, beginning of year** | 4,672,912   | 1,808,800 |
| **Cash and Cash Equivalents, end of year** | $ 2,626,248 | $ 4,672,912 |

| **Supplemental Disclosure of Cash Flow Information** |            |            |
| Interest paid | $ 42,718   | $ 48,963   |

See accompanying notes to financial statements.
1. Nature of Organization

Physicians for Human Rights, Inc. (the Entity) is a not-for-profit 501(c)(3) organization that uses medicine and science to document and call attention to mass atrocities and severe human rights violations. The Entity leverages the specialized skills and credible voices of health professionals to document human rights violations and seek justice for victims of these crimes. The Entity’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. The Entity’s headquarters are located in New York, New York, with additional offices in Boston, Massachusetts, Washington, DC and Kenya.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on an accrual basis. In the statement of financial position, assets are presented in order of liquidity or conversion to cash. Liabilities are presented in order of their maturity resulting in the use of cash.

Financial Statement Presentation

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets—permanently restricted, temporarily restricted, and unrestricted—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments, should be reported as increases (or decreases) in unrestricted net assets, unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

Permanently Restricted - This class consists of net assets resulting from contributions and other inflows of assets whose use by the Entity is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Entity. There were no permanently restricted net assets during the year ended June 30, 2018.

Temporarily Restricted - This class consists of net assets resulting from contributions and other inflows of assets whose use by the Entity is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Entity, pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted - This class consists of the part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.
**Cash and Cash Equivalents**

The Entity considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. At various times during the year, the Entity may have cash deposits at financial institutions in excess of Federal Deposit Insurance Corporation insurance limits.

The Entity has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

**Fair Value Measurements**

U.S. GAAP defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. U.S. GAAP established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Organization classifies fair value balances based on the fair value hierarchy defined by U.S. GAAP as follows:

**Level 1** - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments at the reporting date.

**Level 2** - Valuations are based on (i) quoted prices - those investments, or similar investments, in active markets; (ii) quoted prices - those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments or similar investments that are redeemable at or near the balance sheet date and for which a model was derived for valuation.

**Level 3** - Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments; (ii) the investments cannot be independently valued; or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

The asset 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.

Investment income is recognized when earned, and consists of interest, dividends, and realized and unrealized gains and losses. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.
Grants and Contributions Receivable

The Entity evaluates the discount on the grants and contributions receivable balance annually. Grants and contributions are grouped based on the due date of each individual grant and contribution payment, and the discount rate is determined by the risk-free rate at the time of evaluation.

Provision for Bad Debts

The Entity provides allowances for grants and contributions receivable and amounts due from government agencies that are specifically identified by management as to their uncertainty in regard to collectability.

Revenue Recognition

Revenue from government grants and contracts is recognized as earned—that is, as related costs are incurred under such agreements, services are rendered—or when applicable performance-based milestones are reached. Reimbursements are subject to audit and retroactive adjustments by the respective third-party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

Grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with grantor-imposed restrictions.

Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted income.

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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and other disclosures in the financial statements. Accordingly, actual results could differ from those estimates.
Fixed Assets

Fixed assets 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, as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>3-10</td>
</tr>
<tr>
<td>Computer software</td>
<td>2-5</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>10</td>
</tr>
</tbody>
</table>

Maintenance and repair costs are charged to expense as incurred and major renewals and betterments are capitalized. When fixed assets 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.

The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes.

Impairments of Long-Lived Assets

The Entity reviews long-lived assets, including fixed assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2018, there have been no such losses.

Income Taxes

The Entity was incorporated in the State of Massachusetts and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, has made no provision for income taxes in the accompanying financial statements. The Entity has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the IRC. There was no unrelated business income for 2018.

Under Accounting Standards Codification (ASC) 740, “Accounting for Uncertainty in Income Taxes,” an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on the Entity’s financial statements. The Entity does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Entity has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Entity has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2018, there were no interest or penalties recorded or included in the statement of activities. Management believes that the Entity is no longer subject to income tax examinations for years prior to 2015.
**Functional Expenses**

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

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information. With respect to the statement of functional expenses, the prior-year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Entity’s financial statements for the year ended June 30, 2017.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Entity to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Entity has cash deposits at financial institutions, which exceed the FDIC insurance limits. The Entity has not experienced any losses on cash and cash equivalents.

**Reclassifications**

Certain prior-year balances have been reclassified to be consistent with the current year’s financial statement presentation. The reclassifications have no effect on the net assets or operating results from the prior year.

**Investment Impairment**

The Entity considered the following evidence in reaching the conclusion that the unrealized loss on fixed income instruments was not other than temporary:

(a) whether or not it intended to sell its investments before the full recovery of cost basis

(b) whether or not it will be required to sell its investments before the full recovery of cost basis

**Risks and Uncertainties**

The Entity’s investments consist of a variety of investment securities and investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of the Entity’s investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

**Recently Adopted Accounting Pronouncement**

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-15, “Presentation of Financial Statements - Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern.” This ASU provides guidance
about management’s responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Entity adopted the provisions of this standard and there was no material effect.

**Accounting Pronouncements Issued but Not Yet Adopted**

**Revenue from Contracts with Customers (Topic 606)**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers (Topic 606),” which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for the Entity until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

**Leases (Topic 842)**

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its ROU underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Entity’s fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

**Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities**

In August 2016, the FASB issued ASU 2016-14, “Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities.” The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the
allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Entity’s financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

3. Investments

The following table sets forth by level, within the fair value hierarchy, the Entity’s investments at fair value as of June 30, 2018:

<table>
<thead>
<tr>
<th>June 30, 2018</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks</td>
<td>$1,056,763</td>
<td>$</td>
<td>$</td>
<td>$1,056,763</td>
</tr>
<tr>
<td>Exchange-traded and closed-end funds</td>
<td>1,424,908</td>
<td>$</td>
<td>$</td>
<td>1,424,908</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>649,484</td>
<td>$</td>
<td>$</td>
<td>649,484</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>49,492</td>
<td>$</td>
<td>$</td>
<td>49,492</td>
</tr>
<tr>
<td><strong>Total Investments, at fair value</strong></td>
<td><strong>$3,180,647</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
<td><strong>$3,180,647</strong></td>
</tr>
</tbody>
</table>

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

*Stocks, exchange-traded and closed-end funds, and corporate bonds* - These are valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds* - These are valued at the net asset value of shares held by the Entity at year-end.

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 Entity 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.
4. Grants and Contributions Receivable, Net

The net present value of contributions receivable was calculated using a discount rate equal to the two-year treasury bill rate as of June 30, 2018.

Grants and contributions receivable consisted of the following at June 30, 2018:

<table>
<thead>
<tr>
<th>June 30, 2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables in less than one year</td>
<td>$3,254,092</td>
</tr>
<tr>
<td>Receivables in one to three years</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,504,092</strong></td>
</tr>
<tr>
<td>Less: discount at 5.3%</td>
<td>(12,545)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,491,547</strong></td>
</tr>
</tbody>
</table>

5. Fixed Assets, Net

Fixed assets, net, consisted of the following at June 30, 2018:

<table>
<thead>
<tr>
<th>June 30, 2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$320,086</td>
</tr>
<tr>
<td>Computer software</td>
<td>5,652</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>125,677</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>451,415</strong></td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(227,134)</td>
</tr>
<tr>
<td><strong>Total Fixed Assets, Net</strong></td>
<td><strong>$224,281</strong></td>
</tr>
</tbody>
</table>

For the year ended June 30, 2018, depreciation expense was $55,174.

6. Line of Credit

The Entity has a demand revolving line of credit secured by its investment portfolio, the balance of which also serves as the borrowing base on the line of credit, with such base reduced by available letters of credit. As of June 30, 2018, the amount outstanding under the line of credit was $487,432. The line of credit is subject to interest at the 30-day LIBOR rate plus 2.5% (4.6% at June 30, 2018). The Entity had $1,695,593 available to draw on its line of credit as of June 30, 2018. The outstanding balance on the line of credit is not due within an operating cycle.

As part of the available borrowings under the line of credit agreement, the Entity has a letter of credit in the amount of $239,950 to serve as guarantee on lease space, which has been renewed through July 2019. There is no balance outstanding on the letter of credit as of June 30, 2018.
7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2018:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time restricted for general use</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Purpose restricted to program costs</td>
<td>$3,633,705</td>
</tr>
<tr>
<td>Long-term fund (institutional building)</td>
<td>$740,404</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,374,109</strong></td>
</tr>
</tbody>
</table>

Temporarily restricted net assets released consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time restricted for general use</td>
<td>$721,834</td>
</tr>
<tr>
<td>Purpose restricted to program costs</td>
<td>$1,207,464</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,929,298</strong></td>
</tr>
</tbody>
</table>

8. Contributed Services

The Entity 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 $1,151,325 in 2018, which is included in contributed services on the statement of activities and in consultants and stipends on the statement of functional expenses.

9. Reimbursement Grants

The Entity has certain reimbursement grants and contracts for which revenue is recognized as associated reimbursable costs are incurred. At June 30, 2018, the Entity has $1,597,585 in available reimbursements under these agreements that have yet to be recognized as support and revenue.

10. Defined Contribution Plans

The Entity sponsors a defined contribution plan for all employees meeting certain eligibility requirements, which qualifies as a 403(b) plan under the IRC. The Entity made contributions of $91,916 during the year ended June 30, 2018.

Additionally, the Entity has a 457(b) eligible deferred compensation plan for a certain officer of the Entity. Such an agreement allows for contributions to be made to the plan through salary reductions from the officer’s compensation, as well as through matching and discretionary contributions from the Entity. The Entity made contributions of $15,540 during the year ended June 30, 2018. The total amount of this asset and liability was $82,583 as of June 30, 2018.
11. Commitments

The Entity leases its main offices in New York, New York under a noncancelable lease through June 2024. The lease requires monthly payments of base rent plus the Entity’s proportionate share of increases in operating costs. The base rent escalates on an annual basis over the term of the lease. As such, rental expense is recognized on a straight-line basis, with the amount paid under this agreement of approximately $312,018, as compared to rental expense recognized of $323,713 for the year ended June 30, 2018. The difference between rent expense recorded and the amount paid is credited to deferred rent in the accompanying statement of financial position, which was $100,643 as of June 30, 2018.

The Entity also leases space in Boston, Massachusetts under a noncancelable lease expiring in August 2020. The total expense was $44,029 for June 30, 2018.

Total rent expenses for the year ended June 30, 2018 amounted to $436,453.

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

<table>
<thead>
<tr>
<th>Year ending June 30</th>
<th>Boston</th>
<th>New York</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$45,448</td>
<td>$319,819</td>
<td>$365,267</td>
</tr>
<tr>
<td>2020</td>
<td>46,922</td>
<td>327,814</td>
<td>374,736</td>
</tr>
<tr>
<td>2021</td>
<td>7,861</td>
<td>336,010</td>
<td>343,871</td>
</tr>
<tr>
<td>2022</td>
<td>-</td>
<td>344,410</td>
<td>344,410</td>
</tr>
<tr>
<td>2023</td>
<td>-</td>
<td>353,020</td>
<td>353,020</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>361,846</td>
<td>361,846</td>
</tr>
<tr>
<td></td>
<td>$100,231</td>
<td>$2,042,919</td>
<td>$2,143,150</td>
</tr>
</tbody>
</table>

Additionally, the Entity leases various office space under a tenant-at-will arrangement. Aggregate rent expense was $24,338 for the year ended June 30, 2018.

The Entity entered into a three-year computer software licensing agreement in October 2013 and renewed the agreement in October 2016. License fee expense was $62,135 for the year ended June 30, 2018.

12. Concentrations of Risk

During the year ended June 30, 2018, the Entity received approximately 52% of its grants, service contracts and federal support revenue from five grantors. Included in grant and contribution receivables at June 30, 2018 is $2,649,379 due from these grantors, of which $1,500,000 is due from Oak Foundation; $2,425,223 had been collected by the Entity.
13. Subsequent Events

The Entity has evaluated subsequent events through February 19, 2019, 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.

In July 2018, the Entity received a $3,000,000 grant from the Oak Foundation to provide core support to the Entity's growth objectives for the two-year period beginning June 2018; $1,500,000 of the grant was recorded for the year ended June 30, 2018 and has been collected as of the date of the financial statements.

In September 2018, the Entity received a $2,000,000 grant from the Foundation to Promote Open Society, as part of a multi-year campaign to strengthen key areas of the Entity's programmatic work and operations.

In November 2018, the Entity paid down all of its line of credit's outstanding balance totaling $489,832.