

Physicians for Human Rights, Inc.

Financial Statements Year Ended June 30, 2021

Physicians for Human Rights, Inc.

Financial Statements
Year Ended June 30, 2021

Physicians for Human Rights, Inc.

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statement of Financial Position as of June 30, 2021	5
Statement of Activities for the Year Ended June 30, 2021	6
Statement of Functional Expenses for the Year Ended June 30, 2021	7
Statement of Cash Flows for the Year Ended June 30, 2021	8
Notes to Financial Statements	9-19



Independent Auditor's Report

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

Opinion

We have audited the financial statements of Physicians for Human Rights (the Entity), which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting



a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Physicians for Human Rights, Inc's 2020 financial statements and our report, dated February 23, 2021, 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, 2021 is consistent in all material respects with the audited financial statements from which it was derived.

BDO USA, LLP

May 13, 2022

Physicians for Human Rights, Inc.

Statement of Financial Position (with comparative totals for 2020)

<i>June 30,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 5,410,142	\$ 6,359,491
Investments, at fair value (Notes 2 and 4)	8,117,739	7,311,109
Grants and contributions receivable, current portion (Notes 2 and 5)	2,085,681	1,981,309
Prepaid expenses and other assets (Note 2)	551,176	408,069
Total Current Assets	16,164,738	16,059,978
457 Plan Assets Held for Others (Notes 2, 4, and 10)	192,514	128,738
Grants and Contributions Receivable , net of current portion and discount (Notes 2 and 5)	218,231	698,807
Fixed Assets, Net (Notes 2 and 6)	98,200	139,008
Security Deposits (Note 2)	157,651	296,780
Total Assets	\$ 16,831,334	\$ 17,323,311
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 316,097	\$ 210,268
Accrued expenses	288,808	204,558
Total Current Liabilities	604,905	414,826
Deferred Compensation Payable (Note 10)	192,514	128,738
Deferred Rent (Note 11)	88,377	104,921
Paycheck Protection Program (PPP) Loan Payable (Note 7)	724,627	695,645
Total Liabilities	1,610,423	1,344,130
Commitments and Contingencies (Notes 2, 3, 7, 8, 10, 11, and 12)		
Net Assets (Notes 2 and 8)		
Net assets without donor restrictions	7,137,827	4,892,184
Net assets with donor restrictions	8,083,084	11,086,997
Total Net Assets	15,220,911	15,979,181
Total Liabilities and Net Assets	\$ 16,831,334	\$ 17,323,311

See accompanying notes to financial statements.

Physicians for Human Rights, Inc.

Statement of Activities (with comparative totals for 2020)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Support and Revenue				
Grants	\$ 652,533	\$ 2,263,587	\$ 2,916,120	\$ 5,034,331
One-time gifts	-	-	-	3,000,000
Federal support	-	-	-	65,462
Individual contributions	3,227,045	-	3,227,045	2,680,845
Contributed services (Notes 2 and 9)	393,027	-	393,027	2,751,087
Investment income, net (Note 2)	774,949	-	774,949	433,840
Other revenue	(13,672)	-	(13,672)	12,698
Net assets released from restrictions	5,267,500	(5,267,500)	-	-
Total Support and Revenue	10,301,382	(3,003,913)	7,297,469	13,978,263
Operating Expenses				
Program services	6,662,103	-	6,662,103	8,620,631
Fundraising	1,193,152	-	1,193,152	785,317
Management and general	896,129	-	896,129	282,525
Total Expenses	8,751,384	-	8,751,384	9,688,473
Nonoperating Revenue				
Forgiveness of debt	695,645	-	695,645	-
Change in Net Assets	2,245,643	(3,003,913)	(758,270)	4,289,790
Net Assets, beginning of year	4,892,184	11,086,997	15,979,181	11,689,391
Net Assets, end of year	\$ 7,137,827	\$ 8,083,084	\$ 15,220,911	\$ 15,979,181

See accompanying notes to financial statements.

Physicians for Human Rights, Inc.

Statement of Functional Expenses (with comparative totals for 2020)

Year ended June 30,

	Supporting Services				Total Expenses	
	Program Services	Fundraising	Management and General	Total Supporting Services	2021	2020
Expenses						
Personnel						
Salaries	\$ 2,855,840	\$ 453,835	\$ 76,490	\$ 530,325	\$ 3,386,165	\$ 3,177,239
Payroll taxes and benefits	490,281	73,277	14,728	88,005	578,286	512,564
Retirement plan contribution	120,087	19,084	3,216	22,300	142,387	147,228
Total Personnel Expenses	3,466,208	546,196	94,434	640,630	4,106,838	3,837,031
Occupancy						
Rent	333,925	65,291	16,583	81,874	415,799	438,128
Utilities	29,392	6,038	3,064	9,102	38,495	41,717
Total Occupancy Expenses	363,317	71,329	19,647	90,976	454,293	479,845
Other Expenses						
Bank, payroll, and filing fees	12,789	1,957	39,931	41,888	54,677	42,952
Consultants and stipends	1,840,275	324,279	558,777	883,056	2,723,331	4,009,393
Professional fees	47,318	7,118	3,611	10,729	58,047	46,670
Equipment rental	6,826	1,583	803	2,386	9,212	13,096
Insurance	35,795	8,300	4,211	12,511	48,306	55,462
Internet/telephone expense	68,281	11,544	5,583	17,127	85,408	109,466
Meetings and conferences	41,150	-	16,850	16,850	58,000	32,533
Office supplies/software fees	87,718	16,465	4,973	21,438	109,156	74,370
Printing and duplication	50,760	10,735	-	10,735	61,495	40,413
Program supplies/training materials	33,075	6,016	-	6,016	39,091	42,651
Constituency building	427,480	159,089	-	159,089	586,569	444,722
Travel	141,800	122	4,252	4,374	146,174	277,367
Miscellaneous	38,311	28,419	102,249	130,668	169,979	141,392
Total Other Expenses	2,832,578	575,627	741,240	1,316,867	4,149,445	5,330,487
Depreciation	-	-	40,808	40,808	40,808	41,109
Total Expenses	\$ 6,662,103	\$ 1,193,152	\$ 896,129	\$ 2,089,281	\$ 8,751,384	\$ 9,688,473

See accompanying notes to financial statements.

Physicians for Human Rights, Inc.

Statement of Cash Flows (with comparative totals for 2020)

<i>Year ended June 30,</i>	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ (758,270)	\$ 4,289,790
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss on sale of investments	227,037	535
Unrealized loss (gain) on investments	415,052	(91,670)
Discount on contributions receivable	33,314	1,712
Depreciation	40,808	41,109
PPP loan forgiveness	(695,645)	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	342,890	(688,814)
Prepaid expenses and other assets	(143,107)	(324,138)
Security deposits	139,129	(2,221)
Increase (decrease) in:		
Accounts payable	105,829	(25,935)
Accrued expenses	84,250	24,164
Deferred compensation payable	63,776	30,426
Deferred rent	(16,544)	-
Net Cash Provided by (Used in) Operating Activities	(161,481)	3,254,958
Cash Flows from Investing Activities		
Purchases of investments	(9,085,894)	(351,724)
Proceeds from sales of investments	7,573,399	916
Net Cash Used in Investing Activities	(1,512,495)	(350,808)
Cash Flows from Financing Activities		
Proceeds from PPP loans	724,627	695,645
Net Cash Provided by Financing Activities	724,627	695,645
Net Increase (Decrease) in Cash and Cash Equivalents	(949,349)	3,599,795
Cash and Cash Equivalents, beginning of year	6,359,491	2,759,696
Cash and Cash Equivalents, end of year	\$ 5,410,142	\$ 6,359,491

See accompanying notes to financial statements.

Physicians for Human Rights, Inc.

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.

Program General

The Entity works globally and within the United States to investigate and document human rights violations, give voice to survivors and witnesses, and plant seeds of reconciliation by ensuring that perpetrators can be held accountable for their crimes.

Research and Investigation

The Entity's Research and Investigations team mobilizes health professionals, forensic scientists, and other experts worldwide to investigate and expose allegations of human rights abuses, using the power of science and forensic medicine to meticulously document evidence of sexual violence, torture, and other violations.

Sexual and Gender Based Violence

The Entity's Program on Sexual Violence in Conflict Zones forges critical partnerships that are dramatically increasing local capacity to forensically document and prosecute cases of sexual violence during and after armed conflict, with programs in Kenya, the Democratic Republic of the Congo, Iraq, and elsewhere. The program's centerpieces are multisectoral training and capacity building and innovative tools to enable clinicians to support justice for survivors, including MediCapt, a mobile application that guides health workers to securely document, store, and transfer evidence of sexual violence.

Advocacy

The Entity's Advocacy team works to reform policies, practices and laws that directly violate human rights standards or undermine human rights protections.

Communications

The Entity's Communications team elevates the findings of our work to influence public debate and policy, raise awareness about human rights abuses and engage more health workers and other supporters in our work on behalf of human rights.

Asylum

For more than 30 years, volunteer health professionals in the Entity's Asylum Network have supported survivors of torture and ill-treatment by conducting forensic medical evaluations that can

Physicians for Human Rights, Inc.

Notes to Financial Statements

document compelling evidence of physical and psychological trauma and improve the odds that they will be granted refuge in the United States.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on an accrual basis of accounting and have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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 the classes of net assets—with donor restrictions and without donor restrictions—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.

These classes are defined as follows:

With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Entity reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

See Note 8 for more information on the composition of net assets with donor restrictions and the releases from restrictions, respectively.

Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

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.

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 (FDIC) insurance limits.

Physicians for Human Rights, Inc.

Notes to Financial Statements

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 statement of financial position 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.

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:

- Whether or not it intended to sell its investments before the full recovery of cost basis.

Physicians for Human Rights, Inc.

Notes to Financial Statements

- Whether or not it will be required to sell its investments before the full recovery of cost basis.

As of June 30, 2021, there have been no impairments.

Investment Risk

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 risks. 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.

Grants and Contributions Receivable - Net

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. At June 30, 2021, there was no allowance for doubtful accounts recorded.

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 support with donor restrictions 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 nonfinancial 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

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 - Net

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:

	Years
Furniture and equipment	3-10
Leasehold improvements	Lesser of lease term or 10

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.

Impairment 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, 2021, 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 (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2021.

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

Physicians for Human Rights, Inc.

Notes to Financial Statements

filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2021, there were no interest or penalties recorded or included in the statement of activities. The Entity is subject to routine audits by a taxing authority. As of June 30, 2021, the Entity was not subject to any examination by a taxing authority.

Functional Allocation of 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 indirect costs are allocated by management among the program and support services benefited, including salaries, rent, utilities, internet/telephone expense, insurance, and professional fees, based on the corresponding percentages of direct expenses for the year.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Entity's financial statements for the year ended June 30, 2020.

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.

Recently Adopted Accounting Pronouncement

Revenue from Contracts with Customers (Topic 606)

In May 2014, 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 superseded existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cashflows arising from contracts with customers, including significant judgments and changes in judgments. The provisions of ASU 2014-09 were adopted by the Entity beginning July 1, 2020. Effective July 1, 2020, the Entity elected the modified retrospective approach in adopting ASU 2014-09 to all contracts under the scope of the guidance. The adoption of this ASU did not have a material impact on the financial statements.

Physicians for Human Rights, Inc.

Notes to Financial Statements

Accounting Pronouncements Issued but Not Yet Adopted

Not-for-Profit Entities (Topic 958)

The FASB issued ASU 2020-07, the Update, to clarify the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items.

The enhanced presentation and disclosure requirements include the contributed nonfinancial assets as separately stated as an individual line item in the combined statement of activities, distinct from contributions of cash or other financial assets. The contributed nonfinancial assets are also disaggregated in a footnote by category that shows the type of contributed nonfinancial assets in the statement of activities. For each type of contributed nonfinancial assets recognized, a not-for-profit will disclose the not-for-profit's policy (if any) on liquidating rather than using contributed nonfinancial assets; qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period, and, if used, a description of how the asset was employed should be included; any donor-imposed restrictions related to the contributed nonfinancial assets; and the valuation methods and inputs utilized to determine a fair value. In accordance with Topic 820, *Fair Value Measurement*, it should be measured at initial recognition. The principal or most advantageous market is utilized to calculate fair value if it is market in which the not-for-profit is restricted by the donor from selling or utilizing the contributed nonfinancial assets.

The Update does not change existing recognition and measurement requirements for contributed nonfinancial assets and is effective for annual reporting periods beginning after June 15, 2021, with early adoption permitted. The Entity is currently evaluating the impact of the adoption of the ASU on its financial statements.

Leases (Topic 842)

On February 25, 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The FASB also issued ASU 2020-05, which deferred the effective date for the Entity until annual periods beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

The remainder of this page intentionally left blank.

Physicians for Human Rights, Inc.

Notes to Financial Statements

3. Liquidity and Availability of Resources

The Entity's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

June 30, 2021

Cash and cash equivalents	\$	5,410,142
Investments		8,117,739
Grants and contributions receivable, current portion		2,085,681
Total Financial Assets Available		15,613,562
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose or time		8,083,084
Total Financial Assets Available to Management for General Expenditures Within One Year	\$	7,530,478

Liquidity Management

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Entity invests cash in excess of daily requirements in short-term investments including mutual funds, all of which can be liquidated within 12 months, to help manage unanticipated liquidity needs.

4. Investments, at Fair Value

The following table sets forth by level, within the fair value hierarchy, the Entity's investments at fair value:

June 30, 2021

	Level 1	Level 2	Level 3	Fair Value
Mutual funds	\$ 8,117,739	\$ -	\$ -	\$ 8,117,739

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

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

The method 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.

5. Grants and Contributions Receivable, Net

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promised to give that are expected to be collected in

Physicians for Human Rights, Inc.

Notes to Financial Statements

future years are recorded at the present value of estimated future cash flows using a discount rate of 2.5%.

Grants and contributions receivable consisted of the following:

June 30, 2021

Receivables in less than one year	\$	2,085,681
Receivables in one to three years		251,545
		2,337,226
Less: discount to present value		(33,314)
	\$	2,303,912

6. Fixed Assets, Net

Fixed assets of the following:

June 30, 2021

Furniture and equipment	\$	277,334
Leasehold improvements		125,677
		403,011
Less: accumulated depreciation		(304,811)
Total Fixed Assets	\$	98,200

For the year ended June 30, 2021, depreciation expense was \$40,808.

7. Paycheck Protection Program Loan Payable

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted by the President of the United States on March 27, 2020, which appropriated funds for the United States Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans, to provide liquidity to small businesses harmed by the COVID-19 outbreak. In April 2020, the Entity applied for PPP loan of \$695,645. During the fiscal year ended June 30, 2021, the SBA forgave the loan and the Entity reported forgiveness of debt on the statement of activities. In February 2021, the Entity applied and received an additional loan under the PPP amounting to \$724,627. The loans is serviced by Chase and, if not forgiven, have an interest rate of 0.98% and would mature in February 2022. The PPP loans was fully forgiven in March 2022.

The application for these funds requires the Entity to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Entity. This certification further requires the Entity to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Entity having initially qualified

Physicians for Human Rights, Inc.

Notes to Financial Statements

for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following:

June 30, 2021

Asylum	\$	168,750
Sexual Violence in Conflict zones		2,535,034
Research and Investigations		454,745
Iraq		435,910
Growth Campaign		4,488,645
	\$	8,083,084

Net assets released from donor restrictions consisted of the following:

Year ended June 30, 2021

Time Restricted for General Use	\$	728,435
Asylum		241,592
Sexual Violence in Conflict zones		1,433,413
Research and Investigations		552,305
Iraq		327,649
Growth Campaign		2,014,107
	\$	5,267,501

9. 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 \$1,188 the year ended June 30, 2021, which is included in contributed services on the statement of activities and in consultants and stipends on the statement of functional expenses.

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 \$127,872 during the year ended June 30, 2021.

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 \$19,500 during the year ended June 30, 2021. The total amount of this asset and liability was \$192,514 as of June 30, 2021.

Physicians for Human Rights, Inc.

Notes to Financial Statements

11. Commitments

Operating Leases

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 \$336,010, as compared to rental expense recognized of \$323,713 for the year ended June 30, 2021. Deferred rent amounted to \$88,377 and \$104,921 for the year ended June 30, 2021 and 2020, respectively. The Entity also leases space in Boston, Massachusetts under a noncancelable lease expiring in August 2021. The total expense was \$42,787 for June 30, 2021.

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

Year ending June 30,

		New York		Total
2022	\$	344,410	\$	344,410
2023		353,020		353,020
2024		361,846		361,846
	\$	1,059,276	\$	1,059,276

Additionally, the Entity leases various office space under a tenant-at-will arrangement. Aggregate rent expense was \$415,799 for the year ended June 30, 2021.

12. Subsequent Events

Management has performed subsequent events procedures through May 13, 2022, which is the date that the financial statements were available to be issued. There were no subsequent events identified that would require an adjustment to the financial statements or disclosure as a result of these procedures.