



**Human Rights Watch, Inc.**



**Financial Statements**  
Year Ended June 30, 2007

# Human Rights Watch, Inc.

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## Independent Auditors' Report

Board of Directors  
Human Rights Watch, Inc.  
New York, New York

We have audited the accompanying statement of financial position of Human Rights Watch, Inc. as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Human Rights Watch, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Human Rights Watch, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Rights Watch, Inc. as of June 30, 2007, and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Information for the year ended June 30, 2006 is presented for comparative purposes only and was extracted from the financial statements of Human Rights Watch, Inc. for that year, on which we expressed an unqualified opinion, dated August 25, 2006.

*BDO Seidman, LLP*

August 31, 2007

# Human Rights Watch, Inc.

## Statement of Financial Position (with comparative totals for 2006)

<i>June 30,</i>	2007	2006
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 21,904,205	\$ 19,430,247
Short-term investments, at fair value (Note 3)	82,999,695	71,952,432
Contributions receivable, net (Note 4)	15,082,031	7,486,755
Other receivables	330,053	1,673,315
Prepaid expenses	497,921	179,212
Security deposits	156,709	90,465
Fixed assets, net (Note 5)	2,246,792	2,557,951
	<b>\$123,217,406</b>	<b>\$103,370,377</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,937,068	\$ 1,756,380
Accrued pension expense	112,601	100,931
Deferred rent	1,044,701	1,090,447
Deferred revenue	27,906	32,454
<b>Total liabilities</b>	<b>3,122,276</b>	<b>2,980,212</b>
<b>Commitments (Note 9)</b>		
<b>Net assets:</b>		
Unrestricted (Note 2)	10,634,711	10,247,832
Temporarily restricted (Notes 2 and 6)	109,460,419	90,142,333
<b>Total net assets</b>	<b>120,095,130</b>	<b>100,390,165</b>
	<b>\$123,217,406</b>	<b>\$103,370,377</b>

See accompanying notes to financial statements.

# Human Rights Watch, Inc.

## Statement of Activities (with comparative totals for 2006)

Year ended June 30,

	Unrestricted	Temporarily restricted	Total	
			2007	2006
<b>Public support and revenue:</b>				
Public support:				
Contributions and grants	\$20,803,165	\$ 16,835,479	\$ 37,638,644	\$ 27,682,996
Special events	4,366,268	-	4,366,268	3,842,578
<b>Total public support</b>	<b>25,169,433</b>	<b>16,835,479</b>	<b>42,004,912</b>	<b>31,525,574</b>
Revenue:				
Investment income, net	795,323	12,040,257	12,835,580	7,956,612
Publications	143,091	-	143,091	140,926
Other	180,532	-	180,532	184,346
<b>Total revenue</b>	<b>1,118,946</b>	<b>12,040,257</b>	<b>13,159,203</b>	<b>8,281,884</b>
Net assets released from restrictions and transfers (Note 6)	9,557,650	(9,557,650)	-	-
<b>Total support and revenue</b>	<b>35,846,029</b>	<b>19,318,086</b>	<b>55,164,115</b>	<b>39,807,458</b>
<b>Expenses:</b>				
Program services:				
Africa	4,027,200	-	4,027,200	3,512,535
Americas	1,390,736	-	1,390,736	1,124,973
Asia	2,879,884	-	2,879,884	2,347,892
Europe and Central Asia	3,378,567	-	3,378,567	3,077,415
Middle East and North Africa	2,177,836	-	2,177,836	1,859,289
United States	1,069,441	-	1,069,441	986,784
Children's Rights	1,615,406	-	1,615,406	1,271,053
International Justice	1,200,080	-	1,200,080	954,993
Women's Rights	1,419,140	-	1,419,140	1,104,683
Other Programs	7,953,259	-	7,953,259	6,090,961
<b>Total program services</b>	<b>27,111,549</b>	<b>-</b>	<b>27,111,549</b>	<b>22,330,578</b>
Supporting services:				
Management and general	1,887,841	-	1,887,841	1,647,223
Fundraising	6,459,760	-	6,459,760	6,207,685
<b>Total supporting services</b>	<b>8,347,601</b>	<b>-</b>	<b>8,347,601</b>	<b>7,854,908</b>
<b>Total expenses</b>	<b>35,459,150</b>	<b>-</b>	<b>35,459,150</b>	<b>30,185,486</b>
Change in net assets	386,879	19,318,086	19,704,965	9,621,972
Net assets, beginning of year	10,247,832	90,142,333	100,390,165	90,768,193
<b>Net assets, end of year</b>	<b>\$10,634,711</b>	<b>\$109,460,419</b>	<b>\$120,095,130</b>	<b>\$100,390,165</b>

See accompanying notes to financial statements.

# Human Rights Watch, Inc.

## Statement of Functional Expenses (with comparative totals for 2006)

Year ended June 30, 2007

Program services

Supporting services

	Program services										Supporting services		Total	2006		
	Africa	Americas	Asia	Europe & Central Asia	Middle East & North Africa	United States	Children's Rights	International Justice	Women's Rights	Other Programs	Total	Management and general			Fundraising	Total
Salaries and related expenses:	\$1,812,953	\$760,982	\$1,431,438	\$1,666,705	\$1,069,332	\$606,099	\$873,412	\$617,870	\$727,535	\$3,763,993	\$13,330,329	\$716,044	\$1,891,309	\$2,627,353	\$15,957,682	\$13,375,267
Salaries	245,328	104,088	195,576	224,454	143,786	85,282	115,830	85,194	113,044	552,722	1,865,504	127,830	295,197	423,027	2,288,331	2,097,385
Insurance and employee benefits	109,017	47,671	88,253	99,697	65,150	28,032	58,890	32,542	52,145	242,864	824,261	45,608	103,875	149,483	973,744	825,035
Retirement plan	186,835	57,866	133,054	178,087	80,521	56,140	99,464	63,878	68,853	337,733	1,262,411	94,841	158,517	253,358	1,515,769	1,218,651
Payroll taxes	2,354,143	970,607	1,848,321	2,168,943	1,358,789	775,553	1,147,596	799,484	961,537	4,897,312	17,282,305	1,004,323	2,448,898	3,453,221	20,735,576	17,516,338
Total salaries and related expenses	187,026	33,186	204,637	95,012	87,800	31,778	23,755	68,755	34,393	183,135	949,457	56,641	257,953	314,574	1,264,031	1,010,545
Consultants' fees	118,471	20,454	50,219	79,503	127,257	12,643	32,315	31,547	25,337	87,808	585,554	35,829	9,621	28,855	621,383	528,568
Publications	22,417	7,637	16,350	19,632	9,513	8,360	17,206	5,395	7,972	31,482	147,934	19,234	9,621	28,855	176,789	115,036
Information services	635,514	128,604	304,319	376,132	246,068	57,844	124,603	120,759	143,168	689,607	2,850,598	96,015	352,703	448,718	3,299,316	2,621,333
Travel, meals and meetings	65,862	4,252	23,146	45,677	4,658	125	71	71	-	274,819	418,610	-	-	-	382,192	715,193
Outreach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	418,610	429,192
Special projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,097,851	1,089,069
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,512,654	1,412,670
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	526,435	526,435
Rent	263,178	103,343	195,811	307,916	160,900	83,966	122,770	77,507	113,031	556,922	1,985,294	321,870	394,565	2,611,729	2,262,437	
Office expenses	136,840	42,467	86,195	100,436	68,032	34,087	50,403	31,523	45,650	207,862	803,495	113,544	135,198	248,742	1,052,237	888,301
Postage and delivery	58,725	7,547	19,328	19,767	14,889	5,909	10,708	10,697	7,935	49,594	185,499	14,632	52,293	66,927	254,426	218,449
Telephone and fax	38,600	15,836	28,703	34,641	21,774	12,867	18,805	11,877	17,323	84,634	285,058	49,322	47,121	96,443	381,501	457,513
Professional fees	65,522	25,171	45,523	61,714	34,663	20,608	29,752	18,761	28,179	130,924	460,627	77,910	149,748	227,658	688,285	429,227
Total expenses before depreciation and amortization	1,950,098	1,359,104	2,822,552	3,209,373	2,134,343	1,043,740	1,577,843	1,176,356	1,384,543	7,783,803	26,541,755	1,789,322	6,368,585	8,157,907	34,699,662	29,693,871
Depreciation and amortization	77,102	31,632	57,332	69,194	43,493	25,701	37,563	23,724	34,597	169,456	569,794	98,519	91,175	189,694	759,488	491,615
Total expenses	\$4,027,200	\$1,390,736	\$2,879,884	\$3,278,567	\$2,177,836	\$1,069,441	\$1,615,406	\$1,200,080	\$1,419,140	\$7,953,259	\$27,111,549	\$1,887,841	\$6,459,760	\$8,347,601	\$35,459,150	\$30,185,486

See accompanying notes to financial statements.

# Human Rights Watch, Inc.

## Statement of Cash Flows (with comparative totals for 2006)

<i>Year ended June 30,</i>	2007	2006
<b>Cash flows from operating activities:</b>		
Change in net assets	\$19,704,965	\$ 9,621,972
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	759,488	491,615
Realized gain on investments	(8,693,135)	(7,339,208)
Unrealized gain on investments	(4,142,445)	(617,405)
Discount on contributions receivable	196,525	(74,740)
Decrease (increase) in assets:		
Contributions receivable	(7,791,801)	1,346,357
Other receivables	1,343,262	(1,393,439)
Prepaid expenses	(318,709)	134,280
Security deposits	(66,244)	40
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	180,688	411,090
Accrued pension expense	11,670	2,725
Deferred rent	(45,746)	(65,670)
Deferred revenue	(4,548)	4,461
<b>Net cash provided by operating activities</b>	<b>1,133,970</b>	<b>2,522,078</b>
<b>Cash flows from investing activities:</b>		
Net sales (purchases) of investments	1,788,318	(2,350,955)
Purchases of fixed assets	(448,330)	(449,436)
<b>Net cash provided by (used in) investing activities</b>	<b>1,339,988</b>	<b>(2,800,391)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,473,958</b>	<b>(278,313)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>19,430,247</b>	<b>19,708,560</b>
<b>Cash, and cash equivalents, end of year</b>	<b>\$21,904,205</b>	<b>\$19,430,247</b>

*See accompanying notes to financial statements.*

# Human Rights Watch, Inc.

## Notes to Financial Statements

**1. Nature of Organization**

Human Rights Watch, Inc. ("HRW") is a nonprofit organization that works to stop human rights abuses. Currently, it monitors and promotes human rights in over 70 countries worldwide. Its program is divided into five parts for each region of the world plus the United States and thematic programs devoted to women's rights, children's rights, refugees, military affairs, international justice, terrorism/counterterrorism, the human rights responsibilities of corporations, gay and lesbian rights, and HIV AIDS.

HRW obtains financial support from the public - primarily individuals and foundations, but also estates, trusts and businesses. It does not seek or accept financial support from any government or government-funded agency. Principal offices in 2007 were located in New York, Washington, London, Brussels, Berlin, Chicago, Los Angeles, San Francisco, Toronto, Moscow and Geneva.

**2. Summary of Significant Accounting Policies**

*(a) General*

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 and liabilities are presented according to their maturity resulting in the use of cash.

*(b) Financial Statement Presentation*

The classification of HRW'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.

# Human Rights Watch, Inc.

## Notes to Financial Statements

The classes of net assets are defined as follows:

- (i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by HRW is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of HRW pursuant to those stipulations.
- (ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by HRW is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of HRW pursuant to those stipulations.
- (iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) *Cash and Cash Equivalents*

HRW considers all money market funds and investments with maturities of three months or less at the time of purchase to be cash equivalents.

(d) *Contributions Receivable and Allowances*

HRW reports unconditional promises to give as contributions. If amounts are expected to be collected within one year, they are recorded at net realized value. If amounts are expected to be collected in future years, they are recorded at the net present value of their estimated future cash flows using a discount rate of 3.0%.

HRW uses the allowance method for uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis and evaluation of specific promises made. While management uses the best information available to make its evaluation, future adjustments to allowance may be necessary if there are significant changes in economic conditions.

# Human Rights Watch, Inc.

## Notes to Financial Statements

(e) *Contributed Services*

For the year ended June 30, 2007, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist HRW at the residents' facilities. HRW receives more than 5,000 volunteer hours per year.

(f) *Investments*

Investments are stated at market value. All investments for which market values are not readily available (including investments which are subject to limitations as to their sale) are valued at fair value as determined in good faith by the management of HRW although the actual calculations may be done by others.

(g) *Endowment Fund*

The Endowment Fund represents the principal amount of gifts accepted with the stipulation of the donors or the Board of Directors that the principal be maintained intact until the occurrence of a specified event. The Endowment Fund has been established under a formal arrangement whereby HRW will spend no more than 5% of the Endowment Fund value, as defined, each year for operations. In the case of exceptional circumstances, as declared by a vote of two-thirds of the Board of Directors, HRW may spend more than the previously stated 5%. The net assets of the Endowment Fund relating to assets received as part of the 1998 Endowment Campaign have been designated as temporarily restricted. The Endowment Fund net asset value at June 30, 2007 was \$85,169,441.

# Human Rights Watch, Inc.

## Notes to Financial Statements

(h) *Investment Impairment*

HRW's investments consist of corporate bonds, US government obligations, equity securities and limited partnerships. At June 30, 2007, HRW has deemed that all securities, which were in an unrealized loss position, were temporarily impaired. Positive evidence considered in reaching HRW's conclusion that the investments in an unrealized loss position are not other-than-temporarily impaired consisted of:

- (i) there were no specific events which caused concerns;
- (ii) HRW's ability and intent to retain the investment for a sufficient amount of time to allow an anticipated recovery in value; and
- (iii) HRW also determined that the changes in market value were considered normal in relation to overall fluctuations in market conditions.

(i) *Fixed Assets*

Fixed assets are recorded at cost when purchased. Depreciation is computed on an accelerated basis or on a straight-line basis over the estimated useful lives of the assets, as follows:

Furniture and fixtures	7 years
Office equipment	5 years
Computer hardware and software	5 years

Leasehold improvements are depreciated over the shorter of the term of the lease or their useful lives.

# Human Rights Watch, Inc.

## Notes to Financial Statements

(j) *Functional Allocation of Expenses*

The cost of providing the various programs and other activities has been summarized on an individual basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) *Revenue Recognition*

The operations of HRW are financed principally by foundation grants and contributions received from the general public. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or absence of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(l) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(m) *Income Taxes*

HRW is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. HRW has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

# Human Rights Watch, Inc.

## Notes to Financial Statements

(n) *Concentration of Credit Risk*

Financial instruments which potentially subject HRW to concentration of credit risk consist primarily of cash and cash equivalents. At various times, HRW has cash deposits at financial institutions which exceed the FDIC insurance limits.

(o) *Effect of Recently Issued Accounting Pronouncement*

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of June 30, 2007, HRW does not believe the adoption of SFAS No. 157 will impact the amounts reported in the financial statements. However, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statements of activities for a physical period.

3. **Short-Term Investments, at Fair Value**

Short-term investments, at fair value are comprised of the following at June 30, 2007:

Corporate bonds	\$ 7,123,113
US government agency obligations	4,042,869
Certificates of deposit	2,079,465
Corporate stock	37,852,862
Limited partnerships	31,850,757
Mutual fund	50,629
<b>Total</b>	<b>\$82,999,695</b>

# Human Rights Watch, Inc.

## Notes to Financial Statements

### 4. Contributions Receivable, Net

At June 30, 2007, the net present value of contributions receivable is \$15,082,031. Net present value was calculated using a discounted rate equal to the estimated earnings rate of HRW, which was calculated to be 3.0%.

Net present value of contributions receivable, net of a reserve for undocumented commitments, at June 30, 2007 is summarized below:

#### *June 30, 2007*

Total contributions receivable at June 30, 2007	\$15,399,934
Discount at 3.0%	(317,903)
Net present value of contributions receivable at June 30, 2007	\$15,082,031

#### Amounts due in:

One year	\$ 7,652,155
Two to five years	7,747,779
Total	\$15,399,934

### 5. Fixed Assets, Net

Fixed assets, net consist of the following:

#### *June 30, 2007*

Leasehold improvements	\$ 3,095,135
Furniture and fixtures	696,717
Office equipment	254,481
Computer hardware and software	1,954,320
	6,000,653
Less: Accumulated depreciation and amortization	(3,753,861)
	\$ 2,246,792

# Human Rights Watch, Inc.

## Notes to Financial Statements

6. **Temporarily Restricted Net Assets and Net Assets Released from Restrictions**

Temporarily restricted net assets were available for the following purposes at June 30, 2007:

Donor imposed time restrictions	\$ 24,284,513
Endowment fund	85,175,906
	<u>\$109,460,419</u>

Temporarily restricted net assets that were released from donor restrictions at June 30, 2007 are as follows:

Donor-imposed time restrictions	<u>\$9,557,650</u>
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7. **Unrestricted Net Assets** HRW seeks to maintain unrestricted net assets equivalent to approximately 33% of annual operating expenses.
8. **Retirement Plan** HRW has a defined contribution plan, whereby HRW shall contribute 10% of each employee's salary, subject to annual IRS limitations. Employees become eligible after two years of continuous full-time employment. The contribution for the year ended June 30, 2007 was \$973,744.

# Human Rights Watch, Inc.

## Notes to Financial Statements

### 9. Commitments

Pursuant to facility and equipment lease agreements, HRW is obligated for minimum annual rentals to nonrelated parties, as indicated below. Minimum future annual rental payments under the lease agreements expiring in 2014 are as follows:

<i>Year ending June 30,</i>	
2008	\$ 1,922,350
2009	1,906,842
2010	1,607,054
2011	1,601,659
2012	1,585,481
Thereafter	3,400,472
	<hr/>
	\$12,023,858

HRW leases office space in various countries on a month-to-month basis. Rent expense for the year ended June 30, 2007 amounted to \$2,611,729.