

# **Human Rights Watch, Inc.**

**Financial Statements**  
Year Ended June 30, 2009

# **Human Rights Watch, Inc.**

**Financial Statements**  
Year Ended June 30, 2009

# Human Rights Watch, Inc.

## Contents

---

<b>Independent auditors' report</b>	3
<b>Financial statements:</b>	
Statement of financial position	4
Statement of activities	5
Statement of functional expenses	6
Statement of cash flows	7
Notes to financial statements	8-24

## 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, 2009, 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, 2009, 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, 2008 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 November 3, 2008.

*BDO Seidman, LLP*

September 11, 2009

# Human Rights Watch, Inc.

## Statement of Financial Position (with comparative totals for 2008)

<i>June 30,</i>	<b>2009</b>	2008
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 21,014,900	\$ 21,042,008
Investments, at fair value (Note 3)	48,419,943	43,455,828
Investments in limited partnerships (Note 4)	17,020,192	35,349,824
Contributions receivable, net (Note 5)	19,857,220	18,901,461
Other receivables	526,722	174,845
Prepaid expenses	293,732	766,255
Security deposits	164,707	164,995
Fixed assets, net (Note 6)	1,957,909	2,226,223
	<b>\$109,255,325</b>	\$122,081,439
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,039,796	\$ 2,186,029
Accrued pension expense	89,288	67,563
Deferred rent	745,197	949,736
Deferred revenue	22,575	22,575
<b>Total liabilities</b>	<b>2,896,856</b>	3,225,903
<b>Commitments (Note 10)</b>		
<b>Net assets:</b>		
Unrestricted (Note 2)	7,998,016	9,661,402
Temporarily restricted (Notes 2, 7 and 8)	98,360,453	109,194,134
<b>Total net assets</b>	<b>106,358,469</b>	118,855,536
	<b>\$109,255,325</b>	\$122,081,439

*See accompanying notes to financial statements.*

# Human Rights Watch, Inc.

## Statement of Activities (with comparative totals for 2008)

Year ended June 30,

	Unrestricted	Temporarily restricted	Total	
			2009	2008
<b>Public support and revenue:</b>				
Public support:				
Contributions and grants	\$23,268,131	\$ 17,265,456	\$ 40,533,587	\$ 37,181,800
Special events	6,356,509	-	6,356,509	6,580,474
<b>Total public support</b>	29,624,640	17,265,456	46,890,096	43,762,274
Revenue:				
Investment loss, net	(656,736)	(10,066,298)	(10,723,034)	(4,556,357)
Investment income (loss), net from limited partnerships	-	(4,764,434)	(4,764,434)	1,815,282
Publications	71,894	-	71,894	95,771
Other	68,790	-	68,790	83,538
<b>Total revenue</b>	(516,052)	(14,830,732)	(15,346,784)	(2,561,766)
Net assets released from restrictions and transfers (Note 7)	13,268,405	(13,268,405)	-	-
<b>Total support and revenue</b>	42,376,993	(10,833,681)	31,543,312	41,200,508
<b>Expenses:</b>				
Program services:				
Africa	5,237,284	-	5,237,284	5,532,631
Americas	1,414,128	-	1,414,128	1,479,265
Asia	3,478,227	-	3,478,227	3,212,850
Europe and Central Asia	4,139,340	-	4,139,340	4,001,853
Middle East and North Africa	2,460,861	-	2,460,861	2,258,459
United States	1,060,999	-	1,060,999	1,195,673
Children's Rights	1,665,758	-	1,665,758	1,641,064
International Justice	1,557,822	-	1,557,822	1,385,121
Women's Rights	2,000,382	-	2,000,382	1,854,228
Other Programs	10,353,126	-	10,353,126	9,252,974
<b>Total program services</b>	33,367,927	-	33,367,927	31,814,118
Supporting services:				
Management and general	2,160,437	-	2,160,437	1,984,626
Fundraising	8,512,015	-	8,512,015	8,641,358
<b>Total supporting services</b>	10,672,452	-	10,672,452	10,625,984
<b>Total expenses</b>	44,040,379	-	44,040,379	42,440,102
<b>Change in net assets</b>	(1,663,386)	(10,833,681)	(12,497,067)	(1,239,594)
<b>Net assets, beginning of year</b>	9,661,402	109,194,134	118,855,536	120,095,130
<b>Net assets, end of year</b>	\$ 7,998,016	\$ 98,360,453	\$106,358,469	\$118,855,536

See accompanying notes to financial statements.

# Human Rights Watch, Inc.

## Statement of Functional Expenses (with comparative totals for 2008)

Year ended June 30,

	Program services										Supporting services			2009	2008	
	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
<b>Salaries and related expenses:</b>																
Salaries	\$2,750,410	\$ 810,007	\$1,873,567	\$2,161,983	\$1,268,737	\$ 649,355	\$ 961,873	\$ 890,300	\$1,139,617	\$ 5,106,632	\$17,612,481	\$ 951,318	\$2,585,213	\$ 3,536,531	<b>\$21,149,012</b>	\$18,805,343
Insurance and employee benefits	341,830	94,482	224,200	270,011	162,830	81,103	114,431	112,453	134,359	653,782	2,189,481	115,837	375,453	491,290	<b>2,680,771</b>	2,985,893
Retirement plan	141,186	52,574	126,921	126,787	79,183	37,230	66,897	61,765	55,507	323,796	1,071,846	67,938	144,992	212,930	<b>1,284,776</b>	1,142,370
Payroll taxes	226,746	55,693	124,082	220,440	88,092	51,757	102,174	103,975	101,445	466,039	1,540,443	86,146	277,657	363,803	<b>1,904,246</b>	1,699,174
<b>Total salaries and related expenses</b>	<b>3,460,172</b>	<b>1,012,756</b>	<b>2,348,770</b>	<b>2,779,221</b>	<b>1,598,842</b>	<b>819,445</b>	<b>1,245,375</b>	<b>1,168,493</b>	<b>1,430,928</b>	<b>6,550,249</b>	<b>22,414,251</b>	<b>1,221,239</b>	<b>3,383,315</b>	<b>4,604,554</b>	<b>27,018,805</b>	24,632,780
Consultants' fees	102,592	30,133	107,987	96,009	26,163	6,228	9,087	15,190	14,759	346,338	754,486	31,734	372,163	403,897	<b>1,158,383</b>	1,473,276
Publications	141,446	35,765	60,051	116,538	122,342	14,453	42,332	42,564	42,550	226,526	844,567	38,561	25,263	63,824	<b>908,391</b>	946,732
Information services	25,217	6,427	23,095	19,496	9,771	9,707	16,660	6,552	9,546	139,890	266,361	20,859	27,350	48,209	<b>314,570</b>	308,063
Travel, meals and meetings	634,530	132,118	332,464	409,269	316,467	60,395	127,830	96,832	208,882	972,991	3,291,778	93,470	301,472	394,942	<b>3,686,720</b>	4,155,143
Outreach	-	-	-	-	-	-	-	-	-	576,368	576,368	-	134,481	134,481	<b>710,849</b>	568,777
Special projects	150,660	572	148,747	155,024	40,904	983	882	43	589	155,216	653,620	-	78,382	78,382	<b>732,002</b>	345,399
Special events	-	-	-	-	1,977	-	-	-	-	-	1,977	-	1,699,439	1,699,439	<b>1,701,416</b>	1,565,303
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	1,664,321	1,664,321	<b>1,664,321</b>	2,300,158
Rent	317,966	88,848	199,909	249,886	155,485	67,747	98,844	99,955	131,051	573,423	1,983,114	345,176	332,946	678,122	<b>2,661,236</b>	2,700,359
Office expenses	154,484	43,262	97,992	127,395	75,162	32,591	47,948	47,954	63,067	397,701	1,087,556	165,600	150,405	316,005	<b>1,403,561</b>	985,340
Postage and delivery	32,430	4,625	15,448	13,776	9,155	3,590	9,375	13,165	11,068	41,279	153,911	12,167	79,966	92,133	<b>246,044</b>	335,111
Telephone and fax	52,910	14,784	33,265	41,581	25,873	11,273	16,448	16,632	21,807	95,363	329,936	57,437	55,395	112,832	<b>442,768</b>	525,690
Professional fees	78,162	20,607	55,980	62,997	36,317	16,111	24,020	23,183	30,395	121,321	469,093	80,058	116,305	196,363	<b>665,456</b>	827,798
<b>Total expenses before depreciation and amortization</b>	<b>5,150,569</b>	<b>1,389,897</b>	<b>3,423,708</b>	<b>4,071,192</b>	<b>2,418,458</b>	<b>1,042,523</b>	<b>1,638,801</b>	<b>1,530,563</b>	<b>1,964,642</b>	<b>10,196,665</b>	<b>32,827,018</b>	<b>2,066,301</b>	<b>8,421,203</b>	<b>10,487,504</b>	<b>43,314,522</b>	41,669,929
<b>Depreciation and amortization</b>	<b>86,715</b>	<b>24,231</b>	<b>54,519</b>	<b>68,148</b>	<b>42,403</b>	<b>18,476</b>	<b>26,957</b>	<b>27,259</b>	<b>35,740</b>	<b>156,461</b>	<b>540,909</b>	<b>94,136</b>	<b>90,812</b>	<b>184,948</b>	<b>725,857</b>	770,173
<b>Total expenses</b>	<b>\$5,237,284</b>	<b>\$1,414,128</b>	<b>\$3,478,227</b>	<b>\$4,139,340</b>	<b>\$2,460,861</b>	<b>\$1,060,999</b>	<b>\$1,665,758</b>	<b>\$1,557,822</b>	<b>\$2,000,382</b>	<b>\$10,353,126</b>	<b>\$33,367,927</b>	<b>\$2,160,437</b>	<b>\$8,512,015</b>	<b>\$10,672,452</b>	<b>\$44,040,379</b>	\$42,440,102

See accompanying notes to financial statements.

# Human Rights Watch, Inc.

## Statement of Cash Flows (with comparative totals for 2008)

<i>Year ended June 30,</i>	2009	2008
<b>Cash flows from operating activities:</b>		
Change in net assets	\$(12,497,067)	\$ (1,239,594)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	725,857	770,173
Realized (gain) loss on investments	8,242,616	(3,890,134)
Unrealized loss on investments	7,268,136	6,631,209
Change in discount on contributions receivable	(87,812)	90,746
Decrease (increase) in assets:		
Contributions receivable	(867,946)	(3,910,176)
Other receivables	(351,877)	155,208
Prepaid expenses	472,523	(268,334)
Security deposits	288	(8,286)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(146,233)	248,961
Accrued pension expense	21,725	(45,038)
Deferred rent	(204,539)	(94,965)
Deferred revenue	-	(5,331)
<b>Net cash provided by (used in) operating activities</b>	<b>2,575,671</b>	<b>(1,565,561)</b>
<b>Cash flows from investing activities:</b>		
Net sales of investments	(2,145,472)	1,452,968
Purchases of fixed assets	(457,307)	(749,604)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,602,779)</b>	<b>703,364</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(27,108)</b>	<b>(862,197)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>21,042,008</b>	<b>21,904,205</b>
<b>Cash, and cash equivalents, end of year</b>	<b>\$ 21,014,900</b>	<b>\$21,042,008</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 2009 were located in New York, Washington, London, Brussels, Berlin, Chicago, Los Angeles, San Francisco, Toronto, Moscow, Geneva, Paris, Johannesburg and Tokyo.

**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, 2009, 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 at Fair Value*

Investments are stated at fair 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) *Investments in Limited Partnerships*

HRW's investments in limited partnerships ("investment entities") are accounted for under the equity method. These investments are stated at fair value based upon HRW's equity interest reported by the investment entities. Income is recorded on a quarterly basis upon receipt of reports submitted by the investment entities.

Investment entities and other investment companies are selected by the Investment Committee which receives offering documents and performance history of each investment manager. The Investment Committee interviews the manager to determine whether the investment philosophy (particularly with respect to risk) and strategies of the partnership are in the best interests of HRW. Only after the Investment Committee makes a positive recommendation does HRW invest in an investment entity. In addition, the actions of the Investment Committee are subject to review and approval by the Board of Directors of HRW, as the case may be.

# Human Rights Watch, Inc.

## Notes to Financial Statements

(h) *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 can 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, 2009 was \$66,921,476.

(i) *Investment Impairment*

HRW's investments consist of corporate bonds, US government obligations, equity securities and limited partnerships. At June 30, 2009, 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.

# Human Rights Watch, Inc.

## Notes to Financial Statements

(j) *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.

(k) *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.

(l) *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.

# Human Rights Watch, Inc.

## Notes to Financial Statements

(m) *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.

(n) *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.

(o) *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.

(p) *Effect of Recently Issued Accounting Pronouncements*

(i) *Fair Value Measurements*

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. Effective July 1, 2008, HRW has

# Human Rights Watch, Inc.

## Notes to Financial Statements

adopted SFAS No. 157. The adoption did not impact the amounts reported in the financial statements, but does require additional footnote disclosures about the inputs used to develop the measurements of fair value and the effect of certain measurements reported in the statements of activities for the fiscal year as noted in Note 3 below.

(ii) Accounting for Uncertainty in Income Taxes

HRW adopted the provisions of FIN 48 on July 1, 2008. Under FIN 48, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. The implementation of FIN 48 had no impact on HRW's financial statements. HRW does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. HRW has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, HRW has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. No interest or penalty was accrued as of July 1, 2008 as a result of the adoption of FIN 48. For the year ended June 30, 2009, there was no interest or penalties recorded or included in the statements of activities.

(iii) Endowments

HRW adopted the FASB Staff Position SFAS No. 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and Enhanced Disclosures for all Endowment Funds" ("FSP SFAS No. 117-1"), during fiscal 2009. FSP SFAS No. 117-1 requires that disclosures be made on HRW's endowments by net asset classifications.

# Human Rights Watch, Inc.

## Notes to Financial Statements

### 3. **Financial Instruments and Fair Value**

As indicated in Note 2, HRW adopted SFAS No. 157 in the beginning of fiscal year 2008. There were no financial instruments as of the beginning of such year for which a retrospective application of fair value measurement was required. Accordingly, the effect of adopting the provisions of SFAS No. 157 is prospective from the beginning of fiscal year 2008.

SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as HRW would use in pricing HRW's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that can not be sourced from a broad active market in which assets or liabilities identical or similar to those of HRW are traded. HRW estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

# Human Rights Watch, Inc.

## Notes to Financial Statements

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

HRW’s holdings in stocks consist principally of debt and equity securities carried at their aggregate market value that is determined by quoted market prices. Each of the above investments can be liquidated daily. The valuation of the above is based on Level 1 inputs within the hierarchy used in measuring fair value.

HRW also has investments in fixed income securities which include corporate bonds and U.S. Treasury securities. The investment managers priced these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities may not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using its proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of similar securities, sector grouping and matrix pricing. These investments are classified as Level 2.

Alternative investments are those made in limited partnerships, offshore limited liability companies and private equity concerns, all of which are valued based on Level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, their fair value is estimated using information provided to HRW by the investment managers or general partners.

# Human Rights Watch, Inc.

## Notes to Financial Statements

Below sets forth a table of assets measured at fair value as of June 30, 2009:

Cash and cash equivalents	\$21,014,900
Corporate bonds	5,320,268
U.S. government agency obligations	6,671,833
Certificates of deposit	837,866
Corporate stock	28,051,471
Mutual fund	2,825,287
Alternative investments and private equity	21,733,410
<b>Total</b>	<b>\$86,455,035</b>

Description	Fair value measurement at report date using			Balance as of June 30, 2009
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Cash and cash equivalents	\$21,014,900	\$ -	\$ -	\$21,014,900
Corporate stocks	28,051,471	-	-	28,051,471
Publicly-traded mutual funds	2,825,287	-	-	2,825,287
Corporate bonds and U.S. government agency obligations	-	12,829,967	-	12,829,967
Alternative investments and private equity	-	-	21,733,410	21,733,410
<b>Total</b>	<b>\$51,891,658</b>	<b>\$12,829,967</b>	<b>\$21,733,410</b>	<b>\$86,455,035</b>
	63%	12%	25%	100%

# Human Rights Watch, Inc.

## Notes to Financial Statements

The following table sets forth changes in the assets measured at fair value using Level 3 inputs on a recurring basis for the year ended June 30, 2009:

Description	Balance at June 30, 2008	Purchases	Sales	Realized (loss)	Unrealized (loss)	Balance at June 30, 2009
Investment portfolio:						
Alternative investments	\$20,160,601	\$1,418,553	\$(19,388)	\$(1,211,952)	\$(458,540)	\$19,889,274
Private equity	2,212,565	160,000	(44,435)	(27,222)	(456,772)	1,844,136
<b>Total</b>	<b>\$22,373,166</b>	<b>\$1,578,553</b>	<b>\$(63,823)</b>	<b>\$(1,239,174)</b>	<b>\$(915,312)</b>	<b>\$21,733,410</b>

The following table represents the fair market value and gross unrealized losses for securities where the estimated fair value had declined and remained below amortized cost by less than 12 months or 12 months or more as of June 30, 2009:

Description of securities:	Less than 12 months		12 months or more		Total	
	Fair market value	Unrealized (losses)	Fair market value	Unrealized (losses)	Fair market value	Unrealized (losses)
Common stock	\$4,598,008	\$(1,187,889)	\$4,097,794	\$(2,745,835)	\$ 8,695,802	\$(3,933,724)
Publicly-traded mutual funds	2,825,306	(2,763,572)	-	-	2,825,306	(2,763,572)
<b>Total</b>	<b>\$7,423,314</b>	<b>\$(3,951,461)</b>	<b>\$4,097,794</b>	<b>\$(2,745,835)</b>	<b>\$11,521,108</b>	<b>\$(6,697,296)</b>

# Human Rights Watch, Inc.

## Notes to Financial Statements

### 4. **Investments in Limited Partnerships**

As of June 30, 2009, \$17,020,192 (26%) of HRW's investment portfolio consisted of interests in limited partnerships, which are engaged in a variety of investment strategies. As audited financial statements of these partnerships are only available as at the prior year end (December 31, 2008), HRW uses a valuation process to determine the value at the close of its fiscal year (June 30, 2009). The valuation process utilizes a variety of due diligence efforts including, but not limited to, advice of its investment advisors, Cambridge Associates, benchmarking data of comparable partnerships which are available, fund manager credentials, and queries of the partnerships by their independent auditors. Loss resulting from these investments was \$4,764,434 of unrealized losses as of June 30, 2009.

These investment entities invest in various domestic and international types of securities and derivative financial instruments. Redemptions of HRW's investments in these investment entities vary, but are primarily available at month-end, quarter-end, or year-end with appropriate notice. Management fees and incentive fees are charged by these investment entities at an annual rate ranging from .5% to 1.5% plus an incentive allocation, usually 20% of profits.

In general, risks associated with such investments include those related to their underlying investments.

There can be no assurance that HRW will continue to achieve the same level of returns on its investments in limited partnerships and other investment companies that it has received during the past periods or that it will achieve any returns on such investments at all. In addition, there can be no assurance that HRW will receive a return of all or any portion of its current or future capital investments in limited partnerships and other investment companies. The failure of HRW to receive the return of a material portion of its capital investments in these investments, or to achieve historic levels of returns on such investments, could have a material adverse effect on HRW's financial condition and results of operations.

# Human Rights Watch, Inc.

## Notes to Financial Statements

### 5. Contributions Receivable, Net

At June 30, 2009, the net present value of contributions receivable is \$19,857,220. 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 doubtful accounts, at June 30, 2009 is summarized below:

*June 30, 2009*

Total contributions receivable at June 30, 2009	\$20,868,932
Allowance for doubtful accounts	(690,875)
Total	20,178,057
Discount at 3.0%	(320,837)
Net present value of contributions receivable at June 30, 2009	\$19,857,220

Amounts due in:

One year	\$12,648,537
Two to five years	8,220,395
Total	\$20,868,932

### 6. Fixed Assets, Net

Fixed assets, net consist of the following:

*June 30, 2009*

Leasehold improvements	\$ 3,298,830
Furniture and fixtures	537,916
Office equipment	35,808
Computer hardware and software	2,428,910
	6,301,464
Less: Accumulated depreciation and amortization	(4,343,555)
	\$ 1,957,909

# Human Rights Watch, Inc.

## Notes to Financial Statements

<b>7. Temporarily Restricted Net Assets and Net Assets Released from Restrictions</b>	Temporarily restricted net assets were available for the following purposes at June 30, 2009:	
	Donor imposed time restrictions	\$31,438,977
	Endowment fund	66,921,476
		<u>\$98,360,453</u>

Temporarily restricted net assets that were released from donor restrictions at June 30, 2009 are as follows:

Donor-imposed time restrictions	<u>\$13,268,405</u>
---------------------------------	---------------------

<b>8. Endowments – Net Asset Classifications</b>	HRW’s endowments consist of investments that are temporarily restricted. Under FSP SFAS No. 117-1, the following applies to the endowment funds:
--	--

Interpretation of relevant law - the spending of endowment funds by a not-for-profit corporation in the State of New York is currently governed by the Uniform Management of Institutional Funds Act (“UMIFA”), as enacted in 1978 in the New York Not-For-Profit Corporation Law. HRW has interpreted UMIFA as requiring the preservation of the historical dollar value, or principal, of an endowment fund unless the donor provides otherwise by specifying in their written gift instruments that the not-for-profit corporation’s spending-rate policy be applied to the endowment funds.

Investment and spending policies - HRW has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. The endowment funds are invested in vehicles such as government and equity securities, as well as alternative investments and private equity.

# Human Rights Watch, Inc.

## Notes to Financial Statements

HRW considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds;
- the purposes of HRW and the donor-restricted endowment funds;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments;
- other resources of HRW; and
- the investment policy of HRW.

The following table represents the endowment net asset composition by type of fund as of June 30, 2009:

<i>June 30, 2009</i>	
	Temporarily restricted
Endowment funds	\$66,921,476

# Human Rights Watch, Inc.

## Notes to Financial Statements

The following table represents the reconciliation of changes in endowment net assets for the year ended June 30, 2009:

	Temporarily restricted
Endowment net assets, beginning of year	\$ 81,752,208
Investment income (loss):	
Investment income	835,667
Net depreciation (realized and unrealized)	(15,002,244)
Investment fees	(664,155)
Total investment loss, net	(14,830,732)
Endowment net assets, end of year	\$ 66,921,476

- 9. 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, 2009 was \$1,282,589.

- 10. 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>	
2010	\$ 2,057,408
2011	2,067,006
2012	2,054,846
2013	1,828,993
2014	1,842,985
Thereafter	3,673,343
	\$13,524,581

# Human Rights Watch, Inc.

## Notes to Financial Statements

---

HRW leases office space in various countries on a month-to-month basis. Rent expense for the year ended June 30, 2009 amounted to \$2,861,063.