

# **Human Rights Watch, Inc.**

**Financial Statements**

**For the Year Ended June 30, 2020**



## INDEPENDENT AUDITOR'S REPORT

**To the Members of Human Rights Watch, Inc.**

### *Qualified Opinion*

We have audited the financial statements of Human Rights Watch, Inc., (the "Organization"), which comprise the statement of financial position as at June 30, 2020 and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2020, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Qualified Opinion*

In common with many charitable organizations, the Organization derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to contributions and gala revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended June 30, 2020 and 2019, current assets as at June 30, 2020 and 2019, and net assets as at July 1 and June 30 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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## *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 a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*RSM Canada LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
November 20, 2020  
Toronto, Ontario

**Human Rights Watch, Inc.**  
**Statement of Financial Position**  
**As at June 30, 2020**

|  | 2020                | 2019         |
|--|---------------------|--------------|
| <b>Assets</b>                              |                     |              |
| <b>Current</b>                             |                     |              |
| Cash                                       | \$ 3,136,677        | \$ 2,247,011 |
| Guaranteed investment certificate (Note 3) | 1,017,808           | 696,577      |
| HST recoverable                            | 9,135               | 10,949       |
| Prepaid expenses                           | 46,432              | 206,104      |
|  | <b>4,210,052</b>    | 3,160,641    |
| <b>Tangible capital assets</b> (Note 4)    | <b>34,290</b>       | 36,717       |
|  | <b>\$ 4,244,342</b> | \$ 3,197,358 |

**Liabilities**

|  |                  |           |
|--|------------------|-----------|
| <b>Current</b>                           |                  |           |
| Accounts payable and accrued liabilities | \$ 103,047       | \$ 75,622 |
| Due to HRWUS (Note 8)                    | 415,068          | 49,314    |
|  | <b>518,115</b>   | 124,936   |
| <b>Deferred contributions</b> (Note 5)   | <b>2,572,339</b> | 1,584,490 |
|  | <b>3,090,454</b> | 1,709,426 |

**Net Assets**

|                                     |                     |              |
|-------------------------------------|---------------------|--------------|
| Invested in tangible capital assets | 34,291              | 36,717       |
| <b>Unrestricted</b>                 | <b>1,119,597</b>    | 1,451,215    |
|                                     | <b>1,153,888</b>    | 1,487,932    |
|                                     | <b>\$ 4,244,342</b> | \$ 3,197,358 |

*Commitments* (Notes 9 and 10)

*COVID-19* (Note 11)

Approved by the Board *Heather Spinks*  
 Heather Spinks (Dec 22, 2020 09:24 EST)  
 Director

*N. Deane Collinson*  
 N. Deane Collinson (Dec 22, 2020 10:39 EST)  
 Director

**Human Rights Watch, Inc.**  
**Statement of Operations and Changes In Net Assets**  
**Year Ended June 30, 2020**

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| <b>Revenue</b>                                      |                     |                     |
| Contributions                                       | \$ 1,238,870        | \$ 583,797          |
| Gala (Note 6)                                       | 121,810             | 1,017,700           |
| Film festival (Note 7)                              | 199,050             | 213,275             |
| Interest income                                     | 22,092              | 16,986              |
|   | <b>1,581,822</b>    | <b>1,831,758</b>    |
| <b>Expenses</b>                                     |                     |                     |
| <b>Program</b>                                      |                     |                     |
| Program (Notes 8 and 10)                            | 783,200             | 592,440             |
| Personnel program (Note 8)                          | 861,926             | 652,817             |
| Film festival                                       | 20,972              | 23,613              |
|   | <b>1,666,098</b>    | <b>1,268,870</b>    |
| <b>Fundraising</b>                                  |                     |                     |
| Gala  | 8,951               | 139,303             |
| <b>Administration</b>                               |                     |                     |
| Office and general                                  | 122,384             | 80,403              |
| Professional fees                                   | 43,062              | 82,564              |
| Occupancy costs                                     | 62,759              | 58,162              |
| Amortization  | 8,444               | 7,352               |
| Telephone   | 4,168               | 3,826               |
|   | <b>240,817</b>      | <b>232,307</b>      |
|   | <b>1,915,866</b>    | <b>1,640,480</b>    |
| <b>Excess (deficiency) of revenue over expenses</b> | <b>(334,044)</b>    | <b>191,278</b>      |
| <b>Net assets, beginning of year</b>                | <b>1,487,932</b>    | <b>1,296,654</b>    |
| <b>Net assets, end of year</b>                      | <b>\$ 1,153,888</b> | <b>\$ 1,487,932</b> |

**Human Rights Watch, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2020**

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| <b>Cash provided by (used in)</b>                            |                     |                     |
| <b>Operations</b>  |                     |                     |
| Excess (deficiency) of revenue over expenses                 | \$ (334,044)        | \$ 191,278          |
| Items not affecting cash                                     |                     |                     |
| Amortization   | 8,444               | 7,352               |
| Accrued interest earned on guaranteed investment certificate | (22,092)            | (16,987)            |
|  | <b>(347,692)</b>    | 181,643             |
| Net changes in non-cash working capital                      |                     |                     |
| Due from/to HRWUS  | 365,754             | 164,447             |
| HST recoverable  | 1,814               | 17,940              |
| Prepaid expenses   | 159,672             | (158,405)           |
| Accounts payable and accrued liabilities                     | 27,425              | 35,259              |
| Deferred contributions                                       | 987,849             | 1,013,933           |
| Deferred revenue   | -                   | (8,000)             |
|  | <b>1,194,822</b>    | 1,246,817           |
| <b>Investing</b>   |                     |                     |
| Purchase of guaranteed investment certificates               | (1,000,000)         | -                   |
| Redemption of guaranteed investment certificate              | 700,861             | -                   |
| Purchase of tangible capital assets                          | (6,017)             | -                   |
|  | <b>(305,156)</b>    | -                   |
| <b>Net change in cash</b>                                    | <b>889,666</b>      | 1,246,817           |
| <b>Cash, beginning of year</b>                               | <b>2,247,011</b>    | 1,000,194           |
| <b>Cash, end of year</b>                                     | <b>\$ 3,136,677</b> | <b>\$ 2,247,011</b> |

**1. ORGANIZATION**

Human Rights Watch, Inc. (the "Organization") is continued under the Canada Not-for-profit Corporations Act without share capital. The Organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The Organization is dedicated to protecting the human rights of people around the world.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Management is responsible for preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

**Revenue Recognition**

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

*Contributions*

The Organization follows the deferral method of revenue recognition for contributions.

Externally restricted contributions, including restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions. Unrestricted contributions are recorded when the amount to be received can be reasonably estimated and collection is reasonably assured.

*Contributed materials and services*

Contributed materials and services are not recorded in the financial statements.

*Gala and film festival*

Gala and film festival sponsorship revenue is recognized in the year in which the related event occurs. Deferred revenue reflects amounts received related to future events.

*Interest*

Interest income is accrued as earned.

**Tangible Capital Assets**

On July 1, 2019, the Organization prospectively adopted ASNPO Section 4433, the new accounting standards for tangible capital assets held by not-for-profit organizations. As a result, when conditions indicate a tangible capital asset's carrying value is impaired, it will be written down to its fair value or replacement cost, with the write-down recorded as an expense. Write-downs will not be reversed.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Tangible Capital Assets (Cont'd)**

Capital asset purchases are capitalized in the accounts and amortized on a straight-line basis over 5-7 years.

**Donation Commitments**

The Organization recognizes the liability for donation commitments when there is an obligation to pay the donee and there are no conditions or future events upon which the commitment is contingent.

**Allocation of Expenses**

The Organization allocates personnel costs based on time spent.

**Financial Instruments**

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include due from Human Rights Watch - United States ("HRWUS") and guaranteed investment certificates. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of a write-down, if any, is recognized in the excess (deficiency) of revenue over expenses. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses.

**3. GUARANTEED INVESTMENT CERTIFICATE**

The guaranteed investment certificate is issued by a major Canadian chartered bank, bears interest at 2.07% per annum, matures in February 2021, and is redeemable prior to maturity.

**Human Rights Watch, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020**

**4. TANGIBLE CAPITAL ASSETS**

|                        | Cost             | Accumulated<br>Amortization | Net<br>2020      | Net<br>2019      |
|------------------------|------------------|-----------------------------|------------------|------------------|
| Furniture and fixtures | \$ 45,576        | \$ 19,533                   | \$ 26,043        | \$ 32,555        |
| Leasehold improvements | 6,938            | 4,233                       | 2,705            | 4,162            |
| Equipment              | 6,017            | 475                         | 5,542            | -                |
|                        | <b>\$ 58,531</b> | <b>\$ 24,241</b>            | <b>\$ 34,290</b> | <b>\$ 36,717</b> |

**5. DEFERRED CONTRIBUTIONS**

Continuity of deferred contributions for the year is as follows:

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| Deferred contributions, beginning of year | \$ 1,584,490        | \$ 570,557          |
| Add contributions received                | 2,226,719           | 1,597,730           |
| Less contribution revenue recognized      | (1,238,870)         | (583,797)           |
| Deferred contributions, end of year       | <b>\$ 2,572,339</b> | <b>\$ 1,584,490</b> |

Deferred contributions relate to contributions received for specific programs during the year which remain unspent at year end as follows:

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| WRD - COVID FY21                        | \$ 750,000          | \$ -                |
| WRD - Male Guardianship                 | 485,000             | 329,000             |
| Disabilities - Shackling                | 252,417             | 294,070             |
| Operations - FY21                       | 250,000             | -                   |
| Disabilities - Humanitarian Emergencies | 244,720             | 184,800             |
| Canada Director                         | 211,667             | 244,190             |
| Syria Refugees                          | 144,080             | 296,030             |
| Disabilities / General & Disabilities   | 125,000             | -                   |
| Multimedia                              | 54,797              | 86,400              |
| WRD - MENA - GBV and Discrimination     | 12,500              | -                   |
| Children's Rights                       | 20,000              | -                   |
| LGBT                                    | 10,050              | -                   |
| Outreach - Council Summit               | 4,625               | -                   |
| Voices for Justice Gala - FY21          | 4,000               | -                   |
| Environment - Envision                  | 3,483               | -                   |
| Disabilities - Older Persons Australia  | -                   | 50,000              |
| Disabilities - Older Persons Africa     | -                   | 100,000             |
|   | <b>\$ 2,572,339</b> | <b>\$ 1,584,490</b> |

**Human Rights Watch, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020**

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**6. GALA REVENUE**

Included in the statement of operations is gala revenue as follows:

|                         | <b>2020</b>       | <b>2019</b>         |
|-------------------------|-------------------|---------------------|
| Sponsorships            | \$ -              | \$ 677,000          |
| Contributions           |                   |                     |
| General support         | <b>121,810</b>    | 154,070             |
| Fund-in-need            | -                 | 157,380             |
| Individual ticket sales | -                 | 29,250              |
|                         | <b>\$ 121,810</b> | <b>\$ 1,017,700</b> |

**7. FILM FESTIVAL REVENUE**

Included in the statement of operations is film festival revenue as follows:

|                 | <b>2020</b>       | <b>2019</b>       |
|-----------------|-------------------|-------------------|
| General support | <b>\$ 199,050</b> | \$ 188,275        |
| Sponsorships    | -                 | 25,000            |
|                 | <b>\$ 199,050</b> | <b>\$ 213,275</b> |

**8. RELATED PARTY BALANCES AND TRANSACTIONS**

The Organization is related to HRWUS in that three of five members of the Board of Directors of the Organization are senior management at HRWUS. All transactions with HRWUS are carried out in the normal course of operations and are recorded at the exchange value which is the amount agreed to by the parties.

During the year, the Organization paid \$783,200 (2019 - \$592,440) to HRWUS for producing materials, conducting and commissioning research and advancing the objectives of the Organization through human rights awards and public education.

During the year, defined contribution pension expenses amounting to \$69,360 (2019 - \$51,144) were paid for by HRWUS on behalf of the Organization. In the current year, this is an expense of Human Rights Watch Inc. to be repaid to HRWUS and is recorded in personnel program expense. In the prior year, the amount was recorded as a donation from HRWUS and is recorded in personnel program expense.

At year end, \$415,068 was payable to HRWUS (2019 - \$49,314). Amounts due from or to HRWUS are non-interest bearing and are repayable on demand.

Included in prepaid expenses is \$Nil (2019 - \$164,700) relating to a payment to HRW US for program expenses not yet incurred by HRW US.

**9. LEASE COMMITMENT**

The Organization leases office space in Toronto, Canada. Minimum annual payments over the term of the lease, which expires in May 2022, are as follows:

|      |    |        |
|------|----|--------|
| 2021 | \$ | 63,900 |
| 2022 | \$ | 58,575 |

**10. DONATION COMMITMENTS ON AGENCY AGREEMENTS**

The Organization has entered into various agency agreements with HRWUS. Pursuant to these agreements the Organization will fund specific Human Rights projects. During the year, the Organization made payments of \$783,200 (2019 - \$592,440) under these agreements. The Organization has outstanding commitments to HRWUS of \$2,792,160 (2019 - \$965,060) at year end, which have not been reflected in the financial statements as the amounts owing are contingent upon future events.

**11. COVID-19**

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. In Canada, the Government of Ontario declared an emergency under s 7.0.1 (1) of the Emergency Management and Civil Protection Act on March 17, 2020 with respect to COVID-19.

The staff have been monitoring the effects of the pandemic on the Organization and have been working to maintain funding and revenues for next year. Two significant in-person events had to be cancelled due to the pandemic: the Annual Voices for Justice gala dinner, and a one-time Global Council Summit special event. While this reduced regular revenue, some new, digital-only events were successfully completed. The largest funding provider has increased funding from the previous year's levels and they, as well as others, have indicated that they will provide funding for costs to help cover operating expenses. The Organization does not accept any money from any governments, and therefore did not apply for any pandemic-related subsidies, but these were not required to maintain staffing and operations.

As of the date of these financial statements, the extent to which COVID-19 impacts the Organization's results will depend on future developments, which are highly uncertain and cannot be predicted, and are dependent upon new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.