

Human Rights Watch, Inc.

Financial Statements

For the Year Ended June 30, 2021



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, 2021 and the statements of operations, 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, 2021, 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, 2021 and 2020, current assets as at June 30, 2021 and 2020, and net assets as at July 1 and June 30 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended June 30, 2020 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 19, 2021
Toronto, Ontario

Human Rights Watch, Inc.
Statement of Financial Position
As at June 30, 2021

	2021	2020
Assets		
Current		
Cash	\$ 5,425,774	\$ 3,136,677
Guaranteed investment certificate	-	1,017,808
HST recoverable	10,629	9,135
Prepaid expenses	8,950	46,432
	5,445,353	4,210,052
Tangible capital assets (Note 3)	24,587	34,290
	\$ 5,469,940	\$ 4,244,342

Liabilities

Current		
Accounts payable and accrued liabilities	\$ 133,536	\$ 103,048
Due to Human Rights Watch - United States (Note 7)	392,036	415,068
	525,572	518,116
Deferred contributions (Note 4)	1,946,805	2,572,339
	2,472,377	3,090,455

Net Assets

Invested in tangible capital assets	24,587	34,290
Unrestricted	2,972,976	1,119,597
	2,997,563	1,153,887
	\$ 5,469,940	\$ 4,244,342

Commitments (Note 8)

<p>Approved by the Board</p>	<p>DocuSigned by:  AB190ECD7287493... Director</p>	<p>DocuSigned by:  E53945EEDCD14E4... Director</p>
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Human Rights Watch, Inc.
Statement of Operations
Year Ended June 30, 2021

	2021	2020
Revenue		
Contributions	\$ 4,105,320	\$ 1,238,870
Gala (Note 5)	476,215	121,810
Film festival (Note 6)	205,450	199,050
Interest income	13,496	22,092
	4,800,481	1,581,822
Expenses		
Program		
Program (Note 7)	1,841,140	783,200
Personnel program (Note 7)	925,995	863,258
Film festival	12,305	20,972
	2,779,440	1,667,430
Fundraising		
Gala	47,902	8,562
Administration		
Office and general	24,517	122,773
Professional fees	28,034	41,730
Occupancy costs	60,033	62,759
Amortization	12,421	8,444
Telephone	4,459	4,168
	129,464	239,874
	2,956,806	1,915,866
Excess (deficiency) of revenue over expenses	\$ 1,843,675	\$ (334,044)

Human Rights Watch, Inc.
Statement of Changes in Net Assets
Year Ended June 30, 2021

	Invested in Tangible Capital Assets		Unrestricted	2021 Total	2020 Total
Balance, beginning of year	\$ 34,291	\$ 1,119,597	\$ 1,153,888	\$ 1,487,932	
Excess (deficiency) of revenue over expenses	(12,421)	1,856,096	1,843,675	(334,044)	
Capital asset additions	2,717	(2,717)	-	-	
Balance, end of year	\$ 24,587	\$ 2,972,976	\$ 2,997,563	\$ 1,153,888	

Human Rights Watch, Inc.
Statement of Cash Flows
Year Ended June 30, 2021

	2021	2020
Cash provided by (used in)		
Operations		
Excess (deficiency) of revenue over expenses	\$ 1,843,675	\$ (334,044)
Items not affecting cash		
Amortization	12,421	8,444
Accrued interest earned on guaranteed investment certificate	-	(22,092)
	1,856,096	(347,692)
Net changes in non-cash working capital		
Due from/to HRWUS	(23,032)	365,754
HST recoverable	(1,494)	1,814
Prepaid expenses	37,482	159,672
Accounts payable and accrued liabilities	30,488	27,425
Deferred contributions	(625,534)	987,849
	1,274,006	1,194,822
Investing		
Purchase of guaranteed investment certificates	-	(1,000,000)
Redemption of guaranteed investment certificate	1,017,808	700,861
Purchase of tangible capital assets	(2,717)	(6,017)
	1,015,091	(305,156)
Net change in cash	2,289,097	889,666
Cash, beginning of year	3,136,677	2,247,011
Cash, end of year	\$ 5,425,774	\$ 3,136,677

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

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

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)

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.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2021	Net 2020
Furniture and fixtures	\$ 45,576	\$ 26,044	\$ 19,532	\$ 26,043
Leasehold improvements	6,938	5,644	1,294	2,705
Equipment	6,017	3,710	2,307	5,542
Computer hardware	2,718	1,264	1,454	-
	\$ 61,249	\$ 36,662	\$ 24,587	\$ 34,290

Human Rights Watch, Inc.
Notes to Financial Statements
June 30, 2021

4. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year is as follows:

	2021	2020
Deferred contributions, beginning of year	\$ 2,572,339	\$ 1,584,490
Add contributions received	3,468,281	2,226,719
Less contribution revenue recognized	(4,093,815)	(1,238,870)
Deferred contributions, end of year	\$ 1,946,805	\$ 2,572,339

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

	2021	2020
Women's Rights Division - Male Guardianship	\$ 485,000	\$ 485,000
Women's Rights Division - COVID	250,000	750,000
Ethiopia	218,750	-
Canada Director	192,573	211,667
Women's Rights Division - Middle East & North Africa - Gender-Based Violence and Discrimination	152,500	12,500
Older Persons Rights	150,060	-
Syria Refugees	144,080	144,080
Disabilities / General & Disabilities	125,000	125,000
Disabilities - Shackling	84,934	252,417
Disabilities - Humanitarian Emergencies	63,780	244,720
Multimedia	41,197	54,797
International Justice - Myanmar	23,881	-
Children's Rights	10,000	20,000
LGBT	5,050	10,050
Environment - Envision	-	3,483
Operations - FY21	-	250,000
Outreach - Council Summit	-	4,625
Voices for Justice Gala - FY21	-	4,000
	\$ 1,946,805	\$ 2,572,339

5. GALA REVENUE

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

	2021	2020
Contributions		
General support	\$ 24,250	\$ 121,810
Fund-in-need	49,700	-
Individual ticket sales	402,265	-
	\$ 476,215	\$ 121,810

6. FILM FESTIVAL REVENUE

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

	2021	2020
General support	\$ 13,200	\$ 199,050
Sponsorships	192,250	-
	\$ 205,450	\$ 199,050

7. 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 \$1,841,140 (2020 - \$783,200) 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 \$32,640 (2020 - \$69,360) 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, \$392,036 was payable to HRWUS (2020 - \$415,068). Amounts due from or to HRWUS are non-interest bearing and are repayable on demand.

8. LEASE COMMITMENT

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

2022	\$ 58,575
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9. COMPARATIVE FIGURES

Comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2021 financial statements.