

# Human Rights Watch, Inc.

Financial Statements  
Year Ended June 30, 2013

# **Human Rights Watch, Inc.**

Financial Statements  
Year Ended June 30, 2013

# Human Rights Watch, Inc.

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of Human Rights Watch, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*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, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited Human Rights Watch, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 1, 2013

**Human Rights Watch, Inc.**  
**Statement of Financial Position**  
**(with comparative totals for 2012)**

<i>June 30,</i>	2013	2012
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 38,808,215	\$ 32,971,423
Investments, at fair value (Note 3)	87,984,496	76,140,410
Investments in limited partnerships (Notes 3 and 4)	13,418,546	14,036,967
Contributions receivable, net of allowance of \$240,875 for both years (Note 5)	83,917,731	101,194,982
Other receivables	159,081	1,677,802
Prepaid expenses and other assets	730,359	669,386
Security deposits	243,128	242,907
Fixed assets, net (Note 7)	2,758,605	2,578,006
	<b>\$228,020,161</b>	<b>\$229,511,883</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 4,153,959	\$ 4,877,329
Accrued pension expense	141,619	100,236
Deferred rent	556,527	691,700
Deferred revenue	21,480	21,480
<b>Total Liabilities</b>	<b>4,873,585</b>	<b>5,690,745</b>
<b>Commitments and Contingencies (Notes 11 and 13)</b>		
<b>Net Assets:</b>		
Unrestricted (Note 2)	20,579,514	18,705,055
Temporarily restricted (Notes 2, 8 and 9)	202,567,062	205,116,083
<b>Total Net Assets</b>	<b>223,146,576</b>	<b>223,821,138</b>
	<b>\$228,020,161</b>	<b>\$229,511,883</b>

*See accompanying notes to financial statements.*

**Human Rights Watch, Inc.**  
**Statement of Activities**  
**(with comparative totals for 2012)**

*Year ended June 30,*

	Unrestricted	Temporarily Restricted	Total	
			2013	2012
<b>Public Support and Revenue:</b>				
Public support:				
Contributions and grants (Note 6)	\$15,710,308	\$ 29,593,171	\$ 45,303,479	\$ 62,539,707
Special events	9,961,835	-	9,961,835	10,514,594
<b>Total Public Support</b>	<b>25,672,143</b>	<b>29,593,171</b>	<b>55,265,314</b>	<b>73,054,301</b>
Revenue:				
Net investment income (loss)	214,785	8,140,618	8,355,403	(3,166,003)
Net investment income from limited partnerships	-	256,613	256,613	442,801
Publications	40,522	-	40,522	67,549
Other	750,636	-	750,636	113,260
<b>Total Revenue</b>	<b>1,005,943</b>	<b>8,397,231</b>	<b>9,403,174</b>	<b>(2,542,393)</b>
Net assets released from restrictions (Note 8)	40,539,423	(40,539,423)	-	-
<b>Total Public Support and Revenue</b>	<b>67,217,509</b>	<b>(2,549,021)</b>	<b>64,668,488</b>	<b>70,511,908</b>
<b>Expenses:</b>				
Program services:				
Africa	6,701,049	-	6,701,049	6,404,355
Americas	2,082,806	-	2,082,806	1,755,871
Asia	5,673,630	-	5,673,630	5,443,146
Europe and Central Asia	4,378,452	-	4,378,452	4,282,969
Middle East and North Africa	4,036,220	-	4,036,220	3,867,015
United States	3,091,029	-	3,091,029	2,367,775
Children's Rights	2,060,254	-	2,060,254	1,873,626
Health and Human Rights	2,241,712	-	2,241,712	2,077,916
International Justice	1,721,901	-	1,721,901	1,587,843
Women's Rights	2,609,151	-	2,609,151	2,533,126
Other programs (Note 12)	15,078,129	-	15,078,129	13,477,056
<b>Total Program Services</b>	<b>49,674,333</b>	<b>-</b>	<b>49,674,333</b>	<b>45,670,698</b>
Supporting services:				
Management and general	4,187,580	-	4,187,580	3,493,157
Fundraising	11,481,137	-	11,481,137	9,560,361
<b>Total Supporting Services</b>	<b>15,668,717</b>	<b>-</b>	<b>15,668,717</b>	<b>13,053,518</b>
<b>Total Expenses</b>	<b>65,343,050</b>	<b>-</b>	<b>65,343,050</b>	<b>58,724,216</b>
<b>Change in Net Assets:</b>				
Unrestricted	1,874,459	-	1,874,459	10,870,318
Temporarily restricted	-	(2,549,021)	(2,549,021)	917,374
<b>Total Change in Net Assets</b>	<b>1,874,459</b>	<b>(2,549,021)</b>	<b>(674,562)</b>	<b>11,787,692</b>
<b>Net Assets, Beginning of Year</b>	<b>18,705,055</b>	<b>205,116,083</b>	<b>223,821,138</b>	<b>212,033,446</b>
<b>Net Assets, End of Year</b>	<b>\$20,579,514</b>	<b>\$202,567,062</b>	<b>\$223,146,576</b>	<b>\$223,821,138</b>

*See accompanying notes to financial statements.*

Human Rights Watch, Inc.

Statement of Functional Expenses  
(with comparative totals for 2012)

Year ended June 30,

	Program Services										Supporting Services			2013	2012		
	Africa	Americas	Asia	Europe & Central Asia	Middle East & North Africa	United States	Children's Rights	Health & Human Rights	International Justice	Women's Rights	Other Programs	Total	Management and General			Fundraising	Total
<b>Salaries and Related Expenses:</b>																	
Salaries	\$3,143,365	\$1,062,714	\$2,954,525	\$2,282,930	\$2,048,200	\$1,685,672	\$1,105,090	\$1,185,642	\$ 936,439	\$1,364,885	\$ 6,976,895	\$24,746,357	\$1,713,399	\$ 3,961,596	\$ 5,674,995	\$30,421,352	\$26,092,779
Insurance and employee benefits	415,362	170,033	310,612	242,635	254,298	323,599	157,095	196,269	132,715	201,719	1,178,278	3,582,615	257,245	616,493	873,738	4,456,353	3,911,466
Retirement plans	247,096	80,048	179,198	147,384	132,874	107,315	105,656	88,475	76,151	106,938	529,082	1,800,217	140,993	303,869	444,862	2,245,079	1,708,779
Payroll taxes	294,937	80,019	241,988	228,970	154,122	141,291	117,487	99,810	103,368	114,464	760,339	2,336,795	180,564	396,206	576,770	2,913,565	2,535,960
<b>Total Salaries and Related Expenses</b>	<b>4,100,760</b>	<b>1,392,814</b>	<b>3,686,323</b>	<b>2,901,919</b>	<b>2,589,494</b>	<b>2,257,877</b>	<b>1,485,328</b>	<b>1,570,196</b>	<b>1,248,673</b>	<b>1,788,006</b>	<b>9,444,594</b>	<b>32,465,984</b>	<b>2,292,201</b>	<b>5,278,164</b>	<b>7,570,365</b>	<b>40,036,349</b>	<b>34,248,984</b>
Consultant's fees	113,481	61,082	134,057	18,480	42,320	8,612	19,329	25,338	3,274	11,328	315,978	753,279	19,190	122,991	142,181	895,460	1,081,261
Publications	167,436	40,057	135,604	110,846	203,548	49,198	26,647	42,475	37,718	64,555	708,178	1,586,262	60,396	22,998	83,394	1,669,656	1,379,689
Information services	20,598	6,793	20,895	15,766	12,134	15,207	10,781	7,823	5,395	9,937	62,051	187,380	29,707	14,456	44,163	231,543	237,227
Travel, meals and meetings	994,713	200,701	629,885	426,937	461,710	222,735	204,855	262,321	147,736	277,371	1,660,584	5,489,548	202,045	489,191	691,236	6,180,784	5,299,693
Outreach	-	-	-	-	-	-	-	-	-	-	275,526	275,526	-	-	-	275,526	369,360
Special projects	357,937	2,838	87,182	195,300	83,077	473	275	5,288	245	399	394,702	1,127,716	1,438	-	1,438	1,129,154	1,328,810
Special events	-	-	-	-	-	-	-	-	-	-	499,986	499,986	-	2,034,733	2,034,733	2,534,719	2,534,300
Direct mail	-	-	-	-	-	-	-	-	-	-	137,669	137,669	-	1,712,708	1,712,708	1,850,377	1,616,216
Occupancy	320,749	124,080	313,466	234,120	219,426	182,529	106,121	111,019	94,693	154,121	457,268	2,317,592	555,096	470,380	1,025,476	3,343,068	3,730,361
Office expenses	191,205	86,302	231,981	153,231	128,035	107,694	62,331	66,880	55,794	94,279	264,991	1,442,723	320,907	592,250	913,157	2,355,880	2,355,137
Postage and delivery	9,537	3,941	14,991	12,038	6,018	5,160	4,081	3,177	3,063	4,446	38,926	105,378	14,236	58,884	73,120	178,498	201,854
Telephone and fax	92,914	35,944	90,805	67,820	63,563	52,875	30,741	32,160	27,431	44,646	132,461	671,360	160,800	130,208	291,008	962,368	810,064
Professional fees	222,251	85,907	221,459	162,093	152,007	126,374	73,547	77,145	65,561	107,463	420,458	1,714,265	342,116	383,715	725,831	2,440,096	2,379,428
<b>Total Expenses Before Depreciation and Amortization</b>	<b>6,591,581</b>	<b>2,040,459</b>	<b>5,566,648</b>	<b>4,298,550</b>	<b>3,961,332</b>	<b>3,028,734</b>	<b>2,024,036</b>	<b>2,203,822</b>	<b>1,689,583</b>	<b>2,556,551</b>	<b>14,813,372</b>	<b>48,774,668</b>	<b>3,998,132</b>	<b>11,310,678</b>	<b>15,308,810</b>	<b>64,083,478</b>	<b>57,572,384</b>
Depreciation and Amortization	109,468	42,347	106,982	79,902	74,888	62,295	36,218	37,890	32,318	52,600	264,757	899,665	189,448	170,459	359,907	1,259,572	1,151,832
	<b>\$6,701,049</b>	<b>\$2,082,806</b>	<b>\$5,673,630</b>	<b>\$4,378,452</b>	<b>\$4,036,220</b>	<b>\$3,091,029</b>	<b>\$2,060,254</b>	<b>\$2,241,712</b>	<b>\$1,721,901</b>	<b>\$2,609,151</b>	<b>\$15,078,129</b>	<b>\$49,674,333</b>	<b>\$4,187,580</b>	<b>\$11,481,137</b>	<b>\$15,668,717</b>	<b>\$65,343,050</b>	<b>\$58,724,216</b>

See accompanying notes to financial statements.



**Human Rights Watch, Inc.**  
**Statement of Cash Flows**  
**(with comparative totals for 2012)**

<i>Year ended June 30,</i>	2013	2012
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (674,562)	\$11,787,692
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,259,572	1,151,832
Realized gain on investments	(5,256,411)	(2,300,092)
Unrealized (gain) loss on investments	(3,039,784)	5,024,001
Change in discount on contributions receivable	504,015	(617,243)
Decrease (increase) in assets:		
Contributions receivable	16,773,236	(2,903,947)
Other receivables	1,518,721	(593,756)
Prepaid expenses and other assets	(60,973)	93,890
Security deposits	(221)	(71,955)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(723,370)	2,338,224
Accrued pension expense	41,383	2,488
Deferred rent	(135,173)	110,460
<b>Net Cash Provided By Operating Activities</b>	<b>10,206,433</b>	<b>14,021,594</b>
<b>Cash Flows From Investing Activities:</b>		
Net purchases of investments	(21,941,040)	(4,564,183)
Proceeds from sales of investments	19,011,570	-
Purchases of fixed assets	(1,440,171)	(1,122,930)
<b>Net Cash Used In Investing Activities</b>	<b>(4,369,641)</b>	<b>(5,687,113)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>5,836,792</b>	<b>8,334,481</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>32,971,423</b>	<b>24,636,942</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 38,808,215</b>	<b>\$32,971,423</b>

*See accompanying notes to financial statements.*

# Human Rights Watch, Inc.

## Notes to Financial Statements

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### 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 80 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 health and human rights.

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 2013 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 of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit organizations. 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.

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.

# Human Rights Watch, Inc.

## Notes to Financial Statements

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### *(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.

The net present values on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue.

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.

### *(e) Contributed Services*

For the year ended June 30, 2013, 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. 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 by the management of HRW although the actual calculations may be done by others.

### *(g) Financial Instruments and Fair Value*

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement", 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

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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.

### *(h) Investments in Limited Partnerships*

HRW's investments in limited partnerships ("investment entities") are reported at fair value as 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.

### *(i) 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, 2013 was \$92,183,785.

### *(j) Investment Impairment*

HRW's investments consist of corporate bonds, US government obligations, equity securities, mutual funds and limited partnerships. At June 30, 2013, 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:

- (a)* the ability and intent to retain the investment for a sufficient amount of time to allow an anticipated recovery in value, and
- (b)* determining that changes in market value were reasonable in relation to overall fluctuations in market conditions.

# Human Rights Watch, Inc.

## Notes to Financial Statements

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HRW considered the following evidence in reaching the conclusion that the unrealized loss on fixed income instruments was not other than temporary:

- (a) whether or not it intended to sell its investments before the full recovery of cost basis, and
  - (b) whether or not it will be required to sell its investments before the full recovery of cost basis.
- (k) *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.

(l) *Impairment of Long-Lived Assets*

HRW follows the provisions of ASC 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets", which requires HRW to review long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the year ended June 30, 2013, there have been no such losses.

(m) *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.

(n) *Revenue Recognition*

The operations of HRW are financed principally by foundation grants and contributions received from the general public. Contributions are reported at fair value on the date they are received. 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.

(o) *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.

# Human Rights Watch, Inc.

## Notes to Financial Statements

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### *(p) 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 ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2013.

### *(q) Accounting for Uncertainty in Income Taxes*

HRW adopted the provisions of ASC 740, "Income Taxes", on January 1, 2009. Under ASC 740, 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 not be sustained upon examination by a taxing authority. 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. For the year ended June 30, 2013, there was no interest or penalties recorded or included in the statements of activities. Tax returns for the years ended June 30, 2009 through 2012 are subject to audit by the IRS.

### *(r) 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.

### *(s) Comparative Financial Information*

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with HRW's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

### *(t) Reclassifications*

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

## **3. Fair Value Measurements**

HRW's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for the discussion of HRW's policies regarding this hierarchy. A description of the valuation techniques applied to HRW's major categories of assets measured at fair value are as follows:

HRW's holdings in equity securities are determined by quoted market prices. Each of these investments can be liquidated daily. The valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

# Human Rights Watch, Inc.

## Notes to Financial Statements

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.

Mutual funds are valued on a daily basis at the close of business day. Each mutual fund's net asset value ("NAV") is the value of a single share which is actively traded on national securities exchanges. These investments are classified as Level 1 and 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 and they are classified as Level 3.

The following table presents the level within the fair value hierarchy at which HRW's financial assets are measured on a recurring basis at June 30, 2013:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2013
Corporate bonds:				
Consumer staples	\$ -	\$ 1,131,782	\$ -	\$ 1,131,782
Financial	-	1,345,180	-	1,345,180
Telecommunications	-	970,751	-	970,751
U.S. government obligations	-	2,596,594	-	2,596,594
U.S. treasury securities	1,821,850	-	-	1,821,850
Equity securities:				
Energy	1,628,253	-	-	1,628,253
Materials	1,652,288	-	-	1,652,288
Industrial	5,682,421	-	-	5,682,421
Consumer discretionary	2,806,322	-	-	2,806,322
Consumer staples	1,061,294	-	-	1,061,294
Health care	669,157	-	-	669,157
Financial	587,006	-	-	587,006
Information technology	1,951,634	-	-	1,951,634
Telecommunications	235,440	-	-	235,440
Other	108,237	-	-	108,237
Mutual funds:				
Diversified	-	5,346,361	-	5,346,361
Index	-	22,297,947	-	22,297,947
Total return	-	3,478,358	-	3,478,358
Commodities	1,311,247	-	-	1,311,247
Emerging markets	6,870,602	-	-	6,870,602
U.S. government obligations	-	2,688,935	-	2,688,935
Alternative investments:				
Pooled investments and fund of funds	-	-	35,161,383	35,161,383
<b>Total</b>	<b>\$26,385,751</b>	<b>\$39,855,908</b>	<b>\$35,161,383</b>	<b>\$101,403,042</b>

# Human Rights Watch, Inc.

## Notes to Financial Statements

There were no transfers between levels for the year ended June 30, 2013.

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, 2013:

Description	Balance at June 30, 2012	Capital Contribution	Sales	Realized Gain	Unrealized Gain (Loss)	Balance at June 30, 2013
Investment portfolio:						
Hedge funds and pooled investments	\$14,175,314	\$5,000,000	\$ -	\$ 56,079	\$2,511,445	\$21,742,838
Limited partnerships	14,036,967	700,207	(1,575,242)	602,036	(345,423)	13,418,545
	\$28,212,281	\$5,700,207	\$(1,575,242)	\$658,115	\$2,166,022	\$35,161,383

Cost and respective fair value of investments at June 30, 2013 are as follows:

*June 30, 2013*

	Cost	Fair Value
Corporate bonds	\$ 3,486,606	\$ 3,447,713
U.S government obligations	2,599,137	2,596,594
U.S. treasury securities	1,836,435	1,821,850
Equity securities	13,959,587	16,382,052
Mutual funds	41,100,841	41,993,450
Alternative investments	34,118,462	35,161,383
	\$97,101,068	\$101,403,042



# Human Rights Watch, Inc.

## Notes to Financial Statements

In accordance with ASU 2009-12, HRW expanded its disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which the fair value is not readily determinable, as of June 30, 2013. The following table for June 30, 2013, sets forth a summary of the HRW's investments with a reported net asset value:

Fair Value Estimated Using Net Asset Value per Share at June 30, 2013

Investments	Fair Value	Category	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Davidson Kempner Distressed Opportunities International Ltd.	\$2,245,361	Credit Opportunities, Distressed Securities <sup>(1)</sup>	\$ -	Annual	None	60
Anchorage Capital Partners Offshore Ltd.	1,859,374	Credit Opportunities, Long/Short Credit <sup>(1)</sup>	-	Biennially	None	45
Taconic Offshore Fund 1.5 Ltd.	1,698,361	Event Driven <sup>(2)</sup>	-	Annual	None	60
Fir Tree International Value Fund, Ltd.	2,106,850	Open Mandate <sup>(3)</sup>	-	Biennially	None	90
Mason Capital Ltd.	1,846,427	Event Driven <sup>(2)</sup>	-	Annual	None	45
Kensico Offshore Fund II Ltd.	2,466,503	Global Long/Short Equity <sup>(4)</sup>	-	Annual	Three Year Lock-up Period expiring 6/30/14	90
Swiftcurrent Offshore Ltd.	1,736,214	Global Long/Short Equity <sup>(4)</sup>	-	Annual	None	60
Valinor Capital Partners Offshore Ltd. 1B Shares	1,290,934	Global Long/Short Equity <sup>(4)</sup>	-	Annual	33.3% Maximum Annually	60
Valinor Capital Partners Offshore Ltd. 1C Shares	1,307,015	Global Long/Short Equity <sup>(4)</sup>	-	Annual	None	60
Valinor Capital Partners Offshore Ltd. SP4 1B Shares	8,683	Global Long/Short Equity <sup>(4)</sup>	-	Annual	33.3% Maximum Annually	60
Valinor Capital Partners Offshore Ltd. SP4 1C Shares	8,701	Global Long/Short Equity <sup>(4)</sup>	-	Annual	None	60
Valinor Capital Partners Offshore Ltd. SP10 1B Shares	27,556	Global Long/Short Equity <sup>(4)</sup>	-	Annual	33.3% Maximum Annually	60
Valinor Capital Partners Offshore Ltd. SP10 1C Shares	27,850	Global Long/Short Equity <sup>(4)</sup>	-	Annual	None	60
Valinor Capital Partners Offshore Ltd. SP15 1B Shares	35,223	Global Long/Short Equity <sup>(4)</sup>	-	Annual	33.3% Maximum Annually	60
Valinor Capital Partners Offshore Ltd. SP15 1C Shares	35,695	Global Long/Short Equity <sup>(4)</sup>	-	Annual	None	60

# Human Rights Watch, Inc.

## Notes to Financial Statements

Fair Value Estimated Using Net Asset Value per Share at June 30, 2013

Investments	Fair Value	Category	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Private Equity Partners V	\$1,214,687	Private Equity <sup>(5)</sup>	\$120,000	Daily	None	None
Private Equity Partners VI	781,598	Private Equity <sup>(5)</sup>	107,450	Daily	None	None
Venture Partners V	529,987	Venture Capital <sup>(6)</sup>	45,412	Daily	None	None
Venture Partners VI	966,824	Venture Capital <sup>(6)</sup>	59,440	Daily	None	None
Venture Partners VII	915,039	Venture Capital <sup>(6)</sup>	83,000	Daily	None	None
Legacy Venture V	1,416,240	Venture Capital <sup>(6)</sup>	600,000	Daily	None	None
Mondarian International Fixed Income Fund LP	4,028,987	Fixed Income <sup>(7)</sup>	-	Daily	None	None
Davidson Kempner Institutional Partners LP	2,419,112	Event Driven <sup>(2)</sup>	-	Quarterly	None	65
Westbrook Real Estate Fund VIII LP	832,508	Real Estate <sup>(8)</sup>	95,759	Daily	None	None
Dorchester Capital Secondaries Offshore II LP	313,564	Private Equity <sup>(5)</sup>	260,584	Daily	None	None
First Eagle	5,042,091	Global Ex U.S. Equity <sup>(4)</sup>	-	Daily	None	None

# Human Rights Watch, Inc.

## Notes to Financial Statements

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- (1) This category includes investments in two hedge funds which are debt-focused special situations funds. These funds seek to earn superior risk-adjusted returns while emphasizing preservation of capital. The Funds plan to achieve this objective by employing both hedged and directional investment strategies primarily in the leveraged issuer, distressed debt and reorganized equity markets of North America and Europe.
- (2) This category includes one limited partnership and two hedge funds. The hedge funds were formed to effectuate the investment program of the Feeder Fund with the investment objective to seek maximum capital appreciation primarily by using a variety of investment techniques, including employing three event-driven investment strategies: merger arbitrage; distressed securities; and special situations. Hedge funds enter into transactions in various financial instruments with off-balance sheet risk. These financial instruments may include securities sold, not yet purchased, equity options, swap contracts, forward foreign currency contracts, portfolio funds, corporate debt, investments in private equity and sovereign government obligations. The limited partnership invests in public equity, fixed income, and hedging markets across the globe. It utilizes event-driven strategies including merger arbitrage, long/short, and convertible arbitrage to make its investments.
- (3) This category includes an investment in a hedge fund for the purpose of investing in securities such as loan originations and unleveraged real estate through its direct and indirect investments in master funds.
- (4) This category includes investments in hedge funds which invest in private equity securities, through Special Purpose Vehicles ("SPVs"), which consist of direct private preferred equity. Funds utilize various derivative contracts in connection with its proprietary trading activities including options, forward contracts, futures contracts and swap contracts.
- (5) This category includes investments in limited partnerships that invest primarily in other limited partnerships formed for the purpose of making venture capital investments in emerging growth companies, whose investments philosophy combines proprietary, direct and public securities investing with a view toward preserving principal and maximizing returns.
- (6) This category consists of limited partnerships that are formed to provide superior long-term investment returns and to encourage the members that all of the proceeds be given by them to their designated charities. Funds invest in limited partnerships and limited liability companies.
- (7) The fund's investment objective is to seek current income consistent with the preservation of principal primarily through investments in fixed-income securities. The fund is global fund that invests in issuers throughout the world.
- (8) This category includes an investment in a limited partnership formed to make "fund of fund" investments in real estate and real estate related funds located both in the United States and outside of the United States.

As of June 30, 2013, HRW was committed to contribute, if called upon, an aggregate of approximately \$12,000,000 of additional capital to certain limited partnerships. Commitments of \$4,600,000 are scheduled to expire in 2014, \$2,000,000 in 2015, \$500,000 in 2016, \$2,900,000 in 2017 and \$2,000,000 in 2020. At fiscal year-end 2013, 14% of the commitment remained.

# Human Rights Watch, Inc.

## Notes to Financial Statements

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### 4. Investments in Limited Partnerships

As of June 30, 2013, \$13,418,546 (13%) 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, 2012), HRW uses a valuation process to determine the value at the close of its fiscal year (June 30, 2013). 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. Investment gains resulting from these investments were \$256,613 as of June 30, 2013.

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.

### 5. Contributions Receivable, Net

At June 30, 2013, the net present value of contributions receivable is \$83,917,731. Net present value was calculated using a discount rate equal to the risk-free interest rate, commensurate with the expected collection of the pledge based on the U.S. Treasury note interest rate in effect at the time contributions are made. The discount rate used in this calculation ranged from .36% to 2.95%.

Net present value of contributions receivable, net of a reserve for doubtful accounts, at June 30, 2013 is summarized below:

*June 30, 2013*

Total contributions receivable at June 30, 2013	\$91,259,593
Allowance for doubtful accounts	(240,875)
Total	91,018,718
Net present value discount	(7,100,987)
Net present value of contributions receivable at June 30, 2013	\$83,917,731

# Human Rights Watch, Inc.

## Notes to Financial Statements

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Amount due in:	
One year	\$23,808,313
Two to five years	47,451,280
Thereafter	20,000,000
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Total	\$91,259,593

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### 6. Contributions and Grants

During the fiscal year ended June 30, 2011, HRW received a pledge from the Foundation to Promote Open Society, of which George Soros is Chairman, for general support totaling \$100,000,000. The grant is being paid in installments of \$10,000,000 over ten years and was recorded as temporarily restricted income in the statement of activities at its net present value. Through June 30, 2013, HRW has received \$30,000,000 towards the fulfillment of the pledge.

### 7. Fixed Assets, Net

Fixed assets, net consist of the following:

*June 30, 2013*

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Leasehold improvements	\$ 4,539,874
Furniture and fixtures	121,434
Office equipment	696,500
Computer hardware and software	4,857,114
<hr/>	
	10,214,922
Less: Accumulated depreciation and amortization	(7,456,317)
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	\$ 2,758,605

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Depreciation and amortization expenses for the year ended June 30, 2013 were \$1,259,572.

### 8. Temporarily Restricted Net Assets and Net Assets Released From Restrictions

Temporarily restricted net assets were available for the following purposes at June 30, 2013:

*June 30, 2013*

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Donor-imposed time restrictions	\$110,383,277
Endowment fund	92,183,785
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	\$202,567,062

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Temporarily restricted net assets that were released from donor restrictions at June 30, 2013 are as follows:

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Donor-imposed time restrictions	\$40,539,423
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# Human Rights Watch, Inc.

## Notes to Financial Statements

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### 9. Endowments - Net Asset Classifications

HRW's endowments consist of investments that are temporarily restricted. Under ASC 958-205, 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 New York Prudent Management of Institutional Funds Act ("NYPMIFA"). HRW has interpreted NYPMIFA 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.

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.

For the year ended June 30, 2013, all assets included in HRW's Endowment Fund are as follows:

#### *Year ended June 30, 2013*

Cash and cash equivalents	\$ 1,314,527
U.S. government obligations	21,308
Equity securities:	
Energy	1,628,253
Materials	1,652,288
Industrial	5,682,421
Consumer discretionary	2,806,322
Consumer staples	1,061,294
Health care	669,157
Financial	587,006
Information technology	1,951,634
Mutual funds:	
Diversified	5,346,361
Index	22,297,947
Total return	3,478,358
Commodities	1,311,247
Emerging markets	6,870,602
Alternative investments:	
Pooled investments and fund of funds	35,161,383
<b>Total</b>	<b>\$92,183,785</b>

# Human Rights Watch, Inc.

## Notes to Financial Statements

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The following table represents the reconciliation of changes in endowment net assets for the year ended June 30, 2013:

	Temporarily Restricted
Endowment net assets, beginning of year	\$83,741,968
Investment income:	
Investment income	1,715,549
Net appreciation (realized and unrealized)	7,126,906
Investment fees	(445,224)
Total investment income, net	8,397,231
Transfers in	44,586
Endowment net assets, end of year	\$92,183,785

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### 10. Retirement Plan

HRW has a tax deferred annuity plan (the "Plan") under Section 403(b) of the Internal Revenue Code. Participating employees make pretax contributions of up to the maximum allowable IRS limitations. All full time U.S. employees are eligible to participate in the Plan as of their date of hire. Upon participation in the Plan, employees are 100% vested in their contributions.

HRW also has a defined contribution plan (the "Plan") under Section 403(b) of the Internal Revenue Code. Each year, HRW contributes to the Plan 10% of each participant's before-tax compensation subject to annual IRS limitations. All full time U.S. employees are eligible to participate after two years of continuous employment. Participants become fully vested immediately following participation in the Plan. HRW's contribution for the year ended June 30, 2013 was \$1,991,249.

### 11. Commitments

Pursuant to facility and equipment lease agreements in the U.S. and various countries, HRW is obligated for minimum annual rentals to nonrelated parties, as indicated below. Minimum future annual rental payments under the lease agreements expiring in 2019 are as follows:

<i>Year ending June 30,</i>	
2014	\$2,389,998
2015	1,468,568
2016	1,223,661
2017	1,131,016
2018	1,878,447
Thereafter	942,972
	\$9,034,662

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HRW leases office space in various countries on a month-to-month basis. Rent expense for the year ended June 30, 2013 amounted to \$2,908,405.

# Human Rights Watch, Inc.

## Notes to Financial Statements

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### 12. Other Programs

Other programs, as presented in the accompanying statements of activities consist of the following:

*June 30, 2013*

Arms	\$ 1,092,824
Business	1,484,339
Emergency Response	1,613,748
Fellows	1,156,926
Film Festival	1,038,764
Grants to Others	393,933
Habre	256,287
LGBT	1,358,706
Multimedia	1,160,935
Outreach	4,576,574
Refugee	687,155
Terrorism	257,938
Total	\$15,078,129

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### 13. Contingencies

Various lawsuits against HRW may arise in the ordinary course of business. Contingent liabilities arising from such litigation and other matters are not expected to be material in relation to the financial position of HRW.

### 14. Split-Interest Agreements

Under the Charitable Gift Annuity agreement, donors make contributions in exchange for a promise to receive a fixed amount over a specified period of time, usually life of donor or beneficiary. During the term of the agreement, HRW acts as a custodian of these funds whereby the asset and the net present value of related liability are reflected in the statement of financial position. After the term of the agreement, the remaining asset belongs to HRW. At June 30, 2013, the Charitable Gift Annuity investment account had a fair market value of \$100,000, which was funded by HRW. The related liability amounted to \$-0-.

### 15. Subsequent Events

HRW's management has performed subsequent events procedures through November 1, 2013, which is the date the financial statements were available for issuance and there were no subsequent events requiring adjustments or disclosure to the financial statements.