

Human Rights Watch Inc.

Financial Statements

For the Year Ended June 30, 2018



INDEPENDENT AUDITORS' REPORT

To the Members of Human Rights Watch Inc.

We have audited the accompanying financial statements of Human Rights Watch Inc. (the "Organization") which comprise the statement of financial position as at June 30, 2018 and the statements of operations and changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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 Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 qualified audit opinion.

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, and we were not able to determine whether any adjustments might be necessary to contributions and Gala revenue, excess (deficiency) of revenue over expenses for the year ended June 30, 2018, current assets as at June 30, 2018 and net assets as at July 1, 2017 and June 30, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Human Rights Watch Inc. as at June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other matter

The financial statements of Human Rights Watch Inc. for the year ended June 30, 2017 were audited by another auditor who expressed a similar qualified opinion on those statements dated December 13, 2017.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
December 11, 2018
Toronto, Ontario

Human Rights Watch Inc.
Statement of Financial Position
As at June 30, 2018

	2018	2017
Assets		
Current		
Cash	\$ 1,000,194	\$ 1,594,471
Guaranteed investment certificates (Note 3)	679,590	670,963
Due from HRWUS (Note 9)	115,133	121,529
HST recoverable	28,889	26,622
Prepaid expenses	47,699	30,221
	1,871,505	2,443,806
Capital assets (Note 4)	44,069	52,515
	\$ 1,915,574	\$ 2,496,321

Liabilities

Current		
Accounts payable and accruals liabilities	\$ 40,363	\$ 62,512
Deferred contributions (Note 5)	689,448	449,965
Deferred revenue	8,000	27,000
	737,811	539,477

Net Assets

Invested in capital assets	44,069	52,515
Unrestricted	1,133,694	1,904,329
	1,177,763	1,956,844
	\$ 1,915,574	\$ 2,496,321

Commitments (Notes 10 and 11)

Approved by the Board _____ Director _____ Director

Human Rights Watch Inc.
Statement of Operations and Changes In Net Assets
Year Ended June 30, 2018

	2018	2017
Revenue		
Contributions (Note 6)	\$ 1,452,060	\$ 1,211,798
Gala (Note 7)	1,052,971	808,309
Film festival (Note 8)	183,794	204,500
Donations from HRWUS (Note 9)	46,563	37,052
Interest income	8,627	11,372
	2,744,015	2,273,031
Expenses		
Program		
Program (Notes 9 and 11)	2,526,800	1,425,000
Personnel program (Note 9)	608,782	437,031
Film festival	21,654	22,844
	3,157,236	1,884,875
Fundraising		
Gala	179,153	132,446
Personnel gala	-	38,125
	179,153	170,571
Administration		
Office and general	91,152	73,076
Occupancy costs	63,872	41,675
Professional fees	18,777	12,985
Telephone	4,460	5,502
Amortization	8,446	-
	186,707	133,238
	3,523,096	2,188,684
Excess (deficiency) of revenue over expenses	(779,081)	84,347
Net assets, beginning of year	1,956,844	1,872,497
Net assets, end of year	\$ 1,177,763	\$ 1,956,844

Human Rights Watch Inc.
Statement of Cash Flows
Year Ended June 30, 2018

	2018	2017
Cash provided by (used in)		
Operations		
Excess (deficiency) of revenue over expenses	\$ (779,081)	\$ 84,347
Items not affecting cash		
Amortization	8,446	-
	(770,635)	84,347
Net changes in non-cash working capital		
Due from HRWUS	6,396	(3,425)
HST recoverable	(2,267)	(21,590)
Prepaid expenses	(17,478)	20,569
Accounts payable and accrued liabilities	(22,149)	35,880
Deferred contributions	239,483	449,965
Deferred revenue	(19,000)	17,000
	(585,650)	582,746
Investing		
Purchase of capital assets	-	(52,515)
Purchase of guaranteed investment certificates	(679,590)	(256,343)
Redemption of guaranteed investment certificate	670,963	-
	(8,627)	(308,858)
Net change in cash	(594,277)	273,888
Cash, beginning of year	1,594,471	1,320,583
Cash, end of year	\$ 1,000,194	\$ 1,594,471

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:

Capital Assets

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

When a capital asset no longer contributes to the Organization's ability to provide services, its carrying value is written down to its residual value.

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 recognized when earned.

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. Changes in fair value are recognized in the excess (deficiency) of revenue over expenses.

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 CERTIFICATES

Guaranteed investment certificates are issued by a major Canadian chartered bank, bear an interest rate of 2.50% per annum, mature in September 2019, and are redeemable prior to maturity.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2018	Net 2017
Furniture and fixtures	\$ 45,577	\$ 6,511	\$ 39,066	\$ 45,577
Leasehold improvements	6,938	1,935	5,003	6,938
	\$ 52,515	\$ 8,446	\$ 44,069	\$ 52,515

The capital assets were purchased and available for use in June 2017; however, no amortization was taken on these new assets for the year ended June 30, 2017. A full year of amortization was taken in the current year.

Human Rights Watch Inc.
Notes to Financial Statements
June 30, 2018

5. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year is as follows:

	2018	2017
Deferred contributions, beginning of year	\$ 449,965	\$ -
Add contributions received	1,691,543	1,661,763
Less contribution revenue recognized	(1,452,060)	(1,211,798)
	\$ 689,448	\$ 449,965

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

	2018	2017
LGBT Youth	\$ -	\$ 14,300
2017 Gala	-	27,000
Saskatchewan	14,000	29,000
Disabilities	420,946	205,912
Canada director	212,611	173,753
Emergences	40,000	-
Other	1,891	-
	\$ 689,448	\$ 449,965

6. CONTRIBUTIONS

Contributions were received as follows:

	2018	2017
Individuals	\$ 872,557	\$ 805,830
Corporations	264,029	28,149
Foundations	315,474	377,819
Total	\$ 1,452,060	\$ 1,211,798

7. GALA REVENUE

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

	2018	2017
Sponsorships	\$ 738,400	\$ 567,596
Contributions		
General support	134,560	131,053
Fund-in-need	138,761	94,060
Individual ticket sales	41,250	15,600
	\$ 1,052,971	\$ 808,309

8. FILM FESTIVAL REVENUE

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

	2018	2017
Multimedia program contributions	\$ 127,750	\$ 174,500
Sponsorships	56,044	30,000
	\$ 183,794	\$ 204,500

9. 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 \$2,526,800 (2017 - \$1,425,000) to HRWUS for producing materials, conducting and commissioning research and advancing the objects of the Organization through human rights awards and public education.

During the year, pension expenses amounting to \$46,563 (2017 - \$37,052) were paid for by HRWUS on behalf of the Organization. This amount is recorded as donations from HRWUS and personnel program expense.

At year end, \$115,133 (2017 - \$121,529) was receivable from HRWUS. Amounts due from HRWUS are non-interest bearing and are repayable on demand.

10. 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:

2019	\$	63,900
2020		63,900
2021		63,900
2022		58,575

11. 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 \$2,526,000 (2017 - \$1,425,000) under these agreements. The Organization has outstanding commitments of \$1,027,200 (2017 - \$2,030,000) at year end, which have not been reflected in the financial statements.