

Human Rights Watch, Inc.

Financial Statements
Year Ended June 30, 2016

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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, 2016, 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, 2016 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 7, 2016

Human Rights Watch, Inc.

Statement of Financial Position as of June 30, 2016 (with comparative totals for 2015)

	2016	2015
Assets		
Cash and cash equivalents	\$ 23,110,238	\$ 42,909,967
Investments, at fair value (Note 3)	136,423,275	126,381,757
Contributions receivable, net (Note 4)	52,513,880	62,197,764
Other receivables	1,077,852	611,221
Prepaid expenses and other assets	990,441	997,213
Security deposits	279,122	243,569
Fixed assets, net (Note 5)	6,226,200	6,934,101
Total Assets	\$220,621,008	\$240,275,592
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,614,766	\$ 4,336,672
Accrued pension expense	40,569	265,831
Deferred rent	1,313,773	1,260,392
Total Liabilities	5,969,108	5,862,895
Commitments and Contingencies (Notes 10 and 12)		
Net Assets:		
Unrestricted	24,413,060	26,758,240
Temporarily restricted (Notes 6 and 7)	190,238,840	207,654,457
Total Net Assets	214,651,900	234,412,697
Total Liabilities and Net Assets	\$220,621,008	\$240,275,592

See accompanying notes to financial statements.

Human Rights Watch, Inc.

Statement of Activities Year Ended June 30, 2016 (with comparative totals for 2015)

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
Public Support and Revenue:				
Public support:				
Contributions and grants (Note 4)	\$20,670,873	\$ 22,227,903	\$ 42,898,776	\$ 48,680,950
Special events	17,989,483	-	17,989,483	17,316,301
Total Public Support	38,660,356	22,227,903	60,888,259	65,997,251
Revenue:				
Net investment (loss) income	(26,785)	(2,646,250)	(2,673,035)	2,275,624
Publications	24,806	-	24,806	34,276
Other	161,278	-	161,278	204,012
Total Revenue	159,299	(2,646,250)	(2,486,951)	2,513,912
Net assets released from restrictions (Note 7)	36,997,270	(36,997,270)	-	-
Total Public Support and Revenue	75,816,925	(17,415,617)	58,401,308	68,511,163
Expenses:				
Program services:				
Africa	6,901,267	-	6,901,267	7,459,970
Americas	2,784,132	-	2,784,132	2,254,139
Asia	7,057,293	-	7,057,293	6,434,934
Europe and Central Asia	5,213,958	-	5,213,958	5,279,703
Middle East and North Africa	5,595,560	-	5,595,560	5,563,403
United States	2,470,582	-	2,470,582	2,808,310
Children's Rights	2,727,677	-	2,727,677	2,840,204
Health and Human Rights	1,634,311	-	1,634,311	1,641,677
International Justice	1,794,361	-	1,794,361	1,800,021
Women's Rights	3,578,837	-	3,578,837	3,388,531
Other programs (Note 10)	17,905,389	-	17,905,389	17,485,613
Total Program Services	57,663,367	-	57,663,367	56,956,505
Supporting services:				
Management and general	5,013,111	-	5,013,111	4,629,297
Fundraising	15,485,627	-	15,485,627	14,116,772
Total Supporting Services	20,498,738	-	20,498,738	18,746,069
Total Expenses	78,162,105	-	78,162,105	75,702,574
Change in Net Assets	(2,345,180)	(17,415,617)	(19,760,797)	(7,191,411)
Net Assets, Beginning of Year	26,758,240	207,654,457	234,412,697	241,604,108
Net Assets, End of Year:				
Unrestricted	24,413,060	-	24,413,060	26,758,240
Temporarily restricted (Notes 6 and 7)	-	190,238,840	190,238,840	207,654,457
Total Net Assets, End of Year	\$24,413,060	\$190,238,840	\$214,651,900	\$234,412,697

See accompanying notes to financial statements.

Human Rights Watch, Inc.

Statement of Functional Expenses Year Ended June 30, 2016 (with comparative totals for 2015)

	Program Services											Supporting Services			2016	2015	
	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
Salaries and Related Expenses:																	
Salaries	\$3,176,886	\$1,372,900	\$3,621,898	\$2,603,119	\$2,794,841	\$1,308,041	\$1,434,464	\$ 881,647	\$ 964,219	\$1,862,529	\$ 8,882,489	\$28,903,033	\$1,887,610	\$ 5,172,450	\$ 7,060,060	\$35,963,093	\$33,655,485
Insurance and employee benefits	481,753	261,230	597,710	427,968	471,841	263,375	199,454	127,761	142,273	346,937	1,397,630	4,717,932	312,290	617,407	929,697	5,647,629	4,704,685
Retirement plans	262,073	90,327	319,080	251,044	192,421	115,597	129,380	80,145	86,848	152,393	750,814	2,430,122	166,988	344,446	511,434	2,941,556	2,690,727
Payroll taxes	318,530	242,525	318,012	267,869	276,134	116,312	149,024	70,803	106,827	159,166	875,308	2,900,510	230,941	421,701	652,642	3,553,152	3,571,650
Total Salaries and Related Expenses	4,239,242	1,966,982	4,856,700	3,550,000	3,735,237	1,803,325	1,912,322	1,160,356	1,300,167	2,521,025	11,906,241	38,951,597	2,597,829	6,556,004	9,153,833	48,105,430	44,622,547
Consultant's fees	129,945	5,244	141,205	15,634	17,463	3,410	1,510	22,052	973	13,748	241,234	592,418	6,595	216,369	222,964	815,382	1,203,885
Publications	110,555	31,602	90,341	98,128	150,563	22,244	61,771	23,748	38,024	44,963	501,059	1,172,998	40,346	24,631	64,977	1,237,975	1,740,168
Information services	20,122	7,665	21,157	17,390	20,866	14,498	19,889	4,729	4,832	11,369	52,288	194,805	30,288	32,685	62,973	257,778	258,680
Travel, meals and meetings	971,441	198,568	652,817	428,710	553,469	181,297	249,447	176,352	142,024	347,243	1,799,328	5,700,696	254,916	556,452	811,368	6,512,064	6,365,694
Outreach	-	-	-	-	-	-	-	-	-	-	140,049	140,049	-	-	-	140,049	275,235
Special projects	185,914	81,482	12,738	112,411	111,818	607	1,631	333	419	868	341,250	849,471	2,842	2,973	5,815	855,286	1,110,703
Special events	-	-	-	-	-	-	-	-	-	-	580,605	580,605	-	2,687,420	2,687,420	3,268,025	3,153,782
Direct mail	-	-	-	-	-	-	-	-	-	-	327,343	327,343	-	2,491,181	2,491,181	2,818,524	2,752,584
Occupancy	566,343	222,665	553,758	449,202	456,947	203,303	217,824	111,332	140,376	290,432	896,662	4,108,844	951,263	1,178,851	2,130,114	6,238,958	6,862,339
Office expenses	254,724	104,180	313,870	206,884	203,382	90,479	96,637	49,333	63,131	131,409	380,901	1,894,930	421,764	586,305	1,008,069	2,902,999	2,565,133
Postage and delivery	6,121	1,715	6,942	4,970	5,341	1,781	5,585	4,098	1,092	3,831	33,345	74,821	7,105	54,416	61,521	136,342	155,651
Telephone and fax	138,789	54,566	135,704	110,082	111,980	49,822	53,380	27,283	34,401	71,174	219,737	1,006,918	233,117	294,350	527,467	1,534,385	1,372,455
Professional fees	166,399	65,558	162,871	131,973	138,393	59,729	64,730	32,742	41,242	85,507	308,542	1,257,686	279,476	567,150	846,626	2,104,312	1,836,283
Total Expenses Before Depreciation and Amortization	6,789,595	2,740,227	6,948,103	5,125,384	5,505,459	2,430,495	2,684,726	1,612,358	1,766,681	3,521,569	17,728,584	56,853,181	4,825,541	15,248,787	20,074,328	76,927,509	74,275,139
Depreciation and Amortization	111,672	43,905	109,190	88,574	90,101	40,087	42,951	21,953	27,680	57,268	176,805	810,186	187,570	236,840	424,410	1,234,596	1,427,435
	\$6,901,267	\$2,784,132	\$7,057,293	\$5,213,958	\$5,595,560	\$2,470,582	\$2,727,677	\$1,634,311	\$1,794,361	\$3,578,837	\$17,905,389	\$57,663,367	\$5,013,111	\$15,485,627	\$20,498,738	\$78,162,105	\$75,702,574

See accompanying notes to financial statements.

Human Rights Watch, Inc.

Statement of Cash Flows Year Ended June 30, 2016 (with comparative totals for 2015)

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$(19,760,797)	\$ (7,191,411)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,234,596	1,427,435
Realized gain on investments	(1,345,273)	(2,016,503)
Unrealized loss (gain) on investments	4,877,233	(779,272)
Change in discount on contributions receivable	1,067,884	2,642,878
Decrease (increase) in assets:		
Contributions receivable	8,616,000	22,829,695
Other receivables	(466,631)	90,169
Prepaid expenses and other assets	6,772	(144,435)
Security deposits	(35,553)	7,311
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	278,094	407,235
Accrued pension expense	(225,262)	(295,472)
Deferred rent	53,381	931,745
Net Cash (Used In) Provided By Operating Activities	(5,699,556)	17,909,375
Cash Flows From Investing Activities:		
Net purchases of investments	(65,513,664)	(60,189,737)
Proceeds from sales of investments	51,940,186	51,750,813
Purchases of fixed assets	(526,695)	(2,571,330)
Net Cash Used In Investing Activities	(14,100,173)	(11,010,254)
Net (Decrease) Increase in Cash and Cash Equivalents	(19,799,729)	6,899,121
Cash and Cash Equivalents, Beginning of Year	42,909,967	36,010,846
Cash and Cash Equivalents, End of Year	\$ 23,110,238	\$ 42,909,967

See accompanying notes to financial statements.

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

1. Nature of Organization

Human Rights Watch, Inc. ("HRW") is a not-for-profit organization that works to stop human rights abuses. Currently, HRW 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, the human rights responsibilities of corporations, gay and lesbian rights, health and human rights, disability rights and emergency response.

HRW obtains financial support from the public - primarily individuals and foundations, but also estates, trusts and businesses. HRW does not seek or accept financial support from any government or government-funded agency. Principal offices in 2016 were located in New York, Washington, London, Brussels, Berlin, Chicago, Los Angeles, San Francisco, Toronto, Moscow, Geneva, Paris, Johannesburg, Sydney, Sao Paulo and Tokyo.

2. Summary of Significant Accounting Policies

(a) *Basis of Presentation*

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. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.
- (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 as of June 30, 2016

(d) 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.

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.

Level 3 - Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value.

(e) 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 the allowance may be necessary if there are significant changes in economic conditions.

(f) 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. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

Leasehold improvements	5-16 years
Furniture and fixtures	7 years
Office equipment	5 years
Computer hardware and software	5 years

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

(g) 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, 2016, there have been no such losses.

(h) Endowment Fund

The Endowment Fund represents the principal amount of gifts accepted with the stipulation of the donors or the Board of Directors that the principal be maintained intact until the occurrence of a specified event. The Endowment Fund has been established under a formal arrangement whereby HRW can spend no more than 5% of the Endowment Fund value, as defined, each year for operations. In the case of exceptional circumstances, as declared by a vote of two-thirds of the Board of Directors, HRW may spend more than the previously stated 5%. The net assets of the Endowment Fund relating to assets received as part of the 1998 Endowment Campaign have been designated as temporarily restricted. The Endowment Fund net asset value ("NAV") at June 30, 2016 was \$107,324,433.

(i) Contributed Services

For the year ended June 30, 2016, 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.

(j) 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.

(k) Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on an individual basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on specific identification or allocation rates established by management.

(l) Risk and Uncertainties

HRW's investments consist of a variety of investment securities and investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of HRW's investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

(m) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and other disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

(n) Income Taxes

HRW is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. HRW has been determined by the Internal Revenue Service ("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, 2016.

(o) Accounting for Uncertainty in Income Taxes

Under ASC 740, "Income Taxes", 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, 2016, there was no interest or penalties recorded or included in the statements of activities.

(p) 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.

(q) 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, 2015, from which the summarized information was derived in total but not by net asset class.

(r) Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation. These reclassifications had no impact on change in net assets or ending net assets.

(s) Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)." ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value ("NAV") practical expedient provided by ASC 820. Disclosures about investments in certain entities that calculate NAV per share are limited under

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the NAV practical expedient. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016, with retrospective application to all periods presented. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use ("ROU") model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for HRW's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

3. Investments, at Fair Value

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. There have been no changes in valuation methodology as of June 30, 2016 and 2015.

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 as of June 30, 2016

HRW also has investments in fixed income securities which include corporate bonds and U.S. Treasury securities. The investment managers priced these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities may not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using its proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of similar securities, sector grouping and matrix pricing. These investments are classified as Level 2. U.S. Treasury securities are classified as Level 1.

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

Alternative investments are those made in limited partnerships, offshore limited liability companies and pooled investment 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 advisor, Landseer Advisors LLC. The values are based on estimates that require varying degrees of judgment and, for fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly traded securities, and other investment vehicles. The investments may indirectly expose HRW to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments entail varying degrees of risk, HRW's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment plus HRW's commitment to provide additional funding as described in the following paragraph. The financial statements of the investees are audited annually by nationally recognized firms of independent auditors. HRW does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Certain alternative investments, which include limited partnership investments, have rolling lockups ranging from one to five years with redemption notice period of up to 90 days. In addition, the carrying values of alternative investments do not include future funding commitments of \$19,631,000 to be paid by HRW if called upon.

Management fees and incentive fees are charged by these investments entities at an annual rate ranging from 0.2% to 2.0% plus an incentive allocation, usually 20% of profits.

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

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, 2016:

	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, 2016
Corporate bonds:				
Financial	\$ -	\$14,643,446	\$ -	\$ 14,643,446
Other	-	200,604	-	200,604
Equity securities:				
Industrial	2,645,503	-	-	2,645,503
Consumer discretionary	2,800,355	-	-	2,800,355
Financial	2,236,973	-	-	2,236,973
Mutual funds:				
Diversified	7,849,470	-	-	7,849,470
Index	17,483,249	-	-	17,483,249
Blended	30,063,051	-	-	30,063,051
Alternative investments:				
Pooled investments and fund of funds	-	-	58,500,624	58,500,624
Total	\$63,078,601	\$14,844,050	\$58,500,624	\$136,423,275

There were no transfers between levels for the year ended June 30, 2016.

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, 2016:

Description	Balance at June 30, 2015	Capital Contribution	Sales	Realized Gain (Loss)	Unrealized Loss	Balance at June 30, 2016
Investment portfolio:						
Hedge funds and pooled investments	\$21,426,645	\$ 6,975,886	\$(2,406,022)	\$ (48,621)	\$ (621,959)	\$25,325,929
Limited partnerships	28,132,840	6,296,406	(2,941,317)	2,610,657	(923,891)	33,174,695
	\$49,559,485	\$13,272,292	\$(5,347,339)	\$2,562,036	\$(1,545,850)	\$58,500,624

Cost and respective fair value of investments at June 30, 2016 are as follows:

June 30, 2016

	Cost	Fair Value
Corporate bonds	\$ 14,648,259	\$ 14,844,050
Equity securities	6,133,482	7,682,831
Mutual funds	53,590,269	55,395,770
Alternative investments	47,611,553	58,500,624
	\$121,983,563	\$136,423,275

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

Net investment loss consisted of the following:

June 30, 2016

Interest and dividend income	\$ 310,684
Net realized gains on investments	1,893,515
Net unrealized losses on investments	(4,877,234)
	<hr/> \$(2,673,035) <hr/>

4. Contributions Receivable, Net

At June 30, 2016, the net present value of contributions receivable is \$54,005,996. 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 0.47% to 2.96%.

Net present value of contributions receivable, net of a reserve for doubtful accounts, at June 30, 2016 is summarized below:

June 30, 2016

Total contributions receivable at June 30, 2016	\$54,263,461
Allowance for doubtful accounts	-
Total	54,263,461
Net present value discount	(1,749,581)
Net present value of contributions receivable at June 30, 2016	\$52,513,880
<hr/>	
Amount due in:	
One year	\$19,633,415
Two to five years	34,630,046
Total	\$54,263,461

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, 2016, HRW has received \$60,000,000 towards the fulfillment of the pledge.

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

5. Fixed Assets, Net

Fixed assets, net consist of the following:

June 30, 2016

Leasehold improvements	\$ 9,005,438
Furniture and fixtures	565,521
Office equipment	1,197,518
Computer hardware and software	6,487,948
	<hr/> 17,256,425
Less: Accumulated depreciation and amortization	(11,030,225)
	<hr/> \$ 6,226,200

Depreciation and amortization expenses for the year ended June 30, 2016 were \$1,234,594.

6. Temporarily Restricted Net Assets and Net Assets Released From Restrictions

Temporarily restricted net assets were available for the following purposes at June 30, 2016:

June 30, 2016

Donor-imposed time restrictions	\$ 82,914,407
Endowment fund	107,324,433
	<hr/> \$190,238,840

Temporarily restricted net assets that were released from donor restrictions at June 30, 2015 are as follows:

Donor-imposed time restrictions	\$36,997,270
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7. Endowment Fund

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.

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

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.

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, 2016, all assets included in HRW's Endowment Fund are as follows:

	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, 2016
Cash and cash equivalents	\$ 194,653	\$ -	\$ -	\$ 194,653
Corporate bonds:				
Other	-	9,070	-	9,070
Equity securities:				
Industrial	2,332,905	-	-	2,332,905
Consumer discretionary	2,469,459	-	-	2,469,459
Financial	1,972,648	-	-	1,972,648
Mutual funds:				
Diversified	6,829,491	-	-	6,829,491
Index	15,417,393	-	-	15,417,393
Blended	26,510,741	-	-	26,510,741
Alternative investments:				
Pooled investments and fund of funds	-	-	51,588,073	51,588,073
Total	\$55,727,290	\$9,070	\$51,588,073	\$107,324,433

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

The following table represents the reconciliation of changes in endowment net assets for the year ended June 30, 2016:

	Temporarily Restricted
Endowment net assets, beginning of year	\$109,971,567
Investment income (loss):	
Investment income	3,382,945
Net depreciation (realized and unrealized)	(5,077,433)
Investment fees	(952,646)
Total investment loss, net	(2,647,134)
Endowment net assets, end of year	\$107,324,433

8. 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, 2016 was \$2,105,723.

On February 5, 2015, the HRW Board of Directors approved a resolution to merge the Human Rights Watch, Inc. 403(b) defined contribution Plan and the Human Rights Watch, Inc. 403(b) tax deferred annuity Plan into one plan, the Human Rights Watch Retirement Savings Plan, effective December 31, 2014. 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 makes a discretionary contribution based upon a percentage of an employee's salary, which become 100% vested upon contribution.

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

9. 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 2026 are as follows:

Year ending June 30,

2017	\$ 5,451,216
2018	4,532,553
2019	4,427,026
2020	3,753,967
Thereafter	22,109,392
	<hr/>
	\$40,274,154

HRW leases office space in various countries on a month-to-month basis. Rent expense for the year ended June 30, 2016 amounted to \$5,322,307.

10. Other Programs

Other programs as presented in the accompanying statements of activities and functional expenses consist of the following:

June 30, 2016

Arms	\$ 1,041,202
Business	1,270,611
Disability Rights Division	684,003
Emergency Response	1,649,318
Fellows	992,074
Film Festival	1,272,708
Grants to Others	338,591
Habre	946,914
LGBT	1,601,683
Multimedia	1,333,766
Outreach	6,060,682
Refugee	713,837
	<hr/>
Total	\$17,905,389

11. 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.

Human Rights Watch, Inc.

Notes to Financial Statements as of June 30, 2016

12. Subsequent Events

HRW's management has performed subsequent events procedures through November 7, 2016 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.