

Human Rights Watch, Inc. and Subsidiaries

Consolidated Financial Statements
Year Ended June 30, 2017

Human Rights Watch, Inc. and Subsidiaries

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Human Rights Watch, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Human Rights Watch, Inc. and Subsidiaries as of June 30, 2017 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. and Subsidiaries' 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived.

BDO USA, LLP

November 21, 2017

Human Rights Watch, Inc. and Subsidiaries

Consolidated Statement of Financial Position as of June 30, 2017 (with comparative totals for 2016)

	2017	2016
Assets		
Cash and cash equivalents	\$ 33,577,749	\$ 23,110,238
Investments (Note 4)	142,650,418	136,423,275
Contributions receivable, net (Note 5)	35,733,542	52,513,880
Other receivables	163,255	1,077,852
Prepaid expenses and other assets	1,173,142	1,269,563
Fixed assets, net (Note 6)	6,294,587	6,226,200
Total Assets	\$219,592,693	\$220,621,008
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,196,459	\$ 4,655,335
Deferred rent	1,341,909	1,313,773
Total Liabilities	6,538,368	5,969,108
Commitments and Contingencies (Notes 7, 9 and 10)		
Net Assets:		
Unrestricted	21,417,659	24,413,060
Temporarily restricted (Notes 7 and 8)	191,636,666	190,238,840
Total Net Assets	213,054,325	214,651,900
Total Liabilities and Net Assets	\$219,592,693	\$220,621,008

See accompanying notes to consolidated financial statements.

Human Rights Watch, Inc. and Subsidiaries

Consolidated Statement of Activities Year Ended June 30, 2017 (with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Public Support and Revenue:				
Public support:				
Contributions and grants	\$22,554,175	\$ 16,510,714	\$ 39,064,889	\$ 42,898,776
Special events	19,286,339	-	19,286,339	17,989,483
Less: Direct cost of special events	(2,966,235)	-	(2,966,235)	(2,687,420)
Total Public Support	38,874,279	16,510,714	55,384,993	58,200,839
Revenue:				
Net investment income (loss)	2,669,749	16,780,423	19,450,172	(2,673,035)
Publications	21,998	-	21,998	24,806
Other	(27,022)	-	(27,022)	161,278
Total Revenue	2,664,725	16,780,423	19,445,148	(2,486,951)
Net assets released from restrictions (Note 8)	31,893,311	(31,893,311)	-	-
Total Public Support and Revenue	73,432,315	1,397,826	74,830,141	55,713,888
Expenses:				
Program services:				
Africa	7,700,677	-	7,700,677	6,901,267
Americas	2,540,237	-	2,540,237	2,784,132
Asia	6,835,126	-	6,835,126	7,057,293
Europe and Central Asia	4,752,950	-	4,752,950	5,213,958
Middle East and North Africa	6,061,736	-	6,061,736	5,595,560
United States	2,643,144	-	2,643,144	2,470,582
Children's Rights	2,838,833	-	2,838,833	2,727,677
LGBT	1,746,144	-	1,746,144	1,601,683
International Justice	1,756,980	-	1,756,980	1,794,361
Women's Rights	3,315,363	-	3,315,363	3,578,837
Other programs (Note 11)	17,444,066	-	17,444,066	17,938,017
Total Program Services	57,635,256	-	57,635,256	57,663,367
Supporting services:				
Management and general	5,156,234	-	5,156,234	5,013,111
Fundraising	13,636,226	-	13,636,226	12,798,207
Total Supporting Services	18,792,460	-	18,792,460	17,811,318
Total Expenses	76,427,716	-	76,427,716	75,474,685
Change in Net Assets	(2,995,401)	1,397,826	(1,597,575)	(19,760,797)
Net Assets, Beginning of Year	24,413,060	190,238,840	214,651,900	234,412,697
Total Net Assets, End of Year	\$21,417,659	\$191,636,666	\$213,054,325	\$214,651,900

See accompanying notes to consolidated financial statements.

Human Rights Watch, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended June 30, 2017 (with comparative totals for 2016)

	Program Services											Supporting Services			2017	2016		
	Africa	Americas	Asia	Europe & Central Asia	Middle East & North Africa	United States	Children's Rights	LGBT	International Justice	Women's Rights	Other Programs	Total	Management and General	Fundraising			Total	
Salaries and Related Expenses:																		
Salaries	\$3,642,063	\$1,289,328	\$3,579,597	\$2,422,474	\$3,065,904	\$1,491,358	\$1,533,815	\$ 906,459	\$ 992,139	\$1,782,033	\$ 9,258,345	\$29,963,515	\$2,066,069	\$ 5,650,297	\$ 7,716,366	\$37,679,881	\$35,963,093	
Insurance and employee benefits	581,194	248,390	564,025	399,356	524,873	281,895	220,397	151,866	155,223	324,782	1,468,139	4,920,140	305,046	743,554	1,048,600	5,968,740	5,647,629	
Retirement plans	279,178	109,998	311,737	234,659	206,799	108,234	134,880	67,155	90,567	126,931	702,777	2,372,915	172,840	432,142	604,982	2,977,897	2,941,556	
Payroll taxes	408,182	197,264	293,810	267,031	357,044	135,282	157,270	86,630	95,319	151,446	968,900	3,118,178	264,142	468,596	732,738	3,850,916	3,553,152	
Total Salaries and Related Expenses	4,910,617	1,844,980	4,749,169	3,323,520	4,154,620	2,016,769	2,046,362	1,212,110	1,333,248	2,385,192	12,398,161	40,374,748	2,808,097	7,294,589	10,102,686	50,477,434	48,105,430	
Consultant's fees	141,472	21,036	158,181	18,870	6,968	11,283	36,112	20,566	4,354	5,904	123,181	547,927	7,763	110,788	118,551	666,478	815,382	
Publications	95,155	32,620	128,878	84,706	131,492	15,420	62,477	37,619	13,613	41,578	362,607	1,006,165	35,283	70,828	106,111	1,112,276	1,237,975	
Information services	24,463	7,398	21,037	15,346	19,468	13,462	19,471	8,480	4,887	14,028	48,074	196,114	30,616	52,858	83,474	279,588	257,778	
Travel, meals and meetings	854,450	186,168	542,501	301,106	465,786	142,785	217,745	179,515	108,705	295,950	1,259,941	4,554,652	225,362	413,153	638,515	5,193,167	6,512,064	
Special projects	158,257	1,061	10,812	118,926	91,844	1,000	1,741	636	659	1,272	502,880	889,088	4,634	5,041	9,675	898,763	995,335	
Special events	2,310	360	1,006	711	960	360	368	229	237	458	572,855	579,854	1,668	-	1,668	581,522	580,606	
Rent	676,027	197,249	523,607	390,015	526,297	197,249	201,732	125,522	130,005	251,044	806,928	4,025,675	914,519	1,172,606	2,087,125	6,112,800	6,238,958	
Office expenses	321,293	98,556	299,914	201,769	248,548	94,128	96,614	65,575	61,955	128,152	750,488	2,366,992	429,650	3,277,390	3,707,040	6,074,032	5,857,864	
Telephone and fax	158,786	46,451	122,985	91,607	123,617	46,330	47,383	29,483	30,536	58,966	189,532	945,676	214,803	275,771	490,574	1,436,250	1,534,385	
Professional fees	223,701	65,217	173,135	128,982	187,701	65,217	68,798	41,501	42,984	83,003	269,298	1,349,537	302,368	521,184	823,552	2,173,089	2,104,312	
Total Expenses Before Depreciation and Amortization	7,566,531	2,501,096	6,731,225	4,675,558	5,957,301	2,604,003	2,798,803	1,721,236	1,731,183	3,265,547	17,283,945	56,836,428	4,974,763	13,194,208	18,168,971	75,005,399	74,240,089	
Depreciation and Amortization	134,146	39,141	103,901	77,392	104,435	39,141	40,030	24,908	25,797	49,816	160,121	798,828	181,471	442,018	623,489	1,422,317	1,234,596	
	\$7,700,677	\$2,540,237	\$6,835,126	\$4,752,950	\$6,061,736	\$2,643,144	\$2,838,833	\$1,746,144	\$1,756,980	\$3,315,363	\$17,444,066	\$57,635,256	\$5,156,234	\$13,636,226	\$18,792,460	\$76,427,716	\$75,474,685	

See accompanying notes to consolidated financial statements.

Human Rights Watch, Inc. and Subsidiaries

Consolidated Statement of Cash Flows Year Ended June 30, 2017 (with comparative totals for 2016)

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ (1,597,575)	\$(19,760,797)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,422,317	1,234,596
Realized gain on investments	(5,848,795)	(1,345,273)
Unrealized (gain) loss on investments	(12,490,113)	4,877,233
Change in discount on contributions receivable	-	1,067,884
Decrease (increase) in assets:		
Contributions receivable	16,780,338	8,616,000
Other receivables	914,597	(466,631)
Prepaid expenses and other assets	96,421	(28,781)
Increase in liabilities:		
Accounts payable and accrued expenses	541,124	52,832
Deferred rent	28,136	53,381
Net Cash Used In Operating Activities	(153,550)	(5,699,556)
Cash Flows From Investing Activities:		
Net purchases of investments	(13,020,036)	(65,513,664)
Proceeds from sales of investments	25,131,801	51,940,186
Purchases of fixed assets	(1,490,704)	(526,695)
Net Cash Provided By (Used In) Investing Activities	10,621,061	(14,100,173)
Net Increase (Decrease) in Cash and Cash Equivalents	10,467,511	(19,799,729)
Cash and Cash Equivalents, Beginning of Year	23,110,238	42,909,967
Cash and Cash Equivalents, End of Year	\$ 33,577,749	\$ 23,110,238

See accompanying notes to consolidated financial statements.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements as of June 30, 2017

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. HRW’s programs are 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, LGBT rights, refugees, military affairs, international justice, responsibilities of corporations, health and human rights and disability rights, rights of the disabled, and human rights and the environment.

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.

The HRW consolidated financial statements as of June 30, 2017 include branches, charitable affiliates and registered offices. These entities listed below (official local name included in some instances) were established to support HRW primarily through the promotion of human rights and justice throughout the world in times of peace and war by directly or indirectly funding it through fundraising campaigns, volunteers and collected contributions from the public. These entities, over which HRW maintains operational control and oversight, are listed below:

- Australia: Australia Foundation in Support of Human Rights Watch Limited
- Belgium: Human Rights Watch, Inc.
- Brazil: Human Rights Watch Brasil (Associação dos Apoiadores dos Direitos Humanos)
- Canada: Human Rights Watch, Inc.
- DRC: Human Rights Watch
- France: French Association in Support of Human Rights Watch (Association Française de Soutien à Human Rights Watch)
- France: Human Rights Watch, Inc.
- Germany: Human Rights Watch - Association for the Protection of Human Rights - e.V. (Human Rights Watch - Verein zur Wahrung de Menschenrechte - e.V.)
- Japan: Japan Foundation in Support of Human Rights Watch (一般財団法人日本ヒューマン・ライツ・ウォッチ協会)
- Jordan: Human Rights Watch (شؤون ستيفار نمويه تيعمجج)
- Kenya: Human Rights Watch
- Kyrgyzstan: Representative Office of Human Rights Watch, Inc. in the Kyrgyz Republic (Представительства Неправительственной Организации «Хьюман Райтс Вотч, ИНК.» в Кыргызской Республике)
- Lebanon: Human Rights Watch in Lebanon
- Netherlands: Foundation Human Rights Watch Netherlands (Stichting Human Rights Watch Nederland)
- Russia: Representative Office of the Corporation “Human Rights Watch, Inc.” (USA) in the Russian Federation
- South Africa: The South African Foundation in Support of Human Rights Watch
- South Korea: Human Rights Watch Korea
- Sweden: Insamlingsstiftelsen the Swedish Foundation in Support of Human Rights Watch
- Switzerland: Human Rights Watch, Inc. (Human Rights Watch, Inc. New York (Etats-Unis), succursale de Genève)
- Switzerland: Swiss Foundation in Support of Human Rights Watch
- Tunisia: Human Rights Watch
- Ukraine: Human Rights Watch, Inc.
- UK: Human Rights Watch, Inc.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements as of June 30, 2017

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Human Rights, Inc. and subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

3. Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The consolidated 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 consolidated 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 highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

(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

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Notes to Consolidated Financial Statements as of June 30, 2017

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 contributions 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

(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, 2017, there have been no such losses.

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(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, 2017 was \$124,104,856.

(i) Contributed Services

For the year ended June 30, 2017, 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 services to 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.

(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

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Notes to Consolidated Financial Statements as of June 30, 2017

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, 2017.

(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, 2017, 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, 2016, 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 NAV practical expedient provided by ASC 820. Disclosures about investments in certain entities that calculate NAV per share are limited under 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. HRW has elected to early adopt the ASU.

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

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Notes to Consolidated Financial Statements as of June 30, 2017

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.

4. Investments

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, 2017.

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.

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.

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 at the NAV of the interest owned by HRW

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at year-end. Given the absence of market quotations, their 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 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. In addition, the carrying values of alternative investments do not include future funding commitments of \$26,294,717 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.

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, 2017:

	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, 2017
Corporate bonds:				
Financial	\$ -	\$15,124,610	\$-	\$ 15,124,610
Other	-	262,057	-	262,057
Equity securities:				
Industrial	2,938,126	-	-	2,938,126
Consumer discretionary	3,744,192	-	-	3,744,192
Financial	3,486,018	-	-	3,486,018
Mutual funds:				
Diversified	9,115,594	-	-	9,115,594
Index	9,458,566	-	-	9,458,566
Blended	25,817,748	-	-	25,817,748
Total investment assets in the fair value hierarchy	54,560,244	15,386,667	-	69,946,911
Pooled investments and fund of funds at NAV*				72,703,507
	\$54,560,244	\$15,386,667	\$-	\$142,650,418

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

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There were no transfers between levels for the year ended June 30, 2017. HRW had no assets that were measured at fair value on a non-recurring basis during the year ended June 30, 2017.

Net investment income consisted of the following:

June 30, 2017

Interest and dividend income	\$ 2,024,174
Net realized gains on investments	5,185,811
Net unrealized gains on investments	12,480,187
	<hr/>
	\$19,690,172

5. Contributions Receivable, Net

At June 30, 2017, the net present value of contributions receivable is \$35,733,542. 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%. There was no reserve recorded for doubtful accounts for the year ended June 30, 2017.

Net present value of contributions receivable, net of a reserve for doubtful accounts, at June 30, 2017 is summarized below:

June 30, 2017

Total contributions receivable at June 30, 2017	\$37,483,123
Net present value discount	(1,749,581)
Net present value of contributions receivable at June 30, 2017	<hr/>
	\$35,733,542

Amount due in:

One year	\$16,483,782
Two to five years	20,999,341
Total	<hr/>
	\$37,483,123

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6. Fixed Assets, Net

Fixed assets, net consist of the following:

June 30, 2017

Leasehold improvements	\$ 8,994,243
Furniture and fixtures	649,188
Office equipment	1,288,165
Computer hardware and software	7,752,561
	<hr/> 18,684,157
Less: Accumulated depreciation and amortization	(12,389,570)
	<hr/> \$ 6,294,587

Depreciation and amortization expenses for the year ended June 30, 2017 were \$1,422,317.

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

Temporarily restricted net assets were available for the following purposes at June 30, 2017:

June 30, 2017

Donor-imposed time restrictions	\$ 67,531,810
Endowment fund	124,104,856
	<hr/> \$191,636,666

Temporarily restricted net assets that were released from donor restrictions at June 30, 2017 are as follows:

June 30, 2017

Donor-imposed time restrictions	\$31,893,311
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8. 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.

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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, 2017, 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, 2017
Cash and cash equivalents	\$ 8,674,947	\$-	\$-	\$ 8,674,947
Equity securities:				
Industrial	2,590,346	-	-	2,590,346
Consumer discretionary	3,301,112	-	-	3,301,112
Financial	3,073,490	-	-	3,073,490
Mutual funds:				
Diversified	7,902,693	-	-	7,902,693
Index	8,339,259	-	-	8,339,259
Blended	22,762,530	-	-	22,762,530
Total investment assets in the fair value hierarchy	56,644,377	-	-	56,644,377
Pooled investments and fund of funds at NAV*				67,460,479
Total	\$56,644,377	\$-	\$-	\$124,104,856

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

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The following table represents the reconciliation of changes in endowment net assets for the year ended June 30, 2017:

	Temporarily Restricted
Endowment net assets, beginning of year	\$107,324,433
Investment income (loss):	
Investment income	240,533
Net depreciation (realized and unrealized)	17,533,301
Investment fees	(1,063,411)
Total investment gain, net	16,780,423
Endowment net assets, end of year	\$124,104,856

9. Retirement Plan

HRW has a defined contribution 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 makes a discretionary contribution based upon a percentage of an employee's salary, which become 100% vested upon contribution. HRW's contribution for the year ended June 30, 2017 was \$1,881,783.

10. Commitments and Contingencies

(a) Operating Leases

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:

<i>Year ending June 30,</i>	
2018	\$ 5,068,977
2019	4,924,613
2020	4,359,070
2021	4,172,525
2022	3,416,538
Thereafter	15,553,149
	\$37,494,872

HRW leases office space in various countries on a month-to-month basis. Rent expense for the year ended June 30, 2017 amounted to \$5,479,470.

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(b) *Litigation*

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.

11. Other Programs

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

June 30, 2017

Outreach	\$ 6,153,145
Business	1,479,127
Disability Rights Response	1,402,193
Emergency Response	1,315,270
Multimedia	1,306,914
Film Festival	1,300,859
Arms	1,043,523
Fellows	981,368
Health & Human Rights	775,688
Refugee	668,091
Grants to Others	424,559
Environment	343,992
Terrorism	248,918
Habre	419
Total	\$17,444,066

12. Subsequent Events

HRW's management has performed subsequent events procedures through November 21, 2017 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.