
HUMAN RIGHTS WATCH INC.

FINANCIAL STATEMENTS

JUNE 30, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members,
Human Rights Watch Inc.

We have audited the accompanying financial statements of Human Rights Watch Inc., which comprise the statement of financial position as at June 30, 2017, 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 organization'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 organization'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 not-for-profit organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue 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 donation and fundraising revenue, excess of revenue over expenses for the year, assets and net assets.

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, 2017, 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.



Chartered Professional Accountants
Licensed Public Accountants

December 13, 2017
Toronto, Ontario

HUMAN RIGHTS WATCH INC.

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2017

	2017	2016
ASSETS		
Current assets		
Cash	\$ 1,594,471	\$ 1,320,583
Guaranteed investment certificates (note 3)	670,963	414,620
Due from HRWUS (note 8)	121,529	118,105
HST recoverable	26,622	5,031
Prepaid expenses	<u>30,221</u>	<u>50,790</u>
Capital assets (note 4)	<u>52,515</u>	<u>-</u>
	<u>\$ 2,496,321</u>	<u>\$ 1,909,129</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 62,512	\$ 26,632
Deferred contributions (note 5)	449,965	-
Deferred revenue	<u>27,000</u>	<u>10,000</u>
	<u>539,477</u>	<u>36,632</u>
Net assets		
Invested in capital assets	52,515	-
Unrestricted	<u>1,904,329</u>	<u>1,872,497</u>
	<u>1,956,844</u>	<u>1,872,497</u>
	<u>\$ 2,496,321</u>	<u>\$ 1,909,129</u>

Approved on behalf of the Board:

Debbie Spinks, Director

Bob Pinto, Director

see accompanying notes

HUMAN RIGHTS WATCH INC.**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS****FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
REVENUE		
Contributions	\$ 1,211,798	\$ 1,090,911
Gala (note 6)	808,309	735,533
Film festival (note 7)	204,500	164,100
Donations from HRWUS (note 8)	37,052	27,326
Interest	<u>11,372</u>	<u>6,369</u>
Total revenue	<u>2,273,031</u>	<u>2,024,239</u>
EXPENSES		
Program (note 8)	1,425,000	700,000
Personnel (note 8)	437,031	289,273
Film festival	<u>22,844</u>	<u>19,585</u>
Total program	<u>1,884,875</u>	<u>1,008,858</u>
Gala	132,446	138,927
Personnel	<u>38,125</u>	<u>38,125</u>
Total fundraising	<u>170,571</u>	<u>177,052</u>
Office and general (note 8)	73,076	31,101
Occupancy costs	41,675	37,113
Professional fees	12,985	11,374
Telephone	<u>5,502</u>	<u>7,261</u>
Total administration	<u>133,238</u>	<u>86,849</u>
Total expenses	<u>2,188,684</u>	<u>1,272,759</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	84,347	751,480
Net assets, beginning of year	<u>1,872,497</u>	<u>1,121,017</u>
NET ASSETS, END OF YEAR	<u>\$ 1,956,844</u>	<u>\$ 1,872,497</u>

see accompanying notes

HUMAN RIGHTS WATCH INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 84,347	\$ 751,480
Add net change in non-cash working capital items (see below)	<u>498,399</u>	<u>27,848</u>
Net cash generated from operating activities	<u>582,746</u>	<u>779,328</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(52,515)	-
Purchase of guaranteed investment certificates	<u>(256,343)</u>	<u>(6,399)</u>
Cash used for investing activities	<u>(308,858)</u>	<u>(6,399)</u>
NET CASH INCREASE IN THE YEAR	273,888	772,929
Cash, beginning of year	<u>1,320,583</u>	<u>547,654</u>
CASH, END OF YEAR	<u>\$ 1,594,471</u>	<u>\$ 1,320,583</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Due from HRWUS	\$ (3,425)	\$ (118,105)
HST recoverable	(21,590)	32,639
Prepaid expenses	20,569	123,922
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	52,880	(10,608)
Deferred contributions	449,965	-
Deferred revenue	<u>17,000</u>	<u>(8,000)</u>
	<u>\$ 498,399</u>	<u>\$ 27,848</u>

see accompanying notes

HUMAN RIGHTS WATCH INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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.

1. 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.

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 received.

Contributed materials and services

Contributed materials and services are not recorded in the accounts.

Gala and film festival

Gala and film festival sponsorship revenue is recognized in the year in which the related event occurs.

Interest

Interest income is recognized when earned.

Allocation of expenses

The organization allocates personnel costs based on time spent.

2. FINANCIAL INSTRUMENTS AND RELATED FINANCIAL RISKS

The organization's financial instruments include cash, guaranteed investment certificates, due from HRWUS, accounts payable and accrued liabilities. Due from HRWUS, accounts payable and accrued liabilities are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value. Guaranteed investment certificates are recorded at cost plus accrued interest, which approximates fair value.

It is management's opinion that the organization's financial instruments are not exposed to significant financial risks and that existing cash balances and cash flows generated from operations are sufficient to meet the organization's financial liabilities. Fluctuations in market interest rates do not affect future cash flows from the organization's fixed rate guaranteed investment certificates.

HUMAN RIGHTS WATCH INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

3. GUARANTEED INVESTMENT CERTIFICATES

Guaranteed investment certificates are issued by a major Canadian chartered bank, bear an interest rate of 1.35% and mature in June 2018.

4. CAPITAL ASSETS

Capital assets are as follows:

	Cost	Accumulated Amortization	2017 Net	2016 Net
Furniture and fixtures	\$ 45,577	\$ -	\$ 45,577	\$ -
Leasehold improvements	<u>6,938</u>	<u>-</u>	<u>6,938</u>	<u>-</u>
	<u>\$ 52,515</u>	<u>\$ -</u>	<u>\$ 52,515</u>	<u>\$ -</u>

Because the capital assets were purchased and available for use in June 2017, therefore no amortization expense has been provided for in these financial statements.

5. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year is as follows:

	2017	2016
Deferred contributions, beginning of year	\$ -	\$ -
Add cash received from contributions	1,661,763	1,090,911
Less contribution revenue recognized (note 6)	<u>(1,211,798)</u>	<u>(1,090,911)</u>
Deferred contributions, end of year	<u>\$ 449,965</u>	<u>\$ -</u>

6. GALA REVENUE

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

	2017	2016
Sponsorships	\$ 567,596	\$ 522,784
Contributions		
General support	131,053	122,514
Fund-in-need	94,060	71,635
Individual ticket sales	<u>15,600</u>	<u>18,600</u>
	<u>\$ 808,309</u>	<u>\$ 735,533</u>

HUMAN RIGHTS WATCH INC.

NOTES TO THE FINANCIAL STATEMENTS

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7. FILM FESTIVAL REVENUE

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

	2017	2016
Multimedia program contributions	\$ 174,500	\$ 136,600
Sponsorships	<u>30,000</u>	<u>27,500</u>
	<u>\$ 204,500</u>	<u>\$ 164,100</u>

8. RELATED ORGANIZATION

The organization is related to Human Rights Watch - United States (HRWUS) in that three of five members of the Board of Directors of the organization are senior management at Human Rights Watch - United States. All transactions with HRWUS are carried out in the normal course of operations and are recorded at the exchange value which approximates fair value.

During the year, the organization paid \$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 (\$700,000 paid to HRWUS in 2016).

During the year, pension expenses amounting to \$37,052 were paid for by HRWUS on behalf of the organization (\$27,326 of pension, benefits, travel costs and office expenses were paid by HRWUS on behalf of the organization in 2016).

As at June 30, 2017, \$121,529 was receivable from HRWUS (\$118,105 was receivable from HRWUS as at June 30, 2016). All amounts due from HRWUS bear no interest and are payable on demand.

9. 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:

2018	63,900
2019	63,900
2020	63,900
2021	63,900
2022	58,575