

Human Rights Watch, Inc. and Subsidiaries

Consolidated Financial Report
June 30, 2023

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RSM US LLP

Independent Auditor's Report

Board of Directors
Human Rights Watch, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Human Rights Watch, Inc. and Subsidiaries (HRW), which comprise the consolidated statement of financial position as of June 30, 2023, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HRW as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HRW and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, in fiscal year 2023, HRW adopted new accounting guidance, Accounting Standards Codification (ASC) 842, Leases, which resulted in HRW recording a right-of-use asset of \$22,966,000 and a lease liability of \$26,098,000 at July 1, 2022. Our opinion is not modified with respect to this matter.

As discussed in Note 17 of the financial statements, HRW, subsequent to the issuance of their June 30, 2023 financial statements dated December 8, 2023, identified an error in the financial statements and has restated its previously issued June 30, 2023 financial statement to correct the error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HRW's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HRW's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the HRW's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited HRW's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
May 15, 2024

Human Rights Watch, Inc. and Subsidiaries

Consolidated Statement of Financial Position

June 30, 2023

(With Comparative Financial Information as of June 30, 2022)

	2023	2022
Assets		
Cash and cash equivalents	\$ 27,698,327	\$ 37,221,783
Contributions receivable, net	30,078,862	22,837,169
Prepaid expenses and other assets	3,795,202	4,724,821
Investments	169,886,086	167,472,898
Operating lease right-of-use assets, net	17,977,348	-
Finance lease, right-of-use assets, net	294,686	-
Property and equipment, net	4,573,757	6,461,026
	<u>4,573,757</u>	<u>6,461,026</u>
Total assets	\$ 254,304,268	\$ 238,717,697
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 9,753,000	\$ 8,109,135
Deferred rent	-	3,158,345
Operating lease liabilities	20,722,142	-
Finance lease liabilities	298,853	-
Total liabilities	<u>30,773,995</u>	<u>11,267,480</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	9,939,801	23,760,474
With donor restrictions	213,590,472	203,689,743
Total net assets	<u>223,530,273</u>	<u>227,450,217</u>
Total liabilities and net assets	\$ 254,304,268	\$ 238,717,697

See notes to consolidated financial statements.

Human Rights Watch, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Comparative Total
Public support and revenue:				
Contributions and grants	\$ 23,300,511	\$ 60,958,565	\$ 84,259,076	\$ 79,427,408
Contributed service and property revenue	2,551,491	-	2,551,491	1,114,207
Special events	16,276,499	-	16,276,499	11,862,090
Less direct cost of special events	(2,901,827)	-	(2,901,827)	(1,930,730)
Total public support	39,226,674	60,958,565	100,185,239	90,472,975
Revenue:				
Net investment return (loss)	76,693	10,552,707	10,629,400	(7,460,659)
Publications	4,157	-	4,157	9,557
Change in value of beneficial interest in split-interest agreements	56,081	-	56,081	25,080
Other	202,558	-	202,558	120,376
Total revenue	339,489	10,552,707	10,892,196	(7,305,646)
Net assets released from restrictions	61,954,126	(61,954,126)	-	-
Total public support and revenue	101,520,289	9,557,146	111,077,435	83,167,329
Expenses:				
Program services:				
Africa	9,335,184	-	9,335,184	7,452,748
Americas	4,768,607	-	4,768,607	3,695,560
Asia	11,010,989	-	11,010,989	9,858,667
Europe and Central Asia	7,749,453	-	7,749,453	6,938,375
Middle East and North Africa	8,370,773	-	8,370,773	6,632,390
United States	3,878,739	-	3,878,739	3,738,641
Children's rights	4,945,784	-	4,945,784	4,451,528
Women's rights	4,421,597	-	4,421,597	3,924,955
Disability rights	3,939,196	-	3,939,196	3,042,688
LGBT rights	2,610,790	-	2,610,790	2,602,772
Other programs	19,535,935	-	19,535,935	15,147,522
Total program services	80,567,047	-	80,567,047	67,485,846
Supporting services:				
Management and general	13,975,549	-	13,975,549	14,097,337
Fundraising	21,451,645	-	21,451,645	18,211,177
Total supporting services	35,427,194	-	35,427,194	32,308,514
Total expenses	115,994,241	-	115,994,241	99,794,360
Change in net assets before foreign currency translation income (loss)	(14,473,952)	9,557,146	(4,916,806)	(16,627,031)
Foreign currency translation income (loss)	\$653,279	343,583	996,862	(2,139,487)
Change in net assets	(13,820,673)	9,900,729	(3,919,944)	(18,766,518)
Net assets:				
Beginning	23,760,474	203,689,743	227,450,217	246,216,735
Ending	\$ 9,939,801	\$ 213,590,472	\$ 223,530,273	\$ 227,450,217

See notes to consolidated financial statements.

Human Rights Watch, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	2023																2022
	Program Services											Supporting Services				Summarized Comparative Total	
	Africa	Americas	Asia	Europe and Central Asia	Middle East and North Africa	United States	Children's Rights	Women's Rights	Disability Rights	LGBT Rights	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services		Total
Salaries and related expenses:																	
Salaries	\$ 5,177,685	\$ 2,933,881	\$ 6,296,345	\$ 4,288,889	\$ 4,760,989	\$ 2,278,571	\$ 2,829,754	\$ 2,424,710	\$ 2,221,784	\$ 1,473,794	\$ 10,854,199	\$ 45,540,501	\$ 6,787,401	\$ 9,172,703	\$ 15,960,104	\$ 61,500,605	\$ 52,688,919
Payroll taxes and other employee benefits	1,564,049	773,528	1,893,855	1,515,845	1,442,696	664,668	886,374	729,595	669,383	430,110	3,315,941	13,886,044	1,886,332	2,842,702	4,729,034	18,615,078	17,072,602
Total salaries and related expenses	6,741,634	3,707,409	8,190,200	5,804,734	6,203,685	2,943,239	3,716,128	3,154,305	2,891,167	1,903,904	14,170,140	59,426,545	8,673,733	12,015,405	20,689,138	80,115,683	69,761,521
Consultant's fees	126,281	40,224	215,409	215,023	91,032	108,161	53,090	219,449	65,983	37,819	461,206	1,633,677	640,508	330,893	971,401	2,605,078	1,948,609
Publications	199,664	92,412	252,918	167,914	244,034	69,538	105,699	91,073	82,989	72,998	433,027	1,812,266	59,980	128,803	188,783	2,001,049	1,979,264
Travel, meals and meetings	657,772	255,916	617,951	423,240	422,520	177,434	277,422	295,488	285,600	200,731	1,035,688	4,649,762	418,095	406,840	824,935	5,474,697	2,639,939
Rent	561,332	229,129	549,910	373,402	485,334	192,468	252,042	219,964	201,634	132,895	911,934	4,110,044	744,673	1,753,506	2,498,179	6,608,223	6,392,667
Office expenses	248,593	102,438	337,580	201,540	211,401	81,893	107,931	103,116	90,573	56,281	396,324	1,937,670	381,563	751,914	1,133,477	3,071,147	3,309,305
Technology and database	207,310	91,643	219,944	146,672	177,788	76,981	100,808	87,978	80,646	53,153	364,741	1,607,664	623,148	765,398	1,388,546	2,996,210	2,961,263
Direct mail and marketing	29,806	13,189	31,653	21,102	25,586	11,078	14,507	12,661	11,606	7,649	52,491	231,328	-	3,840,059	3,840,059	4,071,387	3,639,349
Professional fees and other costs	444,171	183,760	469,454	311,846	407,568	173,858	260,421	187,175	182,809	114,917	1,501,484	4,237,463	1,918,631	1,056,774	2,975,405	7,212,868	5,354,227
Total expenses before depreciation and amortization	9,216,563	4,716,120	10,885,019	7,665,473	8,268,948	3,834,650	4,888,048	4,371,209	3,893,007	2,580,347	19,327,035	79,646,419	13,460,331	21,049,592	34,509,923	114,156,342	97,986,144
Depreciation and amortization	118,621	52,487	125,970	83,980	101,825	44,089	57,736	50,388	46,189	30,443	208,900	920,628	515,218	402,053	917,271	1,837,899	1,808,216
	\$ 9,335,184	\$ 4,768,607	\$ 11,010,989	\$ 7,749,453	\$ 8,370,773	\$ 3,878,739	\$ 4,945,784	\$ 4,421,597	\$ 3,939,196	\$ 2,610,790	\$ 19,535,935	\$ 80,567,047	\$ 13,975,549	\$ 21,451,645	\$ 35,427,194	\$ 115,994,241	\$ 99,794,360

See notes to consolidated financial statements.

Human Rights Watch, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended June 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (3,919,944)	\$ (18,766,518)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,837,899	1,808,216
Net realized/unrealized (gains) losses on investments	(11,960,744)	6,441,021
Change in discount on contributions receivable	(253,969)	(217,793)
Deferred rent	-	(232,742)
Change in value of beneficial interest in split-interest agreements	(56,081)	(25,080)
Donated securities	(1,188,109)	(3,575,969)
Proceeds from sale of donated securities	1,188,109	3,575,969
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(6,987,724)	(4,598,888)
Prepaid expenses and other assets	929,619	(1,122,927)
Operating lease right-of-use assets	(20,843,584)	-
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses and other liabilities	1,699,946	1,137,110
Operating lease liabilities	20,722,142	-
Net cash used in operating activities	(18,832,440)	(15,577,601)
Cash flows from investing activities:		
Purchases of investments	(13,957,233)	(17,558,881)
Proceeds from sale of investments	23,504,789	33,091,136
Purchases of property and equipment	(116,445)	(1,060,224)
Net cash provided by investing activities	9,431,111	14,472,031
Cash flows from financing activities:		
Payment on finance leases	(122,127)	-
Net cash used in finance activities	(122,127)	-
Net decrease in cash and cash equivalents	(9,523,456)	(1,105,570)
Cash and cash equivalents:		
Beginning	37,221,783	38,327,353
Ending	\$ 27,698,327	\$ 37,221,783
Supplemental cash flow information related to leases is as follows:		
Operating cash outflows—payments on operating leases	\$ 6,135,689	\$ -
Operating cash outflows—payments on finance leases	\$ 8,923	\$ -
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 467,716	\$ -

See notes to consolidated financial statements.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Organization

Human Rights Watch, Inc. (HRW) is a nonprofit 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, 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, 2023 and 2022, 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 Canada (The name was changed from Human Rights Watch Inc. effective October 5, 2022)
DRC (Congo):	Human Rights Watch, Inc.
Denmark:	Representative Office of Insamlingsstiftelsen the Scandinavian Foundation in Support of Human Rights Watch in Denmark
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
Jordan:	Human Rights Watch
Kenya:	Human Rights Watch
Kyrgyzstan:	Representative Office of Human Rights Watch, Inc. in the Kyrgyz Republic
Lebanon:	Human Rights Watch in Lebanon
Netherlands:	Foundation Human Rights Watch Netherlands (Stichting Human Rights Watch Nederland)
Norway:	Representative Office of Human Rights Watch, Inc. in Norway (Closed in 2022)
Norway:	Norway Foundation in Support of Human Rights Watch
Russia:	Representative Office of the Corporation "Human Rights Watch, Inc." (USA) in the Russian Federation (Closed in 2022)
South Africa:	The South African Foundation in Support of Human Rights Watch
South Korea:	Human Rights Watch Korea (Closed in 2022)
Sweden:	Insamlingsstiftelsen the Scandinavian 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, Inc.
Ukraine:	Human Rights Watch, Inc.
UK:	Human Rights Watch, Inc.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Human Rights Watch, Inc. and subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The functional currencies of the subsidiaries are translated into HRW's reporting currency, United States Dollars.

Note 3. Summary of Significant Accounting Policies

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 (U.S. GAAP) as applicable to nonprofit 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.

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 two classes of net assets, without donor restrictions and with donor restrictions, 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:

Net assets without donor restrictions: Net assets are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Financial instruments and fair value: Financial Accounting Standards Board (FASB) 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 cannot 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.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Summary of Significant Accounting Policies (Continued)

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.

Net investment returns (losses) are reported as increase or decrease in net assets with donor restrictions if the term of the original gifts require that they be applied to the principal of a donor restricted endowment fund or if the terms of gift impose restrictions on the use of the gains or losses; and as increases or decreases in net assets without donor restrictions in all other cases.

Contributions receivable and allowances: HRW records unconditional promises to give that are expected to be collected within one year at the net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a fair-value rate applicable to the years in which the promises are received. The discounts are netted against contribution revenue. Conditional promises to give are not included in contributions receivable until the conditions are met.

Promises to give deemed uncollectible by management are included in the allowance for uncollectible 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.

Concentrations of donors: The contribution receivable from three donors in the total amount of \$13,408,151 makes up 44% of total contributions receivable balance as of June 30, 2023. The contribution receivable from two donors in the total amount of \$6,488,458 makes up 28% of total contributions receivable balance as of June 30, 2022.

Property and equipment: Property and equipment are recorded at cost when purchased. Property and equipment in the United States (U.S.) costing in excess of \$5,000, are capitalized at cost. The capitalization thresholds of property and equipment in HRW foreign offices vary based on local rules and policies. 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.

	Years
Leasehold improvements	Remaining term of lease
Furniture and fixtures	7
Office equipment	5
Computer hardware and software	5

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 years ended June 30, 2023 and 2022, there have been no such losses.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Summary of Significant Accounting Policies (Continued)

Endowment Fund: The net assets of the Endowment Fund (the Fund) are composed of funds solicited as part of the 1998 Endowment Campaign. The funds raised in this campaign were solicited as contributions with restrictions that are temporary in nature, to be accumulated for the purpose of providing an amount equal to 5% of the Fund's value, as defined, annually in support of operations. In the case of exceptional circumstances, as declared by a vote of two-thirds of the Board of Directors (the Board), HRW may spend more than this 5% limit. The Fund balance as of June 30, 2023 and 2022, was \$157,705,630 and \$154,752,923, respectively.

Contributed services: Contributed services are recognized as contributions in accordance with the accounting standard relating to accounting for contributions received if the services: (a) create or enhance financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HRW. 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. The services provided by the volunteers were not recognized in the consolidated financial statements because they do not meet the criteria of this standard.

Revenue recognition: The operations of HRW are financed principally by foundation grants and contributions received from the general public. Grants and contributions are reported at estimated fair value on the date they are received. Unconditional grants and contributions received are recorded as support without donor restrictions or support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Conditional grants and contributions with a barrier and a right of return are not recognized until the conditions are met. Revenue for special events is recognized when the event takes place.

Leases: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations related to their leasing arrangements. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use (ROU) lease assets and lease liabilities on the consolidated statement of financial position and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy U.S. GAAP. HRW adopted the new lease standard on July 1, 2022 using the optional transition method to the modified retrospective approach. Under this transition provision, results for reporting periods beginning on July 1, 2022 are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with HRW's historical accounting treatment under ASC Topic 840, Leases.

HRW elected the package of practical expedients under the transition guidance within Topic 842, in which HRW does not reassess: (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. HRW has not elected to adopt the hindsight practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

HRW determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under ASU 2016-02, *Leases (Topic 842)*, a contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. HRW also considers whether its service arrangements include the right to control the use of an asset.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Summary of Significant Accounting Policies (Continued)

HRW made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, HRW made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

HRW's leases may include a nonlease component representing additional services transferred to the HRW, such as common area maintenance for real estate. HRW made an accounting policy election to account for each separate lease component and the nonlease components associated with that lease component as a single lease component. Nonlease components that are variable in nature are recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to HRW's operating leases of approximately \$22,545,000 and \$25,677,000, respectively, and finance lease ROU assets and liabilities of approximately \$421,000, at July 1, 2022. The adoption of the new lease standard did not materially impact consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

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 consolidated financial statements.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and other disclosures in the consolidated financial statements. Accordingly, actual results could differ from those estimates.

Income taxes: HRW is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, has made no provision for income taxes in the accompanying consolidated 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 IRC. HRW is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, HRW is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. HRW files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Summary of Significant Accounting Policies (Continued)

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 years ended June 30, 2023 and 2022, there were no material interest or penalties recorded or included in the consolidated statement of activities. Under IRS statutes with few exceptions, HRW is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for three years from the filing date.

Concentration of credit risk: Financial instruments that 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 Federal Deposit Insurance Corporation (FDIC) insurance limits. HRW believes it is not exposed to any significant credit risk on cash and cash equivalents.

Reclassification: Certain amounts reported in prior years in the consolidated financial statements have been reclassified to conform to the current year's presentation.

Comparative financial information: The accompanying consolidated financial statements include certain prior-year summarized comparative information in total but not by functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Recent accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management's estimates of current expected credit losses. Under the prior model, losses were recognized only as they were incurred, which the FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The ASU is effective for fiscal years beginning after December 15, 2022. HRW is evaluating the impact of this ASU on the consolidated financial statements.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. This ASU provides narrow-scope improvements to Topic 326. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective dates for ASU 2019-11 are the same as the effective dates and transition requirements in ASU 2016-13. HRW is evaluating the impact of adoption of this ASU on the consolidated financial statements.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Liquidity and Availability of Resources

The following represents HRW's available financial assets as of June 30, to meet general expenditures over the next 12 months:

	2023	2022
Financial assets at June 30:		
Cash and cash equivalents	\$ 27,698,327	\$ 37,221,783
Investments	169,886,086	167,472,898
Contributions receivable	30,078,862	22,837,169
Total financial assets at June 30	<u>227,663,275</u>	<u>227,531,850</u>
Less amounts not available for use within one year:		
Cash and cash equivalents, and investments not available for use within one year	(149,820,349)	(147,015,277)
Contributions receivable to be collected after one year	(11,417,805)	(7,995,219)
Contributions to be spent on projects after one year	(905,797)	(1,338,141)
Total amounts not available for use within one year	<u>(162,143,951)</u>	<u>(156,348,637)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 65,519,324</u>	<u>\$ 71,183,213</u>

HRW considers its unrestricted cash and investment balance, 5% of the Fund (see Note 10), contributions receivable that are expected to be collected within 12 months, and contributions restricted by donors that are expected to be spent within 12 months to be available for general operations.

HRW regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investments of its investment portfolio not required for annual operations.

Note 5. Investments

HRW's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820, Fair Value Measurement. See Note 3 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 in the years ended June 30, 2023 and 2022.

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.

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

HRW also has investments in fixed-income securities, which include corporate bonds. The investment managers priced these investments using nationally recognized pricing services. Since fixed-income 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.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Alternative investments are those made in limited partnerships, offshore limited liability companies and pooled investment companies, all of which are qualified to use NAV of the interest owned by HRW at year-end as a practical expedient. Given the absence of market quotations, their value is estimated using information provided to HRW by the investment advisor. 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. The financial statements of the investees are audited annually by 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. The alternative investments are measured at fair value using the NAV (or its equivalent) as practical expedient. Certain alternative investments, which include limited partnership investments, have rolling lockups ranging from one to five years. In addition, the NAV of alternative investments do not include future funding commitments of approximately \$39,837,000 as of June 30, 2023, to be paid by HRW if called upon.

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

	2023			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities:				
Financial	\$ 723,344	\$ -	\$ -	\$ 723,344
Mutual funds:				
Diversified	2,177,215	-	-	2,177,215
Blended	40,133,591	-	-	40,133,591
Corporate bonds:				
Financial	-	13,102,256	-	13,102,256
Total investment assets in the fair value hierarchy	43,034,150	13,102,256	-	56,136,406
Alternative investments at NAV*				113,749,680
Total investments	\$ 43,034,150	\$ 13,102,256	\$ -	\$ 169,886,086

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

	2022			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities:				
Financial	\$ 777,939	\$ -	\$ -	\$ 777,939
Mutual funds:				
Diversified	5,206,616	-	-	5,206,616
Blended	37,527,874	-	-	37,527,874
Corporate bonds:				
Financial	-	12,909,937	-	12,909,937
Total investment assets in the fair value hierarchy	43,512,429	12,909,937	-	56,422,366
Alternative investments at NAV*				111,050,532
Total investments	\$ 43,512,429	\$ 12,909,937	\$ -	\$ 167,472,898

* 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.

The following tables listed investments in investment companies by major category valued at NAV at June 30:

Investment	2023		Redemption Frequency	Redemption Notice Period
	Fair Value	Unfunded Commitments		
Emerging markets equity (a)	\$ 705,913	\$ -	Quarterly	45 days
Independent return (c)	62,189,223	10,088,730	Monthly, Quarterly, Semiannual, Illiquid	45-90 days
Private equity (d)	30,694,219	22,023,592	Illiquid	N/A
Natural resources (e)	485,733	48,066	Bimonthly, Illiquid	60 days
Real estate (f)	19,674,592	7,676,794	Quarterly, Illiquid	N/A
	<u>\$ 113,749,680</u>	<u>\$ 39,837,182</u>		

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Investment	2022		Redemption Frequency	Redemption Notice Period
	Fair Value	Unfunded Commitments		
Emerging markets equity (a)	\$ 1,095,051	\$ -	Quarterly	45 days
Foreign development equity (b)	1,628,587	-	Monthly	60 days
Independent return (c)	58,743,826	12,174,401	Monthly, Quarterly, Semiannual, Illiquid	45-90 days
Private equity (d)	27,848,357	20,089,759	Illiquid	N/A
Natural resources (e)	1,472,030	48,066	Bimonthly, Illiquid	N/A
Real estate (f)	20,262,681	10,870,182	Quarterly, Illiquid	45 days
	<u>\$ 111,050,532</u>	<u>\$ 43,182,408</u>		

- (a) This category includes investments in equities within emerging markets.
- (b) This category consists of a set of investment vehicles in equities related to foreign countries development.
- (c) This category consists of a set of investment vehicles that seek high absolute returns that are typically independent of broad market trends.
- (d) This category encompasses investments in private companies, ranging from startup-stage to mature buyouts.
- (e) This category includes investments in the natural resources industry.
- (f) This class includes investments in the real estate industry.

Note 6. Contributions Receivable, Net

At June 30, 2023 and 2022, the net present value of contributions receivable was \$30,078,862 and \$22,837,169, respectively. Net present value was calculated using discount rates commensurate with the risk involved. The discount rates used in this calculation ranged from 4.13%-5.40%. There was no reserve recorded for doubtful accounts for the years ended June 30, 2023 and 2022.

Net present value of contributions receivable at June 30, is summarized below:

	2023	2022
Total contributions receivable	\$ 30,561,000	\$ 23,065,338
Net present value discount	(482,138)	(228,169)
Net present value of contributions receivable	<u>\$ 30,078,862</u>	<u>\$ 22,837,169</u>
Amount due in:		
Less than one year	\$ 18,661,057	\$ 14,841,950
One to five years	11,899,943	8,223,388
Total	<u>\$ 30,561,000</u>	<u>\$ 23,065,338</u>

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Contributions Receivable, Net (Continued)

Unconditional contributions receivable and contribution revenue include amounts from various board members.

As of June 30, 2023 and 2022, HRW had an outstanding unrecorded conditional contribution receivable of \$10,000,000 and \$16,000,000, respectively. Future payments are contingent upon HRW carrying out certain activities related to meeting grantor-imposed barriers stipulated by the grant or contract.

Note 7. Property and Equipment, Net

Property and equipment, net as of June 30, consists of the following:

	2023	2022
Leasehold improvements	\$ 9,209,326	\$ 9,315,071
Furniture and fixtures	1,705,048	1,719,910
Office equipment	1,274,925	1,214,084
Computer hardware and software	5,868,388	6,269,733
Construction in progress	26,327	55,222
	<u>18,084,014</u>	<u>18,574,020</u>
Less accumulated depreciation and amortization	<u>(13,510,257)</u>	<u>(12,112,994)</u>
	<u>\$ 4,573,757</u>	<u>\$ 6,461,026</u>

Depreciation and amortization expenses for the years ended June 30, 2023 and 2022, were \$1,837,899 and \$1,808,216, respectively.

Note 8. Split-Interest Agreements

Split-interest agreements consist of charitable gift annuities received from donors where HRW has an interest in the assets and receives benefits that are shared with other beneficiaries. Assets are invested and payments are made to donors or other beneficiaries in accordance with the respective agreements.

The present value of the estimated future payments to beneficiaries under these agreements is recorded as obligations under split-interest agreements included in accounts payable, accrued expenses and other liabilities in the consolidated statement of financial position. The obligation balance as of June 30, 2023 and 2022, was \$496,369 and \$524,039, respectively. Obligations under split-interest agreements are considered Level 3 in the fair value measurement hierarchy (see Note 3).

At the time of the gift, and adjusted annually, HRW records contribution revenue and a liability for amounts payable to the beneficiaries using an actuarial calculation based on established mortality rates and other assumptions that could change in the near term. Gains or losses resulting from changes in actuarial assumptions of the discount are recoded as increases or decreases in the respective net asset class in the consolidated statement of activities. HRW used 2012 IAR table and the reserve rates ranging from 1.75%-4.50%.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Split-Interest Agreements (Continued)

The table below presents a reconciliation of obligations under split-interest agreements at June 30:

	2023	2022
Fiscal year, beginning balance	\$ 524,039	\$ 494,789
New agreements	13,623	38,669
Payments on annuities	(97,374)	(34,499)
Change in value	56,081	25,080
Balance at June 30	<u>\$ 496,369</u>	<u>\$ 524,039</u>

Assets received by HRW for gift annuities are managed by PNC Bank, N.A., in a conservative and disciplined manner. If HRW should ever fail financially, individuals entitled to receive annuities would qualify as general creditors of HRW. As of June 30, 2023 and 2022, the investment balance associated with split-interest agreements was \$723,344 and \$777,939, respectively, and included in investments in the consolidated statement of financial position.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30:

	2023	2022
Donor-imposed time restrictions	\$ 40,183,668	\$ 33,744,951
Donor-imposed restrictions to support HRW	15,701,174	15,191,869
The Endowment Fund (Note 10)	157,705,630	154,752,923
	<u>\$ 213,590,472</u>	<u>\$ 203,689,743</u>

Net assets with donor restrictions that were released from donor restrictions at June 30, are as follows:

	2023	2022
Donor-imposed time restrictions	\$ 28,607,159	\$ 23,850,640
Donor-imposed restrictions to support HRW programs	33,346,967	40,856,805
Donor-imposed time and purpose restrictions	<u>\$ 61,954,126</u>	<u>\$ 64,707,445</u>

Note 10. Endowment Fund

As discussed in Note 3, the Fund related to assets received as part of the 1998 Endowment Campaign have been reported as net assets with donor restrictions. This Fund has been established under a formal arrangement whereby HRW can spend no more than 5% of the Fund value, as defined, each year for operations. Though the corpus of the gifts made to the Fund is not permanently restricted and thus not subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA), HRW invests these assets in a manner similar to what would have been required by NYPMIFA.

HRW has adopted investment and spending policies for the Fund 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 Fund assets. The Fund assets are invested in vehicles such as government and equity securities, as well as alternative investments.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Endowment Fund (Continued)

HRW considers the following factors in making a determination to appropriate or accumulate the Fund:

- The duration and preservation of the Funds
- The purposes of HRW and the donor-restricted 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
- The investment policy of HRW

The activity of the endowment fund for the years ended June 30, 2023 and 2022, are as follows:

	2023	2022
Endowment net assets, beginning of year	\$ 154,752,923	\$ 168,364,158
Investment income (loss)	10,552,707	(6,111,235)
Endowment withdrawals	(7,600,000)	(7,500,000)
Endowment net assets, end of year	<u>\$ 157,705,630</u>	<u>\$ 154,752,923</u>

Note 11. 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 consolidated 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. Executive director office related salary expenses are allocated among programs and supporting services based on employees' time and effort. The following expenses are allocated consistently based on staff headcount:

- Fringe benefits and other employee costs
- Occupancy costs
- Depreciation
- Certain other costs

All other expenses are charged directly to either program or supporting function.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Retirement Plan

HRW has a defined contribution plan (the Plan) under Section 403(b) of the IRC. 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 years ended June 30, 2023 and 2022, was \$2,454,855 and \$2,368,876, respectively.

Note 13. Leases

HRW leases real estate, and equipment under operating lease agreements that have initial terms ranging from two to 15 years. HRW also leases equipment under a finance lease agreement that has a term of four years. Some leases include one or more options to renew, generally at HRW's sole discretion. In addition, certain leases contain termination options, where the rights to terminate are held by either HRW, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that HRW will exercise that option. HRW's operating leases generally do not contain any material restrictive covenants or residual value guarantees. HRW leases office space in various countries on a month-to-month basis.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the lease liabilities, and results in the front loaded expense over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Operating lease cost	\$ 5,715,347
Finance lease cost—amortization on ROU assets	126,294
Finance lease cost—interest on lease liabilities	10,097

The fiscal year 2023 operating and finance lease costs above are included in Rent and Office expense line items in the Consolidated Statement of Activities. Short-term lease expense is not material to HRW's consolidated financial statements.

In the year ended June 30, 2022, the total rent expense was approximately \$6,393,000.

Supplemental consolidated statement of financial position related to finance leases as of June 30, 2023, is as follows:

Equipment	\$ 420,980
Accumulated depreciation	(126,294)
Finance lease, right-of-use assets, net	<u>\$ 294,686</u>

Supplemental information related to leases is as follows as of June 30, 2023:

Weighted-average remaining lease term:	
Operating leases	4.6 years
Finance leases	2.3 years
Weighted-average discount rate:	
Operating leases	2.89%
Finance leases	2.85%

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Leases (Continued)

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the operating lease liabilities recognized on the consolidated statement of financial position as of June 30, 2023, is as follows:

	Operating Leases	Finance Leases
2024	\$ 5,770,704	\$ 173,711
2025	5,325,081	132,224
2026	5,120,749	-
2027	2,169,593	-
2028	954,808	-
Thereafter	2,808,662	-
Total lease payments	22,149,597	305,935
Less imputed interest	(1,427,455)	(7,082)
Total present value of lease liabilities	<u>\$ 20,722,142</u>	<u>\$ 298,853</u>

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of June 30, 2022:

Years ending June 30:	
2023	\$ 5,486,000
2024	4,953,000
2025	5,031,000
2026	5,008,000
2027	2,124,000
Thereafter	3,689,000
	<u>\$ 26,291,000</u>

Note 14. Contingencies

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 consolidated financial position of HRW.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 15. Other Programs

Other programs as presented in the accompanying consolidated statements of activities and functional expenses consist of the following for the years ended June 30:

	2023	2022
International justice	\$ 3,330,367	\$ 2,736,718
Technology and Human Rights (Digital investigations lab)	3,652,683	2,570,437
Crisis and conflict	3,254,854	2,304,128
Economic Rights and Justice	2,674,418	2,253,364
Environment	2,143,899	1,918,302
Arms	1,611,337	1,386,927
Refugee	1,439,986	1,263,278
Fellows	817,631	690,513
Health and Human Rights	610,760	1,115
Other programs	-	22,740
Total	<u>\$ 19,535,935</u>	<u>\$ 15,147,522</u>

Note 16. Contributed Nonfinancial Assets

HRW received the following contributions of nonfinancial assets for the years ended June 30:

	2023	2022
Professional services	\$ 2,506,980	\$ 968,562
Auctioned items including artwork	25,180	111,939
Space rental	19,331	33,706
	<u>\$ 2,551,491</u>	<u>\$ 1,114,207</u>

Contributed professional services recognized comprises professional services from attorneys and fundraising consultants. Contributed professional services are valued and reported at the estimated fair value based on current rates for similar legal and fundraising services.

HRW received items to be sold at its annual auction. Contributed auction items are valued at the fair market value. HRW determined the fair value based on the sales proceeds from the auction.

The contributed office space is used for both program and supporting services and is allocated based upon staff headcount usage by each program and supporting service. Fair value of donated space was estimated based on lease value of comparable space.

The contributed nonfinancial assets above do not have any donor-imposed restrictions for the years ended June 30, 2023 and 2022.

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. Restatement of the Previously Issued Financial Statements

The following items in the previously issued June 30, 2023 financial statements dated December 8, 2023, have been restated due to errors in the allocation of expenses from certain divisions and to accrue for the agreement with the former Executive Director, Mr. Ken Roth, memorializing the terms of his departure from the organization after 35 years of service and his ongoing assistance and advice to HRW.

As a result, the following changes from the previously issued Consolidated financial statements and related notes are shown below:

	Updated	Previously Reported	Change
Consolidated Statement of Financial Position:			
Accounts payable, accrued expenses and other liabilities	\$ 9,753,000	\$ 7,556,755	\$ 2,196,245
Net assets without donor restrictions	9,939,801	12,136,046	(2,196,245)
Total net assets	223,530,273	225,726,518	(2,196,245)
Consolidated Statement of Activities:			
Program services:			
Africa	9,335,184	8,779,987	555,197
Americas	4,768,607	4,542,192	226,415
Asia	11,010,989	15,851,054	(4,840,065)
Europe and Central Asia	7,749,453	7,381,899	367,554
Middle East and North Africa	8,370,773	7,891,230	479,543
United States	3,878,739	3,688,552	190,187
Children's rights	4,945,784	4,696,727	249,057
Women's rights	4,421,597	4,204,239	217,358
Disability rights	3,939,196	3,739,949	199,247
LGBT rights	2,610,790	2,479,470	131,320
Other programs	19,535,935	18,656,637	879,298
Total program services	80,567,047	81,911,936	(1,344,889)
Supporting services:			
Management and general	13,975,549	12,744,076	1,231,473
Fundraising	21,451,645	19,141,984	2,309,661
Total supporting services	35,427,194	31,886,060	3,541,134
Total expenses	115,994,241	113,797,996	2,196,245
Change in net assets	(3,919,944)	(1,723,699)	\$ (2,196,245)

Human Rights Watch, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. Restatement of the Previously Issued Financial Statements (Continued)

	Updated	Previously Reported	Change
Consolidated Statement of Functional Expenses:			
Salaries	\$ 61,500,605	\$ 59,771,360	\$ 1,729,245
Professional fees and other costs	7,212,868	6,745,868	467,000
Total	<u>\$ 68,713,473</u>	<u>\$ 66,517,228</u>	<u>\$ 2,196,245</u>

Note 15:

Other programs:			
International justice	\$ 3,330,367	\$ 3,194,518	\$ 135,849
Technology and Human Rights (Digital investigations lab)	3,652,683	3,480,608	172,075
Crisis and conflict	3,254,854	3,109,948	144,906
Economic Rights and Justice	2,674,418	2,547,627	126,791
Environment	2,143,899	2,053,333	90,566
Arms	1,611,337	1,534,306	77,031
Refugee	1,439,986	1,367,533	72,453
Fellows	817,631	763,292	54,339
Health and Human Rights	610,760	583,638	27,122
Other programs	-	21,834	(21,834)
Total other programs	<u>\$ 19,535,935</u>	<u>\$ 18,656,637</u>	<u>\$ 879,298</u>

Note 18. Subsequent Events

HRW's management has performed subsequent events procedures through May 15, 2024, which is the date the consolidated financial statements were available for issuance.