

Financial Statements Together with Report of
Independent Certified Public Accountants

AMNESTY INTERNATIONAL OF THE U.S.A., INC.

December 31, 2017 and 2016

AMNESTY INTERNATIONAL OF THE U.S.A., INC.

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Financial Statements	
Statements of Financial Position as of December 31, 2017 and 2016	3
Statements of Activities for the years ended December 31, 2017 and 2016	4
Statements of Functional Expenses for the years ended December 31, 2017 and 2016	5 - 6
Statements of Cash Flows for the years ended December 31, 2017 and 2016	7
Notes to Financial Statements	8 - 22



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Amnesty International of the U.S.A., Inc.

We have audited the accompanying financial statements of Amnesty International of the U.S.A, Inc. (“AIUSA”), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to AIUSA’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 AIUSA’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amnesty International of the U.S.A, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
June 11, 2018

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Statements of Financial Position
As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 7,457,063	\$ 6,746,822
Investments, at fair value (Notes 2, 3 and 6)	16,833,163	15,500,677
Contributions receivable, net (Note 4)	3,794,850	4,140,600
Inventory (Note 2)	4,491	8,319
Prepaid expenses	474,176	432,865
Fixed assets, net (Notes 2 and 5)	<u>542,763</u>	<u>351,277</u>
Total assets	<u>\$ 29,106,506</u>	<u>\$ 27,180,560</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 638,370	\$ 635,188
Payroll and payroll taxes payable	671,939	663,196
International Secretariat assessment payable	685,449	1,172,301
Charitable gift annuity obligation (Note 6)	<u>2,431,974</u>	<u>3,287,768</u>
Total liabilities	<u>4,427,732</u>	<u>5,758,453</u>
NET ASSETS		
Unrestricted	19,898,461	17,264,458
Temporarily restricted (Note 7)	2,537,264	1,914,700
Permanently restricted (Note 8)	<u>2,243,049</u>	<u>2,242,949</u>
Total net assets	<u>24,678,774</u>	<u>21,422,107</u>
Total liabilities and net assets	<u>\$ 29,106,506</u>	<u>\$ 27,180,560</u>

The accompanying notes are an integral part of these financial statements.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Statements of Activities
For the years ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE								
Contributions from individuals	\$ 32,895,238	\$ 820,269	\$ 100	\$ 33,715,607	\$ 29,614,495	\$ 592,205	\$ -	\$ 30,206,700
Grants from foundations	-	500,000	-	500,000	83,604	110,000	-	193,604
Bequests and planned giving	5,069,137	-	-	5,069,137	5,886,293	-	33,226	5,919,519
International Secretariat grants and pass through grants	254,180	-	-	254,180	350,000	2,000,000	-	2,350,000
Donated services (Note 10)	44,825	-	-	44,825	27,761	-	-	27,761
Literature and merchandise sales (net of cost of goods sold of \$10,852 and \$15,589 for December 31, 2017 and 2016, respectively)	90,046	-	-	90,046	112,818	-	-	112,818
Miscellaneous income	134,154	1,553	-	135,707	221,338	-	-	221,338
Net assets released from restrictions (Note 7)	1,121,232	(1,121,232)	-	-	2,898,449	(2,898,449)	-	-
Total operating revenue	39,608,812	200,590	100	39,809,502	39,194,758	(196,244)	33,226	39,031,740
EXPENSES								
Program services	29,955,490	-	-	29,955,490	29,334,184	-	-	29,334,184
Management and general	2,319,559	-	-	2,319,559	1,921,507	-	-	1,921,507
Fundraising	6,736,688	-	-	6,736,688	6,351,570	-	-	6,351,570
Total expenses	39,011,737	-	-	39,011,737	37,607,261	-	-	37,607,261
Increase (decrease) in net assets before nonoperating revenues	597,075	200,590	100	797,765	1,587,497	(196,244)	33,226	1,424,479
NONOPERATING REVENUES								
Change in value of gift annuity obligations	532,961	-	-	532,961	(1,010,709)	-	-	(1,010,709)
Net realized gains (losses) on investments	802,483	227,222	-	1,029,705	45,613	(19,561)	-	26,052
Net unrealized gains on investments	389,069	120,798	-	509,867	37,405	22,887	-	60,292
Interest and dividends, net of fees	312,415	73,954	-	386,369	211,583	42,292	-	253,875
Reclassification of net assets	-	-	-	-	(490,241)	495,377	(5,136)	-
Total nonoperating (expenses) revenues	2,036,928	421,974	-	2,458,902	(1,206,349)	540,995	(5,136)	(670,490)
Changes in net assets	2,634,003	622,564	100	3,256,667	381,148	344,751	28,090	753,989
Net assets, beginning of year	17,264,458	1,914,700	2,242,949	21,422,107	16,883,310	1,569,949	2,214,859	20,668,118
Net assets, end of year	\$ 19,898,461	\$ 2,537,264	\$ 2,243,049	\$ 24,678,774	\$ 17,264,458	\$ 1,914,700	\$ 2,242,949	\$ 21,422,107

The accompanying notes are an integral part of these financial statements.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Statement of Functional Expenses
For the year ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2017</u>
Expenses				
Compensation	\$ 5,967,650	\$ 1,259,243	\$ 1,490,892	\$ 8,717,785
Payroll taxes and employee benefits	1,205,736	508,755	319,157	2,033,648
Direct communications	6,437,403	122,316	2,484,949	9,044,668
International Secretariat assessment (Note 9)	10,526,821	-	-	10,526,821
Donated services expense (Note 10)	36,757	4,482	3,586	44,825
Occupancy	1,451,634	176,319	156,342	1,784,295
Professional fees	1,022,637	39,054	510,827	1,572,518
Travel and meetings	1,082,172	21,304	90,341	1,193,817
Program materials and office supplies	843,621	75,714	780,841	1,700,176
Telecommunication and technology	390,523	40,893	46,426	477,842
Bank, investment and insurance fees	102,427	12,324	553,395	668,146
Postage and delivery	102,149	22,506	174,867	299,522
Equipment repair and maintenance	107,960	12,922	10,472	131,354
Dues and subscriptions	327,608	9,141	102,924	439,673
Grants and awards	<u>230,788</u>	<u>-</u>	<u>-</u>	<u>230,788</u>
Total expenses before depreciation and amortization	29,835,886	2,304,973	6,725,019	38,865,878
Depreciation and amortization	<u>119,604</u>	<u>14,586</u>	<u>11,669</u>	<u>145,859</u>
Total	<u>\$ 29,955,490</u>	<u>\$ 2,319,559</u>	<u>\$ 6,736,688</u>	<u>\$ 39,011,737</u>

The accompanying notes are an integral part of this financial statement.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Statement of Functional Expenses
For the year ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2016</u>
Expenses				
Compensation	\$ 5,610,554	\$ 1,081,947	\$ 1,077,285	\$ 7,769,786
Payroll taxes and employee benefits	1,290,133	329,186	239,449	1,858,768
Direct communications	6,082,542	131,996	2,243,457	8,457,995
International Secretariat assessment (Note 9)	9,846,517	-	-	9,846,517
Donated services expense (Note 10)	22,764	2,776	2,221	27,761
Occupancy	1,365,526	166,082	142,410	1,674,018
Professional fees	1,479,426	52,594	636,966	2,168,986
Travel and meetings	1,593,910	23,782	104,237	1,721,929
Program materials and office supplies	540,497	41,118	805,680	1,387,295
Telecommunication and technology	347,279	33,185	40,563	421,027
Bank, investment and insurance fees	100,671	12,272	511,687	624,630
Postage and delivery	111,594	9,858	445,196	566,648
Equipment repair and maintenance	124,739	14,593	11,675	151,007
Dues and subscriptions	536,626	10,170	81,186	627,982
Grants and awards	<u>183,435</u>	<u>-</u>	<u>-</u>	<u>183,435</u>
Total expenses before depreciation and amortization	29,236,213	1,909,559	6,342,012	37,487,784
Depreciation and amortization	<u>97,971</u>	<u>11,948</u>	<u>9,558</u>	<u>119,477</u>
Total	<u>\$ 29,334,184</u>	<u>\$ 1,921,507</u>	<u>\$ 6,351,570</u>	<u>\$ 37,607,261</u>

The accompanying notes are an integral part of this financial statement.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Statements of Cash Flows
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,256,667	\$ 753,989
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	145,859	119,477
Net realized gains on investments	(1,029,705)	(26,052)
Net unrealized gains on investments	(509,867)	(60,292)
Donated investments	(1,090,430)	(1,411,580)
Change in present value of contributions receivable	-	(1,114)
Changes in assets and liabilities		
Contributions receivable	345,750	(557,757)
Inventory	3,828	6,398
Prepaid expenses	(41,311)	(92,410)
Accounts payable and accrued expenses	3,182	(49,509)
Payroll and payroll taxes payable	8,743	(193,956)
International Secretariat assessment payable	(486,852)	1,172,301
Charitable gift annuity obligations	(855,794)	612,347
	<u>(249,930)</u>	<u>271,842</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(337,345)	(143,186)
Purchases of investments	(15,468,778)	(6,378,308)
Proceeds from sale of investments	<u>16,766,294</u>	<u>7,725,861</u>
	<u>960,171</u>	<u>1,204,367</u>
Net cash provided by investing activities		
	710,241	1,476,209
Cash and cash equivalents, beginning of year	<u>6,746,822</u>	<u>5,270,613</u>
Cash and cash equivalents, end of year	<u>\$ 7,457,063</u>	<u>\$ 6,746,822</u>

The accompanying notes are an integral part of these financial statements.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.

Notes to Financial Statements

December 31, 2017 and 2016

1. DESCRIPTION OF ORGANIZATION

Amnesty International of the U.S.A., Inc. (“AIUSA”) is the U.S. section of Amnesty International Limited (“AI”), a worldwide movement of people who campaign for internationally recognized human rights. Our vision is of a world in which every person – regardless of race, religion, ethnicity, sexual orientation or gender identity – enjoys all of the human rights enshrined in the Universal Declaration of Human Rights and other internationally recognized human rights standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“US GAAP”), as applicable to not-for-profit organizations. In the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.

Financial Statement Presentation

The classification of AIUSA’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.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest, contributions and other inflows are reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

The classes of net assets are defined as follows:

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations and/or the net assets which the Board of Directors has to use in carrying on the operations and capital endowment of AIUSA.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by AIUSA is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of AIUSA pursuant to those stipulations.

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by AIUSA is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of AIUSA.

Cash and Cash Equivalents

AIUSA considers all investments with a maturity of three months or less at the time of purchase to be cash equivalents.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

Financial instruments which potentially subject AIUSA to concentration of credit risk consist primarily of cash and cash equivalents. At various times, AIUSA has cash deposits at financial institutions, which exceed the FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is immaterial.

Investments

Accounting Standards Codification (“ASC”) 820-10, “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 AIUSA would use in pricing AIUSA’s asset or liability based on independently derived and observable market data as of the reporting date. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of AIUSA are traded. AIUSA 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 as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.
- 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. Examples include limited partnerships, private equity investments and similar instruments.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments are stated at fair value in the statement of financial position. Investment income is recognized when earned. Net realized gains and losses and net change in unrealized gains and losses for the fiscal year are shown in the statement of activities. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

Investment Impairment

AIUSA's investments consist of equity securities and fixed income securities. At December 31, 2017 and 2016, AIUSA has deemed that all securities, which were in an unrealized loss position, were temporarily impaired. Positive evidence considered in reaching AIUSA's conclusion that the unrealized loss position for equity securities is not other-than temporarily impaired consists of:

- a. The ability and intent to retain the investment for a sufficient amount of time to allow an anticipated recovery in value to occur; and
- b. Determining that the changes in fair value were reasonable in relation to overall fluctuations in relevant market conditions.

AIUSA considers the following evidence in reaching the conclusion that the unrealized loss on fixed income instruments was not other-than-temporarily impaired:

- a. Whether or not it intends to sell its investments before the full recovery of cost basis; and
- b. Whether or not it will be required to sell its investments before the full recovery of cost basis.

Contributions Receivable

Contributions and bequests received are recorded at fair value as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor-imposed restrictions, and are recognized in the period received.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions on which they depend are substantially met.

Allowance for Doubtful Accounts

AIUSA uses the allowance method for uncollectible receivables. 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.

Inventory

Inventory consists of merchandise and publications sold by AIUSA. The inventory consists mainly of AIUSA logo tee shirts, buttons, posters, and bags carried at the lower of cost or market.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.

Notes to Financial Statements

December 31, 2017 and 2016

Fixed Assets

Fixed assets are recorded at cost. Expenditures for additions are capitalized for amounts greater than \$5,000 and with useful lives of greater than five years. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets, as follows:

Furniture, fixtures and office equipment	5 years
Leasehold improvements	Lesser of life of asset or term of lease

Impairment of Long-Lived Assets to be Disposed of

ASC 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets," provides a single accounting model for long-lived assets to be disposed of. ASC 360-10 also changes the criteria for classifying an asset as held for sale, and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with ASC 360-10, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. There were no impairment charges for the years ended December 31, 2017 and 2016.

Revenue Recognition

AIUSA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions. Unconditional promises to give with payments due in future years are presumed to be time restricted by the donor until received and are reported as part of temporarily restricted net assets.

AIUSA recognizes gifts of land, buildings and equipment at fair value on the date of gift. Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long such long-lived assets must be maintained, AIUSA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.

Notes to Financial Statements

December 31, 2017 and 2016

AIUSA also receives grants from foundations in exchange for the performance of various services. AIUSA recognizes grants as temporarily restricted revenue when they are committed and releases such amounts into unrestricted net assets as related grant expenses are incurred to a maximum of the grant award.

AIUSA recognizes revenue from donor list rentals, conference fees and rental income, when earned.

Donated Services

The fair value of voluntary donated services are reported in the financial statements if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not otherwise provided by donation.

Functional Allocation Expenses

The costs of providing the various programs and other activities of AIUSA have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on principally on square footage and time and effort.

Allocation of Joint Costs

The cost of joint activities relative to AIUSA's direct mail program and certain centrally billed costs are allocated amongst the appropriate functions benefited.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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.

Income Taxes

AIUSA was incorporated in the State of New York and 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 financial statements. In addition, AIUSA 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. There was no unrelated business income for the year ended December 31, 2017 and 2016.

Under ASC 740-10 (formerly Financial Accounting Standards Board ("FASB") Interpretation No. 48), "Accounting for Uncertainty in 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 that the position will not be sustained upon examination by a taxing authority. AIUSA does not believe it has any material uncertain tax positions and, accordingly, it has not recognized any liability for uncertain tax benefits. AIUSA has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions where required. For the years ended December 31, 2017 and 2016, there was no interest or penalties recorded or included in the financial statements.

New Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to

AMNESTY INTERNATIONAL OF THE U.S.A., INC.

Notes to Financial Statements

December 31, 2017 and 2016

customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers: Deferral of the Effective Date," which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for the interim and annual periods on or after December 15, 2018 (early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period). The guidance permits the use of either a retrospective or cumulative effect transition method. AIUSA is currently evaluating this new guidance and has not determined the impact this standard may have on its financial statements nor decided upon the method of adoption.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for AIUSA for fiscal year 2020. Early adoption is permitted. AIUSA is in the process of evaluating the impact this standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities." The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. AIUSA is in the process of evaluating the impact this standard will have on its financial statements.

3. INVESTMENTS

Investments, at fair value at December 31, 2017 and 2016 are summarized as follows:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 399,301	\$ 399,301	\$ 2,008,351	\$ 2,008,351
Equities	10,505,691	9,393,692	7,080,603	6,513,335
Fixed income	5,928,171	5,952,501	6,411,723	6,415,096
	<u>\$ 16,833,163</u>	<u>\$ 15,745,494</u>	<u>\$ 15,500,677</u>	<u>\$ 14,936,782</u>

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

Net investment income consists of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Net realized gains on investments	\$ 1,029,705	\$ 26,052
Net unrealized gains on investments	509,867	60,292
Interest and dividends	439,702	344,932
Investment fees	<u>(53,333)</u>	<u>(91,057)</u>
	<u>\$ 1,925,941</u>	<u>\$ 340,219</u>

AIUSA's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of AIUSA's policies regarding this hierarchy.

A description of the valuation techniques applied to AIUSA's major categories of investment assets measured at fair value on a recurring basis follows:

Equities

AIUSA holds positions in a social index mutual fund and no longer engages the services of active portfolio asset managers. This mutual fund tracks a benchmark of large- and mid-capitalization stocks that have been screened for certain social, human rights, and environmental criteria. AIUSA also has an activism stock portfolio used solely to buy and hold small equity positions in companies to get access to shareholder meetings and file shareholder proposals. The prices are used to value these investments based on observable market data and are classified as Level 1.

Fixed Income

AIUSA no longer engages the services of active portfolio asset managers and instead has positions in an intermediate-term bond index fund. This mutual fund offers a low cost, diversified approach to fixed income investing, and provides broad exposure to U.S. investment grade bonds with maturities from five to ten years. These securities are categorized as Level 1 and observable market data is used to value these investments.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

The following tables present the level within the fair value hierarchy at which AIUSA's investment assets that are measured at fair value on a recurring basis are included. These assets are presented on a desegregated basis by class, determined by the nature and risk associated with each investment.

Description	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2017
Cash and cash equivalents	\$ 399,301	\$ -	\$ -	\$ 399,301
Equities				
U.S. large cap	118,680	-	-	118,680
FTSE social index fund	10,387,011	-	-	10,387,011
Fixed income				
Intermediate term bond index fund	<u>5,928,171</u>	<u>-</u>	<u>-</u>	<u>5,928,171</u>
Total	<u>\$ 16,833,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,833,163</u>

Description	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2016
Cash and cash equivalents	\$ 2,008,351	\$ -	\$ -	\$ 2,008,351
Equities				
U.S. large cap	6,867,211	-	-	6,867,211
U.S. mid capital	159,932	-	-	159,932
Developed international	12,277	-	-	12,277
Equity REITS	41,183	-	-	41,183
Fixed income - international developed	-	33,548	-	33,548
Fixed income - government securities	-	2,059,652	-	2,059,652
Fixed income - corporate bonds	<u>-</u>	<u>4,318,523</u>	<u>-</u>	<u>4,318,523</u>
Total	<u>\$ 9,088,954</u>	<u>\$ 6,411,723</u>	<u>\$ -</u>	<u>\$ 15,500,677</u>

There were no transfers between levels during the years ended December 31, 2017 and 2016.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

4. CONTRIBUTIONS RECEIVABLE, NET

At December 31, 2017 and 2016, the net present value of contributions receivable totaled \$3,794,850 and \$4,140,600, respectively. During the 2017 year there was no net present value discount since there were no contributions due in greater than one year. In the 2016 year, the net present value discount was reduced to zero since the amount attributed to contributions due in greater than one year was immaterial.

Contributions receivable, net, at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Amounts due in		
Less than one year	\$ 3,794,850	\$ 4,120,600
One to two years	<u>-</u>	<u>20,000</u>
Total	<u>\$ 3,794,850</u>	<u>\$ 4,140,600</u>

5. FIXED ASSETS, NET

Fixed assets, net, at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 313,868	\$ 497,393
Office equipment	868,550	535,385
Leasehold improvements	938,427	938,427
Capital in progress	<u>-</u>	<u>87,669</u>
	2,120,845	2,058,874
Less: Accumulated depreciation and amortization	<u>(1,578,082)</u>	<u>(1,707,597)</u>
	<u>\$ 542,763</u>	<u>\$ 351,277</u>

For the years ended December 31, 2017 and 2016, depreciation and amortization expense totaled \$145,859 and \$119,477, respectively.

6. SPLIT-INTEREST AGREEMENTS

AIUSA administers the following two types of split-interest agreements:

Charitable Gift Annuity - Under Charitable Gift Annuity agreements with donors, donors make contributions in exchange for a promise to receive a fixed amount over a specified period of time, usually the life of the respective donor or stipulated beneficiary. During the term of the agreement, AIUSA acts as a custodian of these funds whereby the asset and the net present value of related liability are reflected in the statement of financial position. After the term of the agreement, the remaining assets belong to AIUSA. At December 31, 2017 and 2016, the Charitable Gift Annuity investment account had a fair value of \$2,676,571 and \$3,164,294, and the related liability amounted to \$2,431,974 and \$3,287,768

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

including a reserve for \$317,214 and \$428,839, respectively, which are included on other liabilities in the statements of financial position. The 2012 IAR mortality table was used to calculate the charitable gift annuity obligation as of December 1, 2017 and December 31, 2016.

Pooled Income Fund - Under the terms of the Pooled Income Fund, contributions from donors are invested in a pooled investment account. This account is divided into units and contributions from various donors are invested as a group. At the date of donation, donors are assigned a specific number of units based on the fair value of their donation as compared to the total value of the fund. The donors receive actual income earned by the fund based on the number of units throughout their lives. Upon their demise, the value of these assigned units reverts to AIUSA. The fair value contribution is recognized as a temporarily restricted donation in the statement of activities in the period received. At December 31, 2017 and 2016, the pooled income fund had a fair value of \$195,138 and \$194,708, respectively.

7. RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Women's Rights	\$ 39,070	\$ 105,779
Gun Violence	320,253	321,035
Coordination Group	26,062	31,134
Immigration Rights	435,684	151,014
Ladis Kristof Memorial Fund	20,456	18,326
Security with Human Rights	86,054	149,052
Pooled Income Fund	195,138	194,708
Advocacy	202,387	-
Youth Leadership Fellowship	20,000	30,000
Political Prisoners	10,000	-
Why Not Initiative	465,188	426,226
Net endowment return and other	<u>716,972</u>	<u>487,426</u>
	<u>\$ 2,537,264</u>	<u>\$ 1,914,700</u>

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

Net Assets Released From Restrictions

The amount of temporarily restricted net assets released from restrictions during each of the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Women’s Rights	\$ 91,709	\$ 154,252
Individuals at Risk	20,000	-
Arms Control Treaty	-	8,176
Gun Violence	118,449	118,497
Coordination Group	11,133	7,876
Student and Local Group	1,553	-
Crisis Responses	-	18,421
Immigration Rights	230,704	30,367
Pooled Income Fund	20,676	3,852
Advocacy	147,613	-
Mass Incarceration	-	56,000
Youth Leadership Fellowship	10,000	15,942
Stop Torture	-	44,037
Why Not Initiative	25,198	33,011
Endowment draw release and other	117,161	87,155
International Secretariat FIF	-	2,000,000
Human Rights in Middle East and North Africa	-	25,263
Ladis Kristof Memorial Fund	6,869	10,607
Security with Human Rights	252,998	189,522
DRONES	-	29,004
Death Penalty Abolition	16,667	11,667
Political Prisoners	<u>50,502</u>	<u>54,800</u>
	<u>\$ 1,121,232</u>	<u>\$ 2,898,449</u>

8. ENDOWMENTS - NET ASSET CLASSIFICATIONS

AIUSA maintains a donor-restricted endowment fund consisting of various investment funds that have been established for various purposes and have been classified as permanently restricted net assets.

Under ASC 958-205, the following applies to AIUSA’s endowment funds.

Interpretation of relevant law - 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”), a modified version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), as enacted in 2010 in the New York Not-For-Profit Corporation Law. AIUSA has interpreted NYPMIFA as allowing the governing board of the organization to make available for expenditure as much of an endowment fund, including principal, as the governing board finds prudent, taking into consideration the “uses, benefits, purposes and duration” for which the fund was established.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

The governing board must act in good faith and must consider various factors, if relevant, when making decisions, including the organization's investment policy, purposes of the organization and the fund and general economic conditions.

The Board of Directors of AIUSA has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Endowment Fund is classified as permanently restricted net assets and includes the following:

- The original value of gifts donated to the permanent endowment;
- The original value of subsequent gifts to the permanent endowment; and
- Accumulation of the permanent endowment made in accordance with the direction of applicable donor instructions.

Investment and spending policies - AIUSA 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. Endowment assets include those assets of donor-restricted funds that AIUSA must hold in perpetuity as directed by the donors. The endowment funds are invested in vehicles such as mutual funds, bonds, and equity securities.

AIUSA 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 AIUSA and its 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 AIUSA; and
- The investment policy of AIUSA.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

At December 31, 2017 and 2016, donor-restricted contributions held in perpetuity, the income from which is expendable, are as follows:

	<u>2017</u>	<u>2016</u>
General Endowment	\$ 476,215	\$ 476,215
Stronach Fund for Women's Rights	519,874	519,874
Ginetta Sagan Fund	546,960	546,860
Alexandra Hawkins Trust	<u>700,000</u>	<u>700,000</u>
	<u>\$ 2,243,049</u>	<u>\$ 2,242,949</u>

The following tables provide a reconciliation of the change in AIUSA's endowment fund net assets for the years ended December 31, 2017 and 2016.

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, at December 31, 2016	\$ 460,030	\$ 2,242,949	\$ 2,702,979
Investment income, net of fees	59,209	-	59,209
Net appreciation	277,500	-	277,500
Contributions	-	100	100
Appropriation of endowment asset for expenditure	<u>(92,162)</u>	<u>-</u>	<u>(92,162)</u>
Endowment net assets, at December 31, 2017	<u>\$ 704,577</u>	<u>\$ 2,243,049</u>	<u>\$ 2,947,626</u>

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, at December 31, 2015	\$ -	\$ 2,214,859	\$ 2,214,859
Net assets transfer	495,377	(5,136)	490,241
Investment income, net of fees	33,078	-	33,078
Net appreciation	362	-	362
Contributions	-	33,226	33,226
Appropriation of endowment asset for expenditure	<u>(68,787)</u>	<u>-</u>	<u>(68,787)</u>
Endowment net assets, at December 31, 2016	<u>\$ 460,030</u>	<u>\$ 2,242,949</u>	<u>\$ 2,702,979</u>

AIUSA has adopted investment and spending policies for restricted assets that attempt to provide reserves in the event of a cash shortfall or unanticipated change in its operating environment and/or provide an income stream for AIUSA. The minimum targeted rate of return on AIUSA's investment assets is based on meeting or exceeding benchmark indicators established for each of its accounts - Reserves, several endowment accounts, several Charitable Gift Annuity accounts, and a Pooled Income Fund account.

Under this policy, as approved by the Investment Committee and the Board of Directors, the investment performance of AIUSA's portfolio will be measured relative to the market benchmarks depending on the account.

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

To satisfy its long-term rate of return objectives, AIUSA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). AIUSA targets a diversified asset allocation primarily invested in common stocks and bonds/other short-term investments, within prudent risk constraints, to achieve its long-term return objectives while also preserving capital. In establishing this policy, AIUSA considered the long-term expected return of its endowment and the objective to spend a portion of donations to program activities. To preserve the endowment funds' long-term purchasing power, AIUSA will make available to be spent each year 4% of the rolling average of the last eight quarterly balances, or the spending policy set forth by the donor agreement, to comply with NYPMIFA. These spending policies will be measured annually against the rebuttable presumption of imprudence test required to determine compliance with NYPMIFA. The sources of spending will be from interest, dividends, and capital gains, net of investment management fees. AIUSA will draw from underwater endowment funds when prudent.

9. TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

AI is a not-for-profit United Kingdom corporation, overseen by the International Secretariat, which performs research and other functions in support of its affiliated organizations worldwide. AIUSA is one of many affiliated national organizations, which contribute funds for the support of the program activities of AI through an annual assessment. For the years ended December 31, 2017 and 2016, this assessment totaled \$10,526,821 and \$9,846,517, respectively. These contributions support research into human rights violations worldwide and the coordination of international efforts to stop them. Funds also go to prevent and end grave abuses of the rights to physical and mental integrity, freedom of conscience and expression, and freedom from discrimination. The global movement is seeking to grow activities “closer to the ground” which involves decentralization of operations with a focus on work in the global south. This includes support for international collaboration and program development as well as participation in or convening international meetings furthering the goals of the collective movement.

10. DONATED SERVICES

Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by AIUSA. For the years ended December 31, 2017 and 2016, AIUSA recorded donated services at an estimated fair value of \$44,825 and \$27,761, respectively. Fair value was determined based on law firms providing pro bono legal services. Additionally, AIUSA depends on a substantial number of unpaid volunteers who make significant contributions to programs. These volunteer services do not meet the criteria for recognition and have not been recorded in the accompanying financial statements.

11. RETIREMENT PLANS

AIUSA has defined contribution retirement plans covering substantially all employees who meet certain length-of-service and age requirements. AIUSA currently contributes 3% of eligible earnings. Participants are fully vested after two years of service and their contributions are nonforfeitable. The total retirement expense totaled \$200,435 and \$175,211 for the years ended December 31, 2017 and 2016, respectively.

AIUSA has defined contribution plans available to all employees of AIUSA for elective deferral. Participation becomes effective as of the first day of the month following the first day of employment. Each year, participants are permitted to contribute to the plan an amount not to exceed the dollar limitation,

AMNESTY INTERNATIONAL OF THE U.S.A., INC.
Notes to Financial Statements
December 31, 2017 and 2016

as prescribed by the IRC. Participants are fully vested in their elective deferrals immediately following participation in the plan.

12. ADDITIONAL ESTATE INCOME

AIUSA expects to receive cash, investment and other assets from various estates. At present the terms and amounts of these contributions have not been finalized.

13. JOINT COST

For the years ended December 31, 2017 and 2016, AIUSA incurred joint costs of \$8,025,369 and \$7,358,027, respectively (other than donated services) for information materials and activities that included fundraising appeals. Of these costs, \$5,662,736 and \$5,246,566, respectively, was allocated to direct communication expense.

14. COMMITMENTS

AIUSA is obligated under several operating leases for rentals of office space and equipment that expire at various dates through 2023. The minimum annual rental payments under noncancellable operating leases are as follows:

December 31,	
2018	\$ 2,144,454
2019	2,043,087
2020	905,933
2021	806,038
2022	776,633
Thereafter	<u>129,967</u>
	<u>\$ 6,806,112</u>

Total rental expense for all operating leases totaled \$2,208,576 and \$2,206,174 for the years ended December 31, 2017 and 2016, respectively.

15. LITIGATION

AIUSA is a party to certain routine legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance, or, if not so covered, are without merit or are of such kind, or involve such amounts, that unfavorable disposition would not have a material effect on the financial statements of AIUSA.

16. SUBSEQUENT EVENTS

AIUSA's management has performed subsequent events procedures through June 11, 2018, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.