

# **Amnesty International of the U.S.A., Inc.**

## **Financial Statements Year Ended September 30, 2009**

The report accompanying these financial statements was issued by BDO USA, LLP, a New York limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

**Amnesty International of  
the U.S.A., Inc.**

**Financial Statements**  
Year Ended September 30, 2009

# Amnesty International of the U.S.A., Inc.

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## Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Amnesty International of the U.S.A., Inc. ("AIUSA") as of September 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of AIUSA's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended September 30, 2008 is presented for comparative purposes only and was extracted from the financial statements of Amnesty International of the U.S.A., Inc. for that year, on which we expressed an unqualified opinion dated March 4, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 September 30, 2009, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

July 22, 2010

# Amnesty International of the U.S.A., Inc.

## Statement of Financial Position (with comparative totals for 2008)

| <i>September 30,</i>   | <b>2009</b>         | 2008         |
|--|---------------------|--------------|
| <b>Assets</b>  |                     |              |
| Cash and cash equivalents – operations (Notes 2 and 3)               | <b>\$ 3,367,059</b> | \$ 1,287,513 |
| Short-term investments (Notes 2 and 3)                               | <b>1,737,062</b>    | 5,819,428    |
| Investments, at fair value (Notes 2, 3 and 6)                        | <b>11,413,338</b>   | 13,810,430   |
| Contributions receivable, net (Note 4)                               | <b>1,546,947</b>    | 2,696,527    |
| Supplies inventory (Note 2)  | <b>316,975</b>      | 572,347      |
| Prepaid expenses and other assets                                    | <b>825,911</b>      | 552,493      |
| Fixed assets, net (Notes 2 and 5)                                    | <b>782,717</b>      | 981,217      |
|  | <b>\$19,990,009</b> | \$25,719,955 |
| <b>Liabilities and Net Assets</b>                                    |                     |              |
| <b>Liabilities:</b>  |                     |              |
| Accounts payable and accrued expenses                                | <b>\$ 1,035,134</b> | \$ 1,997,434 |
| Payroll and payroll taxes payable                                    | <b>1,727,378</b>    | 1,505,728    |
| Other liabilities (Note 6(a))  | <b>3,083,088</b>    | 7,386,021    |
| <b>Total liabilities</b>   | <b>5,845,600</b>    | 10,889,183   |
| <b>Commitments and Contingencies</b><br>(Notes 7, 11, 13, 15 and 16) |                     |              |
| <b>Net assets:</b>   |                     |              |
| Unrestricted net assets:   |                     |              |
| Property and equipment, net  | <b>782,717</b>      | 981,217      |
| Other unrestricted   | <b>9,901,188</b>    | 8,253,496    |
| <b>Total unrestricted net assets</b>                                 | <b>10,683,905</b>   | 9,234,713    |
| Temporarily restricted net assets (Note 7(a))                        | <b>2,030,703</b>    | 3,659,892    |
| Permanently restricted net assets (Note 7(b))                        | <b>1,429,801</b>    | 1,936,167    |
| <b>Total net assets</b>  | <b>14,144,409</b>   | 14,830,772   |
|  | <b>\$19,990,009</b> | \$25,719,955 |

*See accompanying notes to financial statements.*

# Amnesty International of the U.S.A., Inc.

## Statement of Activities (with comparative totals for 2008)

Year ended September 30,

|  | Unrestricted        | Temporarily<br>restricted | Permanently<br>restricted | Total               |                     |
|--|---------------------|---------------------------|---------------------------|---------------------|---------------------|
|  |                     |                           |                           | 2009                | 2008                |
| <b>Operating revenue:</b>  |                     |                           |                           |                     |                     |
| Contributions from individuals                                     | \$28,735,716        | \$ 10,390                 | \$ -                      | <b>\$28,746,106</b> | \$34,560,097        |
| Grants from foundations  | 101,807             | 1,825,000                 | -                         | <b>1,926,807</b>    | 1,042,288           |
| Donated services (Note 11)   | 3,822,280           | -                         | -                         | <b>3,822,280</b>    | 4,224,264           |
| Literature and merchandise sales                                   | 234,648             | -                         | -                         | <b>234,648</b>      | 481,012             |
| List rental  | 179,403             | -                         | -                         | <b>179,403</b>      | 203,478             |
| Media awards and miscellaneous<br>income                           | 600,653             | 178,785                   | -                         | <b>779,438</b>      | 1,950,202           |
| Conference fees/regional<br>fundraising                            | 127,426             | -                         | -                         | <b>127,426</b>      | 127,058             |
| Net assets released from<br>restrictions:                          |                     |                           |                           |                     |                     |
| Satisfaction of program<br>actions (Note 8)                        | 3,643,364           | (3,643,364)               | -                         | -                   | -                   |
| <b>Total operating revenue</b>                                     | <b>37,445,297</b>   | <b>(1,629,189)</b>        | <b>-</b>                  | <b>35,816,108</b>   | <b>42,588,399</b>   |
| <b>Expenses:</b>   |                     |                           |                           |                     |                     |
| Program services   | 33,288,888          | -                         | -                         | <b>33,288,888</b>   | 41,910,299          |
| Management and general   | 3,044,929           | -                         | -                         | <b>3,044,929</b>    | 1,181,789           |
| Fundraising  | 8,229,692           | -                         | -                         | <b>8,229,692</b>    | 9,757,959           |
| <b>Total expenses</b>  | <b>44,563,509</b>   | <b>-</b>                  | <b>-</b>                  | <b>44,563,509</b>   | <b>52,850,047</b>   |
| <b>Decrease in net assets<br/>before nonoperating<br/>revenues</b> | <b>(7,118,212)</b>  | <b>(1,629,189)</b>        | <b>-</b>                  | <b>(8,747,401)</b>  | <b>(10,261,648)</b> |
| <b>Nonoperating revenues:</b>                                      |                     |                           |                           |                     |                     |
| Bequests and planned giving  | 3,557,509           | -                         | -                         | <b>3,557,509</b>    | 4,929,086           |
| Charitable gift annuity income                                     | -                   | -                         | -                         | -                   | 466,379             |
| Net realized gains (losses) on<br>investments                      | (853,363)           | -                         | -                         | <b>(853,363)</b>    | 1,477,315           |
| Net unrealized gains (losses) on<br>investments                    | 268,833             | -                         | -                         | <b>268,833</b>      | (4,192,510)         |
| Interest and dividends   | 540,925             | -                         | -                         | <b>540,925</b>      | 779,357             |
| International secretariat<br>contingent liability<br>adjustment    | 4,547,134           | -                         | -                         | <b>4,547,134</b>    | -                   |
| <b>Total nonoperating<br/>revenues</b>                             | <b>8,061,038</b>    | <b>-</b>                  | <b>-</b>                  | <b>8,061,038</b>    | <b>3,459,627</b>    |
| <b>Reclassification of net assets<br/>(Note 17)</b>                | <b>506,366</b>      | <b>-</b>                  | <b>(506,366)</b>          | <b>-</b>            | <b>-</b>            |
| <b>Change in net assets</b>  | <b>1,449,192</b>    | <b>(1,629,189)</b>        | <b>(506,366)</b>          | <b>(686,363)</b>    | <b>(6,802,021)</b>  |
| <b>Net assets, beginning of year</b>                               | <b>9,234,713</b>    | <b>3,659,892</b>          | <b>1,936,167</b>          | <b>14,830,772</b>   | <b>21,632,793</b>   |
| <b>Net assets, end of year</b>                                     | <b>\$10,683,905</b> | <b>\$ 2,030,703</b>       | <b>\$1,429,801</b>        | <b>\$14,144,409</b> | <b>\$14,830,772</b> |

See accompanying notes to financial statements.

# Amnesty International of the U.S.A., Inc.

## Statement of Functional Expenses (with comparative totals for 2008)

Year ended September 30,

|  | Program<br>services | Management<br>and general | Fundraising        | Total               |              |
|--|---------------------|---------------------------|--------------------|---------------------|--------------|
|  |                     |                           |                    | 2009                | 2008         |
| Wages and benefits   | \$10,354,754        | \$ 779,144                | \$2,307,935        | <b>\$13,441,833</b> | \$13,821,392 |
| Direct communications  | 5,233,498           | -                         | 4,641,027          | <b>9,874,525</b>    | 9,683,585    |
| International secretariat<br>assessment                            | 8,000,000           | -                         | -                  | <b>8,000,000</b>    | 12,227,990   |
| Donated services expense<br>(Note 11)                              | 3,822,280           | -                         | -                  | <b>3,822,280</b>    | 4,224,264    |
| Occupancy  | 1,874,529           | 204,814                   | 380,692            | <b>2,460,035</b>    | 2,447,030    |
| Professional fees  | 478,078             | 488,667                   | 244,606            | <b>1,211,351</b>    | 2,816,446    |
| Travel and meetings  | 1,109,778           | 185,460                   | 108,068            | <b>1,403,306</b>    | 2,127,664    |
| Program materials and office<br>supplies                           | 679,594             | 50,770                    | 231,369            | <b>961,733</b>      | 1,833,621    |
| Telecommunication and<br>technology                                | 958,971             | 119,000                   | 157,346            | <b>1,235,317</b>    | 1,251,315    |
| Bank, investment and insurance<br>fees                             | 4,256               | 625,960                   | -                  | <b>630,216</b>      | 685,136      |
| Postage and delivery   | 233,980             | 44,061                    | 37,756             | <b>315,797</b>      | 515,036      |
| Equipment repair and<br>maintenance                                | 254,221             | 34,231                    | 51,485             | <b>339,937</b>      | 348,696      |
| Dues and subscriptions   | 129,117             | 23,563                    | 9,068              | <b>161,748</b>      | 233,023      |
| Grants and awards  | 17,468              | -                         | -                  | <b>17,468</b>       | -            |
| Miscellaneous  | 9,339               | 20,903                    | 790                | <b>31,032</b>       | 511,625      |
| Bad debt expense   | -                   | 458,431                   | -                  | <b>458,431</b>      | -            |
| <b>Total expenses before<br/>depreciation and<br/>amortization</b> | <b>33,159,863</b>   | <b>3,035,004</b>          | <b>8,170,142</b>   | <b>44,365,009</b>   | 52,726,823   |
| Depreciation and amortization                                      | 129,025             | 9,925                     | 59,550             | <b>198,500</b>      | 123,224      |
| <b>Total</b>   | <b>\$33,288,888</b> | <b>\$3,044,929</b>        | <b>\$8,229,692</b> | <b>\$44,563,509</b> | \$52,850,047 |

See accompanying notes to financial statements.

# Amnesty International of the U.S.A., Inc.

## Statement of Cash Flows (with comparative totals for 2008)

| <i>Year ended September 30,</i>  | 2009                | 2008                |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>   |                     |                     |
| Change in net assets   | \$ (686,363)        | \$ (6,802,021)      |
| Adjustments to reconcile change in net assets to net cash used in operating activities |                     |                     |
| Depreciation and amortization  | 198,500             | 123,224             |
| Unrealized (gains) losses on investments   | (268,833)           | 4,192,510           |
| Realized (gains) losses on investments   | 853,363             | (1,477,315)         |
| Bad debt expense   | 458,431             | -                   |
| Donated investments  | -                   | (10,042)            |
| Change in present value of contributions receivable                                    | (11,964)            | (74,991)            |
| Decrease (increase) in:  |                     |                     |
| Contributions receivable   | 703,113             | 988,836             |
| Due from affiliate   | -                   | 750,000             |
| Supplies inventory   | 255,372             | 78,591              |
| Prepaid expenses and other assets  | (273,418)           | 1,079,273           |
| Increase (decrease) in:  |                     |                     |
| Accounts payable and accrued expenses  | (962,300)           | 240,920             |
| Payroll and payroll taxes payable  | 221,650             | 159,843             |
| Other liabilities  | (4,302,933)         | (238,189)           |
| <b>Total adjustments</b>   | <b>(3,129,019)</b>  | <b>5,812,660</b>    |
| <b>Net cash used in operating activities</b>   | <b>(3,815,382)</b>  | <b>(989,361)</b>    |
| <b>Cash flows from investing activities:</b>   |                     |                     |
| Purchases of fixed assets  | -                   | (175,030)           |
| Purchases of investments   | (11,282,811)        | (17,139,275)        |
| Proceeds from sale of investments  | 13,095,373          | 24,141,632          |
| Net change in short-term investments   | 4,082,366           | (3,812,925)         |
| <b>Net cash provided by investing activities</b>                                       | <b>5,894,928</b>    | <b>3,014,402</b>    |
| <b>Cash flows from financing activities:</b>   |                     |                     |
| Proceeds from line of credit   | -                   | 1,500,000           |
| Repayments of line of credit   | -                   | (3,500,000)         |
| <b>Net cash used in financing activities</b>   | <b>-</b>            | <b>(2,000,000)</b>  |
| <b>Net increase in cash and cash equivalents</b>                                       | <b>2,079,546</b>    | <b>25,041</b>       |
| <b>Cash and cash equivalents, beginning of year</b>                                    | <b>1,287,513</b>    | <b>1,262,472</b>    |
| <b>Cash and cash equivalents, end of year</b>  | <b>\$ 3,367,059</b> | <b>\$ 1,287,513</b> |
| <b>Supplemental disclosure of cash flow information:</b>                               |                     |                     |
| Cash paid for interest   | \$ -                | \$ 18,391           |

*See accompanying notes to financial statements.*

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

- 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. AIUSA’s mission is to act in concert with the international human rights movement, within the context of its work to promote all provisions in the Universal Declaration of Human Rights.
  
- 2. Summary of Significant Accounting Policies**

  - (a) General*

The financial statements have been prepared on an accrual basis. In the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.
  
  - (b) Financial Statement Presentation*

The classification of 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 and other investments should be 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:

    - (i) **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.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

(ii) **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.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) *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.

(d) *Contributions and Bequests Receivable*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

The fair value of all contributions, including unconditional promises to give, is recognized in the period pledged or received.

(e) *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.

(f) *Investments*

Investments are stated at their fair values in the statement of financial position. Net realized gains and losses and net change in unrealized gains and losses for the fiscal year are shown in the statement of activities.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

(g) *Investment Impairment*

AIUSA's investments consist of marketable debt and equity securities and mutual funds. At September 30, 2009, 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 investments in an unrealized loss position are not other-than temporarily impaired consisted of:

- (a) there were no specific events which caused concerns;
- (b) AIUSA's ability and intent to retain the investment for a sufficient amount of time to allow an anticipated recovery in value; and
- (c) AIUSA also determined that the changes in market value were considered normal in relation to overall fluctuations in market conditions.

(h) *Fixed Assets*

Fixed assets are recorded at cost. Depreciation 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 |

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

(i) *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 periods are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets.

AIUSA recognizes gifts of land, buildings and equipment at fair value on the date of the 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 those long-lived assets must be maintained, AIUSA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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 makes reclassifications to unrestricted net assets as related grant expenses are incurred to a maximum of the grant award. AIUSA records deferred revenue for receipts received in advance of program performance.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

(j) *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 provided by donation.

(k) *Supplies Inventory*

Supplies inventory consists of informational material and mailing supplies and is carried at the lower of average cost or market. Also included in the inventory is AIUSA's merchandise and publications sold by the Publications/Merchandise Unit of the External Affairs Department. The publications and merchandise inventory consists mainly of publications and books as well as AIUSA logo tee shirts, buttons, posters, and bags.

(l) *Use of Estimates*

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

(m) *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 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 not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended September 30, 2009.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

(n) *Comparative Financial Information*

The financial statements include certain prior year summarized comparative information. With respect to statement of activities, prior year information is not presented by net asset class. With respect to the statement of functional expenses, the prior year expenses by expense classification are presented in total rather than by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived.

(o) *Concentration of Credit Risk*

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.

(p) *Allocation of Joint Costs*

The cost of joint activities and certain centrally billed costs are allocated between appropriate functions.

(q) *Reclassifications*

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

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

(r) *Uncertainty in Income Taxes*

AIUSA adopted the provisions of Accounting Standards Codification (“ASC”) 740-10 (formerly Financial Accounting Standards Board (“FASB”) Interpretation No. 48), “Accounting for Uncertainty in Income Taxes”, on October 1, 2008. Under ASC 740-10, 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 be sustained. The implementation of ASC 740-10 had no impact on AIUSA’s financial statements. AIUSA does not believe there are any material uncertain tax positions and, accordingly, they will not recognize any liability for unrecognized tax benefits. AIUSA has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended September 30, 2009, there was no interest or penalties recorded or included in the financial statements.

(s) *Fair Value Measurements*

In September 2006, FASB issued ASC 820-10 (formerly Statement of Financial Accounting Standards (“SFAS”) No. 157), “Fair Value Measurements”. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. ASC 820-10 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Effective October 1, 2008, AIUSA has adopted ASC 820-10. The adoption did not impact the amounts reported in the financial statements.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

(t) *Net Asset Classification*

AIUSA adopted the FASB ASC 958-205 (formerly SFAS No. 117-1), “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and Enhanced Disclosures for all Endowment Funds” (“FSP SFAS 117-1”), during fiscal 2009. ASC 958-205 requires that disclosures be made on AIUSA’s endowments by net asset classifications.

**3. Investments, at Fair Value**

As indicated in Note 2, AIUSA adopted ASC 820-10 on October 1, 2008. There were no financial instruments as of the beginning of such year for which a retrospective application of fair value measurement was required. Accordingly, the effect of adopting the provisions of ASC 820-10 is prospective from October 1, 2008.

ASC 820-10 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. Unobservable inputs are inputs that can not be sourced from a broad active market in which assets or liabilities identical or similar to those of 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:

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

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. 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, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

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 and private equity investments.

Investments, at fair value at September 30, 2009 are summarized as follows:

|                              | Fair value          | Cost                |
|------------------------------|---------------------|---------------------|
| Marketable debt securities   | \$ 4,003,809        | \$ 4,011,755        |
| Marketable equity securities | 7,409,529           | 6,551,540           |
|                              | <u>\$11,413,338</u> | <u>\$10,563,295</u> |

In addition to the above investments, the investment portfolio includes \$1,737,062 of short-term investments at September 30, 2009.

Investments are managed by professional investment advisors and managers. AIUSA’s investment in international equities is valued at fair value by reference to the net asset value of the equity fund as provided by the administrator.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

The following table presents AIUSA's assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

Fair value measurements by level at September 30, 2009.

| Description                 | Fair value measurement at reporting date using                 |   |   | Balance as of September 30, 2009 |
|-----------------------------|--|---|---|----------------------------------|
|                             | Quoted prices in active markets for identical assets (level 1) | Significant other observable inputs (level 2) | Significant other unobservable inputs (level 3) |                                  |
| Short-term investments      | \$1,737,062  | \$ -  | \$-   | \$ 1,737,062                     |
| U.S. government obligations | -  | 2,728,061                                     | -   | 2,728,061                        |
| Corporate equities          | 7,409,529  | -   | -   | 7,409,529                        |
| Corporate bonds             | -  | 962,587                                       | -   | 962,587                          |
| Municipal securities        | -  | 313,161                                       | -   | 313,161                          |
| <b>Total</b>                | <b>\$9,146,591</b>   | <b>\$4,003,809</b>                            | <b>\$-</b>                                      | <b>\$13,150,400</b>              |

The following table represents the fair market value and gross unrealized losses for fixed maturities where the estimated fair value had declined and remained below amortized cost by less than 12 months or 12 months or more as of September 30, 2009:

| Description                | Less than 12 months |                   | 12 months or more |                   | Total             |                   |
|----------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                            | Fair market value   | Unrealized losses | Fair market value | Unrealized losses | Fair market value | Unrealized losses |
| Description of securities: |                     |                   |                   |                   |                   |                   |
| Corporate bonds            | \$225,062           | \$(3,120)         | \$397,958         | \$(162,042)       | \$623,020         | \$(165,162)       |

#### 4. Contributions Receivable, Net

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 are substantially met.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

At September 30, 2009, the net present value of contributions receivable is \$1,679,242 less an allowance for uncollected pledges of \$ 83,962. Net present value was calculated using a discount rate calculated to be 4%.

Net present value of contributions receivable, net of a reserve, at September 30, 2009 is summarized below:

| <i>September 30, 2009</i>   |             |
|---|-------------|
| Total contributions receivable at September 30, 2009                | \$1,679,242 |
| Discount at 4.0%  | (48,333)    |
| Allowance for uncollected pledges                                   | (83,962)    |
| Net present value of contributions receivable at September 30, 2009 | \$1,546,947 |
| Amounts due in:   |             |
| Less than one year  | \$ 995,242  |
| One to five years   | 684,000     |
| Total   | \$1,679,242 |

5. **Fixed Assets, Net** Fixed assets, net at September 30, 2009 consists of the following:

|   |              |
|---|--------------|
| Furniture and fixtures                          | \$ 1,795,681 |
| Office equipment                                | 3,577,205    |
| Leasehold improvements                          | 1,466,075    |
|   | 6,838,961    |
| Less: Accumulated depreciation and amortization | (6,056,244)  |
|   | \$ 782,717   |

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

### 6. Split-Interest Agreements

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

#### (a) *Charitable Gift Annuity*

Under the Charitable Gift Annuity agreement donors make contributions in exchange for a promise to receive a fixed amount over a specified period of time, usually the life of the donor or 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 asset belongs to AIUSA. At September 30, 2009, the Charitable Gift Annuity investment account had a fair market value of \$3,891,460 and the related liability amounted to \$3,026,487, which is included in other liabilities in the statement of financial position.

#### (b) *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 it is received. At September 30, 2009, the pooled income fund had a fair market value of \$370,089.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

### 7. Restricted Net Assets

#### (a) *Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following purposes at September 30, 2009:

|                               |                    |
|-------------------------------|--------------------|
| Pooled Income Fund            | \$ 370,089         |
| Satellite Imagery             | 422,528            |
| IT Infrastructure             | 21,419             |
| Rebuilding the Gulf           | 50,000             |
| Counter Terror with Justice   | 500,000            |
| Migrant Detention and Dignity | 666,667            |
|                               | <u>\$2,030,703</u> |

#### (b) *Permanently Restricted Net Assets*

At September 30, 2009, donor-restricted contributions held in perpetuity, the income from which is expendable, are as follows:

|                    |                    |
|--------------------|--------------------|
| General Endowment  | \$ 911,167         |
| Ginetta Segan Fund | 493,634            |
| Keta Taylor        | 25,000             |
|                    | <u>\$1,429,801</u> |

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

8. **Net Assets Released from Restrictions** The amounts of temporarily restricted net assets released from restrictions during the fiscal year ended September 30, 2009 are as follows:

|  |             |
|--|-------------|
| Membership Training                    | \$ 124,416  |
| Child Soldiers                         | 51,122      |
| War on Terror                          | 85,788      |
| IT Infrastructure                      | 321,931     |
| International Justice & Accountability | 117,176     |
| Expansion Project                      | 105,403     |
| Grains Miller                          | 20,000      |
| Rebuilding the Gulf                    | 25,000      |
| Satellite Imagery                      | 359,323     |
| Counter Terror with Justice            | 250,000     |
| Migrant Detention and Dignity          | 333,333     |
| Other                                  | 441,176     |
| Save Darfur                            | 1,406,996   |
| Hanna Grunwald Fund                    | 1,700       |
|  | <hr/>       |
|  | \$3,643,364 |

Expenditures related to temporarily restricted net assets inherently result in a timing difference. Generally these expenses are reported in a financial year subsequent to the “matching” income, which was reported in prior financial years.

9. **Endowments – Net Asset Classifications** AIUSA’s endowments consist of investments that are permanently restricted. Under ASC 958-205, the following applies to the endowment funds.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

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 Uniform Management of Institutional Funds Act (“UMIFA”), as enacted in 1978 in the New York Not-For-Profit Corporation Law. AIUSA has interpreted UMIFA as requiring the preservation of the historical dollar value, or principal, of an endowment fund unless the donor provides otherwise by specifying in their written gift instruments that the not-for-profit corporation’s spending-rate policy be applied to the endowment funds.

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, and as directed by the donors. The endowment funds are invested in vehicles such as money market funds, mutual funds, bonds and equity securities, as well as certificates of deposit.

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 the donor-restricted endowment funds;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation (depreciation) of investments;
- other resources of AIUSA; and
- the investment policy of AIUSA.

The following table represents the endowment net asset composition by type of fund as of September 30, 2009:

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

*September 30, 2009*

|                            | Permanently<br>restricted |
|----------------------------|---------------------------|
| Donor-imposed restrictions | \$1,429,801               |

The following table represents the reconciliation of changes in endowment net assets for the year ended September 30, 2009:

*September 30, 2009*

|   | Permanently<br>restricted |
|---|---------------------------|
| Endowment net assets, beginning of year | \$1,936,167               |
| Investment loss:                        |                           |
| Investment loss                         | (4,301)                   |
| Fees                                    | (8,034)                   |
| Total investment loss, net contribution | (12,335)                  |
| Transfer to unrestricted net assets     | 12,335                    |
| Reclassification of net assets          | (506,366)                 |
| Endowment net assets, end of year       | \$1,429,801               |

**10. Transactions with  
Affiliated  
Organizations**

AI is a not-for-profit United Kingdom corporation, 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 year ended September 30, 2009, this assessment was \$8,000,000.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

- 11. Donated Services** To properly recognize the significant role of volunteers and contributions of services in the furtherance of AIUSA's mission, the management of AIUSA adopted procedures to measure the fair market value of certain donated services such as voluntary donation of time, special skills and public service announcements ("PSAs") on television and on radio. The fair market value of PSAs, included in the accompanying statement of activities, was estimated based on information received from a third-party service bureau, PCS Broadcast Services, which specializes in this area. There were no PSAs for the year ended September 30, 2009. The fair market value of other donated services is based on information received from the donors. Donated services have been recognized as revenue and expense in the statement of activities.
- 12. Retirement Plan** AIUSA has a defined contribution retirement plan covering substantially all employees who meet certain length-of-service and age requirements. Participants are fully vested after two years of service and their contributions are nonforfeitable. The total pension expense was \$311,268 for the year ended September 30, 2009. The Plan was frozen as of May 31, 2009.
- 13. 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. Accordingly, no receivable has been recorded in the financial statements.
- 14. Allocation of Joint Costs** In 2009, AIUSA incurred joint costs of \$3,959,248 (other than donated services) for informational materials and activities that included fundraising appeals. Of these costs, \$3,959,248 was allocated to communications and publications expense.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

### 15. Commitments

AIUSA is obligated under several operating leases for rentals of office space and equipment that expire at various dates through 2020. The minimum annual rental payments under noncancellable operating leases are as follows:

| <i>Year ending September 30,</i> | <i>Amount</i>       |
|----------------------------------|---------------------|
| 2010                             | \$ 2,166,187        |
| 2011                             | 2,579,654           |
| 2012                             | 2,531,031           |
| 2013                             | 2,322,392           |
| 2014                             | 2,216,044           |
| Thereafter                       | 9,924,672           |
|                                  | <u>\$21,739,980</u> |

Total rental expense for all operating leases was \$2,460,035 for the year ended September 30, 2009.

### 16. Contingent Liabilities

AIUSA makes grants to the an affiliated organization, the International Secretariat ("IS"), under terms and conditions which change from time to time. In 2009, using previous arrangements, AISUA planned to provide an amount to the IS totaling \$4,641,842, but due to the economic situation, was unable to follow its original intentions. No resolution was reached as to the amount that AIUSA plans to pay, the conditions that would have to exist under which AIUSA would begin to make any payments on that amount or the timelines for any payments. As a result, AIUSA classifies any such amounts as they may exist from time to time as contingent liabilities. As a result of an agreement reached with the IS in February 2010, it was agreed that certain conditions would have to exist and be continuing before AIUSA would make any payments of any such contingent liabilities, and it is not known when such conditions will exist.

# Amnesty International of the U.S.A., Inc.

## Notes to Financial Statements

- 17. Reclassification of Net Assets** During the year ended September 30, 2009, there were two direct adjustments to net assets: a \$1,000,000 permanently restricted general endowment gift was unrestricted by the donor due to the overall economic situation and an amount equal to \$493,634 that had been temporarily restricted was determined to have been permanently restricted. The net effect on the permanently restricted fund was to decrease it by \$506,366. The effect on the temporarily restricted fund was to decrease it \$493,634. The effect on the unrestricted fund was to increase it by \$1,000,000. These adjustments were taken as direct, one-time adjustments to net assets, because the revenues had already been recorded in prior years.
- 18. Subsequent Events** AIUSA's management has performed subsequent events procedures through July 22, 2010, 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.