

FINANCIAL STATEMENTS



REFUGEES INTERNATIONAL, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

REFUGEES INTERNATIONAL, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2020, with Summarized Financial Information for 2019	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	7
NOTES TO FINANCIAL STATEMENTS	8 - 19



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Refugees International, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Refugees International, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Refugees International, Inc. as of December 31, 2020, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

Report on Summarized Comparative Information

We have previously audited Refugees International, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2020. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2019, is consistent in all material respects with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

April 15, 2021

REFUGEES INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 446,412	\$ 555,278
Investments	5,558,028	4,105,792
Grants receivable	250,000	1,005,000
Pledges receivable, net of allowance for doubtful accounts	315,666	163,247
Prepaid expenses and other assets	<u>68,827</u>	<u>48,716</u>
Total current assets	<u>6,638,933</u>	<u>5,878,033</u>
PROPERTY AND EQUIPMENT		
Equipment	87,777	86,789
Furniture	<u>12,985</u>	<u>12,985</u>
	100,762	99,774
Less: Accumulated depreciation	<u>(53,823)</u>	<u>(39,171)</u>
Net property and equipment	<u>46,939</u>	<u>60,603</u>
NONCURRENT ASSETS		
Security deposits	45,231	65,967
Grants receivable, net of current portion and discount	-	763,723
Pledges receivable, long-term, net of current portion and discount	<u>75,043</u>	<u>140,005</u>
Total noncurrent assets	<u>120,274</u>	<u>969,695</u>
TOTAL ASSETS	<u>\$ 6,806,146</u>	<u>\$ 6,908,331</u>

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 90,320	\$ 133,333
Accrued salaries and related benefits	132,527	127,548
Deferred rent	-	31,712
Deferred revenue	324,870	153,922
Refundable advance	<u>51,509</u>	<u>-</u>
Total current liabilities	<u>599,226</u>	<u>446,515</u>

NONCURRENT LIABILITIES

Accrued pension liability	1,031,267	1,056,588
Deferred rent, net of current portion	<u>82,331</u>	<u>-</u>
Total noncurrent liabilities	<u>1,113,598</u>	<u>1,056,588</u>
Total liabilities	<u>1,712,824</u>	<u>1,503,103</u>

NET ASSETS

Without donor restrictions	4,001,479	2,986,954
With donor restrictions	<u>1,091,843</u>	<u>2,418,274</u>
Total net assets	<u>5,093,322</u>	<u>5,405,228</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,806,146</u>	<u>\$ 6,908,331</u>

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 2,209,771	\$ 33,688	\$ 2,243,459	\$ 2,297,314
Foundation contributions	780,748	249,777	1,030,525	1,227,023
Contract revenue	181,501	-	181,501	64,528
Investment income, net	325,196	27,986	353,182	530,940
In-kind contributions	218,579	-	218,579	292,677
Net assets released from donor restrictions	<u>1,087,882</u>	<u>(1,087,882)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,803,677</u>	<u>(776,431)</u>	<u>4,027,246</u>	<u>4,412,482</u>
EXPENSES				
Program Services:				
Advocacy	2,431,939	-	2,431,939	2,670,900
Public Education	827,070	-	827,070	1,051,345
Strategic Outreach	<u>442,779</u>	<u>-</u>	<u>442,779</u>	<u>127,725</u>
Total program services	<u>3,701,788</u>	<u>-</u>	<u>3,701,788</u>	<u>3,849,970</u>
Supporting Services:				
General and Administrative	230,650	-	230,650	239,831
Fundraising	<u>271,110</u>	<u>-</u>	<u>271,110</u>	<u>676,128</u>
Total supporting services	<u>501,760</u>	<u>-</u>	<u>501,760</u>	<u>915,959</u>
Total expenses	<u>4,203,548</u>	<u>-</u>	<u>4,203,548</u>	<u>4,765,929</u>
Change in net assets before other items	<u>600,129</u>	<u>(776,431)</u>	<u>(176,302)</u>	<u>(353,447)</u>
OTHER ITEMS				
Extinguishment of debt	472,355	-	472,355	-
De-obligation of funds	-	(550,000)	(550,000)	-
Pension expense	<u>(57,959)</u>	<u>-</u>	<u>(57,959)</u>	<u>(62,651)</u>
Total other items	<u>414,396</u>	<u>(550,000)</u>	<u>(135,604)</u>	<u>(62,651)</u>
Change in net assets	1,014,525	(1,326,431)	(311,906)	(416,098)
Net assets at beginning of year	<u>2,986,954</u>	<u>2,418,274</u>	<u>5,405,228</u>	<u>5,821,326</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,001,479</u>	<u>\$ 1,091,843</u>	<u>\$ 5,093,322</u>	<u>\$ 5,405,228</u>

REFUGEES INTERNATIONAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020							2019
	Program Services				Supporting Services			
	Advocacy	Public Education	Strategic Outreach	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 1,482,786	\$ 439,106	\$ 230,406	\$ 2,152,298	\$ 99,463	\$ 136,622	\$ 236,085	\$ 2,388,383
Benefits and payroll taxes	334,515	64,454	46,107	445,076	10,305	8,922	19,227	464,303
Printing	238	1,308	63	1,609	19	4,084	4,103	5,712
Occupancy	222,477	62,782	34,474	319,733	17,727	18,146	35,873	355,606
Audit	-	-	-	-	26,988	-	26,988	26,988
Insurance	62,634	4,612	2,533	69,779	1,302	1,333	2,635	72,414
Depreciation	10,915	3,080	1,691	15,686	870	890	1,760	17,446
Telephone	20,323	5,666	2,848	28,837	1,464	1,499	2,963	31,800
Travel and entertainment	22,241	1,723	327	24,291	96	153	249	24,540
Consultant fees	194,973	92,267	113,369	400,609	13,611	32,568	46,179	446,788
Postage and delivery	258	554	30	842	15	2,473	2,488	3,330
Repairs and maintenance	355	100	55	510	28	29	57	567
Office supplies and expense	3,806	763	567	5,136	560	210	770	5,906
Dues and publications	31,961	45,934	5,096	82,991	405	46,458	46,863	129,854
Advertising	1,753	92,208	207	94,168	106	859	965	95,133
Conference	1,592	2,595	490	4,677	15	209	224	4,901
Events	-	-	-	-	-	7,979	7,979	7,979
Equipment	6,832	1,467	806	9,105	414	424	838	9,943
Staff training and development	3,682	1,797	45	5,524	58	24	82	5,606
Board mission	-	-	-	-	-	-	-	-
Miscellaneous	27,582	5,803	3,198	36,583	(786)	7,982	7,196	43,779
Bad debt expense	-	-	-	-	57,750	-	57,750	57,750
Temporaries	3,016	851	467	4,334	240	246	486	4,820
TOTAL	\$ 2,431,939	\$ 827,070	\$ 442,779	\$ 3,701,788	\$ 230,650	\$ 271,110	\$ 501,760	\$ 4,203,548
								\$ 4,765,929

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (311,906)	\$ (416,098)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,446	14,538
Receipt of donated stock	(237,519)	(78,984)
Proceeds from sales of donated stock	256,327	88,904
Change in unrealized gain on investments	(154,770)	(414,706)
Realized gain on sale of investments	(126,231)	(23,938)
Extinguishment of debt	(472,355)	-
Accrued pension liability	(25,321)	(19,318)
De-obligation of funds	550,000	-
Change in discount on long-term grants receivable	(36,277)	(77,556)
Change in discount on long-term pledges receivable	(15,038)	19,995
Change in allowance for doubtful accounts	13,750	-
Decrease (increase) in:		
Grants receivable	1,005,000	920,000
Pledges receivable	(86,169)	(184,353)
Prepaid expenses and other assets	(20,111)	29,704
Security deposits	20,736	(45,592)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(43,013)	58,284
Accrued salaries and related benefits	4,979	(3,327)
Deferred rent	50,619	8,843
Deferred revenue	170,948	153,922
Refundable advance	<u>51,509</u>	<u>-</u>
Net cash provided by operating activities	<u>612,604</u>	<u>30,318</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,782)	(33,272)
Net (purchases) proceeds of/from investments	<u>(1,190,043)</u>	<u>234,815</u>
Net cash (used) provided by investing activities	<u>(1,193,825)</u>	<u>201,543</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable under Paycheck Protection Program	<u>472,355</u>	<u>-</u>
Net cash provided by financing activities	<u>472,355</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(108,866)	231,861
Cash and cash equivalents at beginning of year	<u>555,278</u>	<u>323,417</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 446,412</u>	<u>\$ 555,278</u>

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Refugees International, Inc. advocates for lifesaving assistance and protection for displaced people and promotes solutions to displacement crises. In addition, its Strategic Outreach program is designed to build local, state, and national support for improved protection and outcomes for displaced people in the United States and around the world. Founded in 1980 and located in the District of Columbia, Refugees International, Inc. is an independent nonprofit organization, and does not accept any Government or UN funding.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than Refugees International, Inc. mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Refugees International, Inc.'s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash -

Refugees International, Inc. considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents. Money market funds and cash held by investment managers in the amount of \$861,749 for the year ended December 31, 2020 are excluded from cash but included in Investments.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Refugees International, Inc. maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value on the date of the gift. Refugees International, Inc.'s policy is to liquidate all gifts of investments as soon as possible after receipt of the gift.

Receivables -

Refugees International, Inc. records unconditional pledges and grants receivable that are expected to be collected within one year at net realizable value. Unconditional pledges and grants receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset if the discount rates materially affect the amounts expected to be collected.

In subsequent years, amortization of the discounts is included in contributions revenue in the accompanying Statement of Activities and Change in Net Assets. Management determines the allowance for uncollectible pledges and grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The amount of the allowance is based on the length of time a receivable is outstanding as well as the specific circumstances applicable to those outstanding amounts. Pledges and grants receivable are written off when deemed uncollectible. During the year ended December 31, 2020, \$57,750 was expensed to reflect an allowance and writeoff certain pledge and grant amounts that were deemed uncollectible.

Conditional pledges and grants receivable are recognized only when the conditions on which they depend are substantially met. Intentions to give do not meet the criteria for revenue recognition under generally accepted accounting principles and therefore are not recognized as revenues in the Statement of Activities and Change in Net Assets until such pledged amounts are collected or confirmed in writing.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years.

Depreciation expense for the year ended December 31, 2020 totaled \$17,446.

Income taxes -

Refugees International, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. Refugees International, Inc. is not a private foundation.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Uncertain tax positions -

For the year ended December 31, 2020, Refugees International, Inc. has documented its consideration of Financial Accounting Standards Board ASC 740-10, *Income Taxes*, and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue -

The majority of Refugees International, Inc.'s activities are supported by contributions and grants received. Refugees International, Inc. performs an analysis of each individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds received in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions or grants qualifying as conditional contributions contain a right of return from obligation provision that limits Refugees International, Inc. on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards from private entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. Refugees International, Inc. recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance are recorded as refundable advances. For conditional contributions, Refugees International, Inc. had \$51,509 awarded as of December 31, 2020 not yet recognized as revenue.

Refugees International, Inc. may receive grants that are subject to contractual restrictions and reciprocity. In such exchange transactions, each contractual party receives and sacrifices approximately commensurate value for a reciprocal flow of benefits between the parties. In accordance with ASU 2014-09, *Revenue from Contracts With Customers*, contract revenues are recorded as revenue at a point in time when the performance obligations are met and classified as "without donor restrictions". The performance obligations for contract revenues on the accompanying Statement of Activities and Change in Net Assets are deemed to be met when expenses are incurred (the transaction price) and milestones are achieved in compliance with the criteria stipulated in the contract. Payments in advance are recorded as deferred revenue on the accompanying Statement of Financial Position.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

In-kind contributions -

In-kind contributions consist primarily of legal services, advertising, conference, consulting and event services. In-kind contributions are recorded at their fair market value as of the date of the gift.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

Refugees International, Inc. allocates expenses to its core functional expense categories; Program Services (Advocacy, Public Education, and Strategic Outreach) and Supporting Services (General and Administrative and Fundraising), based on a review of the specific expenses and timesheets provided by each employee.

Supporting Services expenses include compensation costs associated with certain executive positions, and the Finance/Operations and Development departments that provide general support. As a result of its small size, and the depth and breadth of interdependencies amongst the five core functional categories described above, a portion of Supporting Services expenses are allocated to Program Services in accordance with an analysis of actual time spent in the accompanying Statement of Activities and Change in Net Assets. The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets and the Statement of Functional Expenses.

Risks and uncertainties -

Refugees International, Inc. invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

Refugees International, Inc. adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Refugees International, Inc. accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact Refugees International, Inc.'s operations. The overall potential impact is unknown at this time.

New accounting pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities with fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

Refugees International, Inc. plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. INVESTMENTS

Investments consisted of the following at December 31, 2020:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 861,749	\$ 861,749
Exchange traded funds	1,389,625	1,545,934
Mutual funds	1,694,060	2,086,598
Fixed income securities	<u>1,026,166</u>	<u>1,063,747</u>
TOTAL INVESTMENTS	<u>\$ 4,971,600</u>	<u>\$ 5,558,028</u>

Included in investment income are the following:

Interest and dividends	\$ 101,491
Management fees	(29,310)
Change in unrealized gain on investments	154,770
Realized gain on sale of investments	<u>126,231</u>
TOTAL INVESTMENT INCOME	<u>\$ 353,182</u>

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. PLEDGES RECEIVABLE

As of December 31, 2020, contributors to Refugees International, Inc. have made written promises to give amounts totaling \$390,709. Pledges due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 3.25%.

Pledges are due as follows at December 31, 2020:

2021	\$ 329,416
2022	<u>80,000</u>
Total	409,416
Less: Present value discount	(4,957)
Less: Allowance for doubtful accounts	<u>(13,750)</u>
PLEDGES RECEIVABLE	<u>\$ 390,709</u>

4. LOAN PAYABLE UNDER THE PAYCHECK PROTECTION PROGRAM

On April 13, 2020, Refugees International, Inc. received loan proceeds in the amount of \$472,355 under the Paycheck Protection Program, a government initiative. The promissory note called for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note could be forgiven by the Small Business Administration (SBA) in whole or in part.

During the year ended December 31, 2020, Refugees International, Inc. used the loan proceeds for purposes consistent with the Paycheck Protection Program and applied for forgiveness subsequent to the 24-week period stipulated by the terms. On December 24, 2020, Refugees International, Inc. received notice of full forgiveness of the loan by the SBA and has recorded revenue from extinguishment of debt on the accompanying Statement of Activities and Change in Net Assets. Refugees International, Inc. has not accepted any government funding other than in connection with the aforementioned extinguishment of debt.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

Subject to passage of time	\$ 339,651
Endowment to be invested in perpetuity	296,902
Advocacy	186,075
Strategic Outreach	131,500
Accumulated earnings on endowment not yet appropriated for spending	90,200
Public Education	38,188
Staff Training and Development	<u>9,327</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,091,843</u>

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses or through the passage of time which satisfied the restricted purposes specified by the donors:

Time restrictions accomplished	\$ 840,000
Advocacy	199,605
Public Education	25,677
Strategic Outreach	17,000
Staff Training and Development	<u>5,600</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,087,882</u>

Subsequent to year-end, one particular donor has de-obligated a portion of future funding totaling \$550,000. The amount has been written off as of December 31, 2020 and is presented as a de-obligation of funds in the Other Items section of the accompanying Statement of Activities and Change in Net Assets.

6. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2020:

Cash	\$ 446,412
Investments	5,558,028
Grants receivable	250,000
Pledges receivable	390,709
Less: Amounts unavailable for general expenditures within one year due to time and purpose restrictions	<u>(780,333)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 5,864,816</u>

Refugees International, Inc. has a goal to maintain financial assets, which consist of cash, receivables and short-term investments on hand, to meet at least six months of normal operating expenses, which were on average, approximately \$355,000 per month for the year ending December 31, 2020. Refugees International, Inc.'s policy is to structure its financial assets to become available as general expenditures, liabilities, and other obligations become due. In addition, Refugees International, Inc. invests cash in excess of short-term requirements in various investments.

7. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2020, Refugees International, Inc. was the beneficiary of certain donated professional services which allowed Refugees International, Inc. to provide greater resources toward its activities.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

7. IN-KIND CONTRIBUTIONS (Continued)

Following is a breakdown of donations which have been included in support and revenue for the year ended December 31, 2020:

Donated legal services	\$ 121,879
Donated advertising	89,700
Donated consulting services	<u>7,000</u>
TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 218,579</u>

The following programs have benefited from these donated services:

Public Education	\$ 111,836
Advocacy	81,940
Strategic Outreach	12,155
Fundraising	6,398
General and Administrative	<u>6,250</u>
TOTAL	<u>\$ 218,579</u>

8. LEASE COMMITMENTS

During 2019, Refugees International, Inc. entered into a new lease agreement, which commenced in November 2019 and terminates in November 2025. The base rent of the lease agreement is \$347,774 per annum, with an annual escalation of 4%.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes has been recorded as a deferred rent liability in the Statement of Financial Position.

For the year ended December 31, 2020, the difference between the actual monthly payments and the straight-line basis is reflected in the Statement of Financial Position as a deferred rent liability aggregating \$82,331.

The following is a schedule of the future minimum lease payments:

Year Ending December 31:

2021	\$ 332,750
2022	377,406
2023	392,502
2024	408,202
2025	<u>387,860</u>
	<u>\$ 1,898,720</u>

Total rent expense for the year ended December 31, 2020 was \$355,606, which includes operating fees and taxes.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

9. RETIREMENT PLANS

Refugees International, Inc.'s employees have an option to participate in a voluntary Safe Harbor 401(k) Plan. Employees are eligible to join upon six months of employment with Refugees International, Inc. The minimum percentage of compensation a participant may elect to be treated as an Elective Deferral is 1%, and the maximum percentage of compensation a participant may elect to be treated as an Elective Deferral is 80%. Matching contributions equal 100% on the first 4% of participant's compensation which is deferred as an Elective Deferral. Contributions to the Plan during the year ended December 31, 2020 totaled \$76,524, and is included in benefits in the accompanying Statement of Functional Expenses.

Refugees International, Inc. entered into an agreement to provide an annual pension payment to a former officer based on an employment contract dated February 15, 2001. The agreement requires an initial payment of \$60,000 (paid in 2006, the first year of retirement), increased by an annual cost of living allowance (COLA), with right of survivorship to the former officer's wife. During 2020, Refugees International, Inc. paid \$83,280 to the former officer. The pension liability was calculated based on actuarial assumptions, which assumed a 5.5% discount rate (based on an approximate rate used by qualified pension plans under FASB ASC 715-20 and 715-30), a 2.5% rate of future COLA and the participant/spouse mortality tables under the Pension Protection Act.

As of December 31, 2020, the value of the accrued pension liability aggregated \$1,031,267. The net effect of the pension liability adjustment during the year ended December 31, 2020, was a decrease of \$25,321 to the liability and an expense of \$57,959.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Refugees International, Inc. has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market that Refugees International, Inc. has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

10. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.
- *Exchange traded funds* - Valued at the closing price reported on the active market in which the individual funds are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Refugees International, Inc. are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Refugees International, Inc. are deemed to be actively traded.
- *Fixed income securities* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy, Refugees International, Inc.'s investments as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments				
Money market funds	\$ 861,749	\$ -	\$ -	\$ 861,749
Exchange traded funds	1,545,934	-	-	1,545,934
Mutual funds	2,086,598	-	-	2,086,598
Fixed income securities	<u>-</u>	<u>1,063,747</u>	<u>-</u>	<u>1,063,747</u>
TOTAL	<u>\$ 4,494,281</u>	<u>\$ 1,063,747</u>	<u>\$ -</u>	<u>\$ 5,558,028</u>

11. ENDOWMENT

Refugees International, Inc.'s endowment consists of two donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. However, the Board may, at its sole discretion choose to employ an investment policy that seeks to maintain the purchasing power, even if a donor has not made such a stipulation.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. ENDOWMENT (Continued)

As a result of this interpretation, when reviewing its donor-restricted endowment funds, Refugees International Inc. considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Refugees International, Inc. has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, Refugees International, Inc. considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The preservation of the fund;
- The purpose of the organization and donor restrictions;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment and spending policies of the organization.

The endowment fund consisted of the following as of December 31, 2020:

Pledge receivable, net of discount of \$3,098	\$ 96,902
Money market funds	47,584
Exchange traded funds	<u>242,616</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 387,102</u>

Changes in endowment net assets for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 349,718	\$ 349,718
Investment income, net	-	27,986	27,986
Contributions	<u>-</u>	<u>9,398</u>	<u>9,398</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 387,102</u>	<u>\$ 387,102</u>

Funds with Deficiencies -

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Refugees International, Inc. to retain as funds of perpetual duration. As of December 31, 2020, there were no deficiencies in Refugees International, Inc.'s endowment funds.

Return Objectives and Risk Parameters -

Refugees International, Inc. has adopted an investment and spending policy for the endowment that attempts to provide funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested to preserve principal and achieve long-term capital appreciation.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, Refugees International, Inc. 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).

12. SUBSEQUENT EVENTS

In preparing these financial statements, Refugees International, Inc. has evaluated events and transactions for potential recognition or disclosure through April 15, 2021, the date the financial statements were issued.

On February 17, 2021, Refugees International, Inc. entered into a five-year promissory note agreement in the amount of \$482,202 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the CARES Act, the promissory note may be forgiven by the SBA in whole or in part and Refugees International, Inc. intends to apply for forgiveness.