

FINANCIAL STATEMENTS



REFUGEES INTERNATIONAL, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

REFUGEES INTERNATIONAL, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Refugees International, Inc., which comprise the statement of financial position as of December 31, 2021, 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.

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, 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Refugees International, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Refugees International, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Refugees International, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information Included in Refugee International's Annual Report

Management is responsible for the other information included in the Refugees International, Inc.'s annual report. The other information comprises program impacts for the year and details regarding Refugees International, Inc.'s board, advisory council, and its supporters, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



April 20, 2022

REFUGEES INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	\$ 381,442	\$ 446,412
Investments	6,636,480	5,558,028
Grants receivable	75,000	250,000
Pledges receivable, net of allowance for doubtful accounts	291,457	315,666
Prepaid expenses and other assets	<u>57,402</u>	<u>68,827</u>
Total current assets	<u>7,441,781</u>	<u>6,638,933</u>
PROPERTY AND EQUIPMENT		
Equipment	77,618	87,777
Furniture	<u>12,985</u>	<u>12,985</u>
	90,603	100,762
Less: Accumulated depreciation	<u>(58,084)</u>	<u>(53,823)</u>
Net property and equipment	<u>32,519</u>	<u>46,939</u>
NONCURRENT ASSETS		
Security deposits	45,231	45,231
Pledges receivable, long-term, net of current portion and discount	<u>-</u>	<u>75,043</u>
Total noncurrent assets	<u>45,231</u>	<u>120,274</u>
TOTAL ASSETS	<u>\$ 7,519,531</u>	<u>\$ 6,806,146</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 40,475	\$ 90,320
Accrued salaries and related benefits	161,790	132,527
Deferred rent	7,971	-
Deferred revenue	68,423	324,870
Refundable advance	<u>-</u>	<u>51,509</u>
Total current liabilities	<u>278,659</u>	<u>599,226</u>
NONCURRENT LIABILITIES		
Accrued pension liability	1,071,169	1,031,267
Deferred rent, net of current portion	<u>111,045</u>	<u>82,331</u>
Total noncurrent liabilities	<u>1,182,214</u>	<u>1,113,598</u>
Total liabilities	<u>1,460,873</u>	<u>1,712,824</u>
NET ASSETS		
Without donor restrictions	5,118,467	4,001,479
With donor restrictions	<u>940,191</u>	<u>1,091,843</u>
Total net assets	<u>6,058,658</u>	<u>5,093,322</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,519,531</u>	<u>\$ 6,806,146</u>

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 2,584,847	\$ 113,906	\$ 2,698,753	\$ 2,243,459
Foundation contributions	871,301	603,000	1,474,301	1,030,525
Investment income, net	376,775	25,369	402,144	353,182
Contract revenue	256,447	-	256,447	181,501
In-kind contributions	147,985	-	147,985	218,579
Net assets released from donor restrictions	<u>893,927</u>	<u>(893,927)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,131,282</u>	<u>(151,652)</u>	<u>4,979,630</u>	<u>4,027,246</u>
EXPENSES				
Program Services:				
Advocacy	2,624,328	-	2,624,328	2,431,939
Public Education	904,859	-	904,859	827,070
Strategic Outreach	<u>299,027</u>	<u>-</u>	<u>299,027</u>	<u>442,779</u>
Total program services	<u>3,828,214</u>	<u>-</u>	<u>3,828,214</u>	<u>3,701,788</u>
Supporting Services:				
General and Administrative	161,845	-	161,845	230,650
Fundraising	<u>382,172</u>	<u>-</u>	<u>382,172</u>	<u>271,110</u>
Total supporting services	<u>544,017</u>	<u>-</u>	<u>544,017</u>	<u>501,760</u>
Total expenses	<u>4,372,231</u>	<u>-</u>	<u>4,372,231</u>	<u>4,203,548</u>
Change in net assets before other items	<u>759,051</u>	<u>(151,652)</u>	<u>607,399</u>	<u>(176,302)</u>
OTHER ITEMS				
Extinguishment of debt	482,202	-	482,202	472,355
Deobligation of funds	-	-	-	(550,000)
Pension expense	<u>(124,265)</u>	<u>-</u>	<u>(124,265)</u>	<u>(57,959)</u>
Total other items	<u>357,937</u>	<u>-</u>	<u>357,937</u>	<u>(135,604)</u>
Change in net assets	1,116,988	(151,652)	965,336	(311,906)
Net assets at beginning of year	<u>4,001,479</u>	<u>1,091,843</u>	<u>5,093,322</u>	<u>5,405,228</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,118,467</u>	<u>\$ 940,191</u>	<u>\$ 6,058,658</u>	<u>\$ 5,093,322</u>

REFUGEES INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021						2020	
	Program Services			Supporting Services				
	Advocacy	Public Education	Strategic Outreach	Program Services	General and Administrative	Fundraising	Supporting Services	Total
Salaries	\$ 1,583,112	\$ 464,964	\$ 100,254	\$ 2,148,330	\$ 84,027	\$ 164,367	\$ 248,394	\$ 2,396,724
Benefits and payroll taxes	381,584	74,099	20,948	476,631	9,843	12,785	22,628	499,259
Printing	179	50	10	239	14	2,425	2,439	5,712
Occupancy	246,381	69,190	13,824	329,395	19,487	22,738	42,225	371,620
Audit	-	-	-	-	21,167	-	21,167	26,988
Insurance	59,898	6,144	1,228	67,270	1,731	2,019	3,750	72,414
Depreciation	10,781	3,028	605	14,414	853	995	1,848	17,446
Telephone	18,221	5,963	1,011	25,195	1,425	1,663	3,088	31,800
Travel and entertainment	18,391	1,151	351	19,893	335	618	953	24,540
Consultant fees	224,595	122,200	149,961	496,756	8,461	21,035	29,496	446,788
Postage and delivery	300	1,431	8	1,739	11	1,574	1,585	3,324
Repairs and maintenance	1,273	358	71	1,702	101	118	219	1,921
Office supplies and expense	5,633	1,239	465	7,337	349	430	779	8,116
Dues and publications	28,291	55,497	6,217	90,005	828	82,034	82,862	172,867
Advertising	1,020	86,736	1,321	89,077	81	1,353	1,434	90,511
Conference	1,622	837	59	2,518	83	438	521	3,039
Events	-	-	-	-	-	55,898	55,898	7,979
Equipment	6,687	1,721	1,186	9,594	485	565	1,050	10,644
Staff training and development	1,020	-	-	1,020	-	-	-	1,020
Miscellaneous	27,840	7,751	1,508	37,099	4,814	11,117	15,931	53,030
Bad debt expense	-	-	-	-	7,750	-	7,750	7,750
Temporaries	-	-	-	-	-	-	-	-
Stipends	7,500	2,500	-	10,000	-	-	-	10,000
TOTAL	\$ 2,624,328	\$ 904,859	\$ 299,027	\$ 3,828,214	\$ 161,845	\$ 382,172	\$ 544,017	\$ 4,372,231
								\$ 4,203,548

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 965,336	\$ (311,906)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,262	17,446
Receipt of donated stock	(54,798)	(237,519)
Proceeds from sales of donated stock	58,322	256,327
Change in unrealized gain on investments	(246,171)	(154,770)
Realized gain on sale of investments	(51,021)	(126,231)
Extinguishment of debt	(482,202)	(472,355)
Accrued pension liability	39,902	(25,321)
De-obligation of funds	-	550,000
Change in discount on long-term grants receivable	-	(36,277)
Change in discount on long-term pledges receivable	(4,957)	(15,038)
Change in allowance for doubtful accounts	(13,750)	13,750
Decrease (increase) in:		
Grants receivable	175,000	1,005,000
Pledges receivable	117,959	(86,169)
Prepaid expenses and other assets	11,425	(20,111)
Security deposits	-	20,736
(Decrease) increase in:		
Accounts payable and accrued liabilities	(49,845)	(43,013)
Accrued salaries and related benefits	29,263	4,979
Deferred rent	36,685	50,619
Deferred revenue	(256,447)	170,948
Refundable advance	(51,509)	51,509
Net cash provided by operating activities	<u>239,454</u>	<u>612,604</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,842)	(3,782)
Net purchases of investments	<u>(784,784)</u>	<u>(1,190,043)</u>
Net cash used by investing activities	<u>(786,626)</u>	<u>(1,193,825)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable under Paycheck Protection Program	<u>482,202</u>	<u>472,355</u>
Net cash provided by financing activities	<u>482,202</u>	<u>472,355</u>
Net decrease in cash and cash equivalents	(64,970)	(108,866)
Cash and cash equivalents at beginning of year	<u>446,412</u>	<u>555,278</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 381,442</u></u>	<u><u>\$ 446,412</u></u>
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Extinguishment of Debt	<u><u>\$ 482,202</u></u>	<u><u>\$ 472,355</u></u>

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2020, 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 \$976,040 for the year ended December 31, 2021 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.

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.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Investments (continued) -

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 uncollectable 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 uncollectable. During the year ended December 31, 2021, \$7,750 was expensed to write off certain pledge and grant amounts that were deemed uncollectable.

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, 2021 totaled \$16,262.

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.

Uncertain tax positions -

For the year ended December 31, 2021, 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.

Support and revenue -

Refugees International, Inc. receives contributions and grants, including unconditional promises to give. Contributions and grants are recognized in the appropriate category of net assets in the period received.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Support and revenue (continued) -

Refugees International, Inc. performs an analysis of the individual contribution and grant 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 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; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as conditional contributions contain a right of return and a barrier. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional, which is when the condition or conditions are satisfied. Funds received in advance of the satisfaction of conditions are recorded as refundable advances. As of December 31, 2021, Refugees International, Inc. had no unrecognized conditional contributions.

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". Refugees International, Inc. has elected to opt out of all (or certain) disclosures not required for nonpublic entities. 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.

In-kind contributions -

In-kind contributions consist primarily of legal services, advertising, and consulting 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.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

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.

Investment 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.

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 pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

New accounting pronouncements not yet adopted (continued) -

The amendments in this update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impacts of the new standards on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following at December 31, 2021:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 976,040	\$ 976,040
Exchange traded funds	2,112,935	2,367,100
Mutual funds	1,668,138	2,245,519
Fixed income securities	<u>1,046,768</u>	<u>1,047,821</u>
TOTAL INVESTMENTS	<u>\$ 5,803,881</u>	<u>\$ 6,636,480</u>

Included in investment income, net are the following:

Interest and dividends	\$ 145,623
Management fees	(40,671)
Change in unrealized gain on investments	246,171
Realized gain on sale of investments	<u>51,021</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 402,144</u>

3. LOAN PAYABLE UNDER THE PAYCHECK PROTECTION PROGRAM

On February 17, 2021, Refugees International, Inc. received loan proceeds in the amount of \$482,202 under the Paycheck Protection Program, a government initiative.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. LOAN PAYABLE UNDER THE PAYCHECK PROTECTION PROGRAM (Continued)

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, 2021, 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 November 13, 2021, 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 extinguishment of debt under the Paycheck Protection Program.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Endowment to be invested in perpetuity	\$ 300,000
Advocacy	211,805
Strategic Outreach	200,000
Subject to passage of time	111,510
Accumulated earnings on endowment not yet appropriated for spending	108,569
Staff Training and Development	<u>8,307</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 940,191</u>
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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	\$ 480,000
Advocacy	236,219
Strategic Outreach	131,500
Public Education	38,188
Earnings on Endowment	7,000
Staff Training and Development	<u>1,020</u>

TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 893,927</u>
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5. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2021:

Cash	\$ 381,442
Investments	6,636,480
Grants receivable, current	75,000
Pledges receivable, current	291,457
Less: Amounts unavailable for general expenditures within one year due to time and purpose restrictions	<u>(828,681)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 6,555,698</u>
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REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

5. LIQUIDITY (Continued)

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 \$375,000 per month for the year ending December 31, 2021. 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.

6. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2021, Refugees International, Inc. was the beneficiary of certain donated professional services which allowed Refugees International, Inc. to provide greater resources toward its activities. Following is a breakdown of donations which have been included in support and revenue for the year ended December 31, 2021:

Donated legal services	\$ 35,513
Donated advertising	82,472
Donated consulting services	<u>30,000</u>

TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 147,985</u>
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The following programs and supporting services have benefited from these donated services:

Public Education	\$ 119,084
Advocacy	23,545
Strategic Outreach	1,321
Fundraising	2,173
General and Administrative	<u>1,862</u>

TOTAL	<u>\$ 147,985</u>
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7. 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, 2021, 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 \$119,016.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

7. LEASE COMMITMENTS (Continued)

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

Year Ending December 31:

2022	\$ 377,406
2023	392,502
2024	408,202
2025	<u>387,859</u>
	<u>\$ 1,565,969</u>

Total occupancy expense for the year ended December 31, 2021 was \$371,620, which includes operating fees and taxes.

8. 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, 2021 totaled \$81,257, 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 2021, Refugees International, Inc. paid \$84,363 to the former officer. The pension liability was calculated based on actuarial assumptions, which assumed a 4.5% 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, 2021, the value of the accrued pension liability aggregated \$1,071,169. The net effect of the pension liability adjustment during the year ended December 31, 2021, was an increase of \$39,902 to the liability and an expense of \$124,265.

9. 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.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. FAIR VALUE MEASUREMENT (Continued)

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.

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, 2021.

- *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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments				
Money market funds	\$ 976,040	\$ -	\$ -	\$ 976,040
Exchange traded funds	2,367,100	-	-	2,367,100
Mutual funds	2,245,519	-	-	2,245,519
Fixed income securities	<u>-</u>	<u>1,047,821</u>	<u>-</u>	<u>1,047,821</u>
TOTAL	<u>\$ 5,588,659</u>	<u>\$ 1,047,821</u>	<u>\$ -</u>	<u>\$ 6,636,480</u>

10. ENDOWMENTS

Refugees International, Inc.'s endowments 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.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

10. ENDOWMENTS (Continued)

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. 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 funds consisted of the following as of December 31, 2021:

Pledge receivable	\$ 50,000
Money market funds	61,033
Exchange traded funds	<u>297,536</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 408,569</u>

Changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 387,102	\$ 387,102
Investment income, net	-	25,369	25,369
Contributions	-	3,098	3,098
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(7,000)</u>	<u>(7,000)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 408,569</u>	<u>\$ 408,569</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, 2021, there were no deficiencies in Refugees International, Inc.'s endowment funds.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

10. ENDOWMENTS (Continued)

Return Objectives and Risk Parameters -

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

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).

Spending Policy and How the Investment Objectives Relate to Spending Policy -

Refugees International, Inc. has a policy of appropriating for distribution a portion of its endowments based on an annual review and assessment as specified in each investment policy statement. In establishing each policy, Refugees International, Inc. considered the long-term return objective of its endowments and the policy of maintaining the purchasing power of the endowment assets held in-perpetuity or for a specified term.

11. SUBSEQUENT EVENTS

In preparing these financial statements, Refugees International, Inc. has evaluated events and transactions for potential recognition or disclosure through April 20, 2022, the date the financial statements were issued.