

FINANCIAL STATEMENTS

**REFUGEES
INTERNATIONAL**



REFUGEES INTERNATIONAL, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

REFUGEES INTERNATIONAL, INC.

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CPAs & ADVISORS

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, 2019, 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, 2019, 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.

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Report on Summarized Comparative Information

We have previously audited Refugees International, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2019. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2018, 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 16, 2020

REFUGEES INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 555,278	\$ 323,417
Investments	4,105,792	3,911,883
Grants receivable	1,005,000	1,050,000
Pledges receivable	163,247	138,894
Prepaid expenses and other assets	<u>48,716</u>	<u>78,420</u>
Total current assets	<u>5,878,033</u>	<u>5,502,614</u>
PROPERTY AND EQUIPMENT		
Equipment	86,789	71,031
Furniture	<u>12,985</u>	<u>3,738</u>
	99,774	74,769
Less: Accumulated depreciation	<u>(39,171)</u>	<u>(32,900)</u>
Net property and equipment	<u>60,603</u>	<u>41,869</u>
NONCURRENT ASSETS		
Security deposits	65,967	20,375
Grants receivable, net of current portion and discount of \$36,277	763,723	1,561,167
Pledges receivable, net of current portion and discount of \$19,995	<u>140,005</u>	<u>-</u>
Total noncurrent assets	<u>969,695</u>	<u>1,581,542</u>
TOTAL ASSETS	<u>\$ 6,908,331</u>	<u>\$ 7,126,025</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 133,333	\$ 75,049
Accrued salaries and related benefits	127,548	130,875
Deferred rent	31,712	22,869
Refundable advance	<u>153,922</u>	<u>-</u>
Total current liabilities	<u>446,515</u>	<u>228,793</u>
NONCURRENT LIABILITIES		
Accrued pension liability	<u>1,056,588</u>	<u>1,075,906</u>
Total liabilities	<u>1,503,103</u>	<u>1,304,699</u>
NET ASSETS		
Without donor restrictions	2,986,954	2,809,030
With donor restrictions	<u>2,418,274</u>	<u>3,012,296</u>
Total net assets	<u>5,405,228</u>	<u>5,821,326</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,908,331</u>	<u>\$ 7,126,025</u>

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 1,922,462	\$ 374,852	\$ 2,297,314	\$ 2,066,141
Foundation contributions	1,032,467	194,556	1,227,023	4,354,852
Contract revenue	64,528	-	64,528	-
Investment income (loss), net	510,771	20,169	530,940	(252,447)
In-kind contributions	292,677	-	292,677	203,545
Net assets released from donor restrictions	<u>1,183,599</u>	<u>(1,183,599)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,006,504</u>	<u>(594,022)</u>	<u>4,412,482</u>	<u>6,372,091</u>
EXPENSES				
Program Services:				
Advocacy	2,670,900	-	2,670,900	2,291,632
Public Education	1,051,345	-	1,051,345	897,369
Strategic Outreach	<u>127,725</u>	<u>-</u>	<u>127,725</u>	<u>-</u>
Total program services	<u>3,849,970</u>	<u>-</u>	<u>3,849,970</u>	<u>3,189,001</u>
Supporting Services:				
General and Administrative	239,831	-	239,831	237,958
Fundraising	<u>676,128</u>	<u>-</u>	<u>676,128</u>	<u>678,088</u>
Total supporting services	<u>915,959</u>	<u>-</u>	<u>915,959</u>	<u>916,046</u>
Total expenses	<u>4,765,929</u>	<u>-</u>	<u>4,765,929</u>	<u>4,105,047</u>
Change in net assets before other item	240,575	(594,022)	(353,447)	2,267,044
OTHER ITEM				
Pension expense	<u>62,651</u>	<u>-</u>	<u>62,651</u>	<u>112,838</u>
Change in net assets	177,924	(594,022)	(416,098)	2,154,206
Net assets at beginning of year	<u>2,809,030</u>	<u>3,012,296</u>	<u>5,821,326</u>	<u>3,667,120</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,986,954</u>	<u>\$ 2,418,274</u>	<u>\$ 5,405,228</u>	<u>\$ 5,821,326</u>

REFUGEES INTERNATIONAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019							2018
	Program Services				Supporting Services			
	Advocacy	Public Education	Strategic Outreach	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 1,445,434	\$ 576,361	\$ 99,291	\$ 2,121,086	\$ 157,466	\$ 167,204	\$ 324,670	\$ 2,445,756
Benefits and payroll taxes	328,688	90,045	11,272	430,005	15,133	12,795	27,928	457,933
Printing	2,541	13,417	-	15,958	213	6,424	6,637	22,595
Occupancy	211,106	79,862	-	290,968	22,454	21,571	44,025	334,993
Audit	-	-	-	-	21,176	-	21,176	21,176
Insurance	65,980	5,904	-	71,884	1,660	1,595	3,255	75,139
Depreciation	9,157	3,469	-	12,626	975	937	1,912	14,538
Telephone	25,435	5,541	-	30,976	1,475	1,417	2,892	33,868
Travel and entertainment	251,981	9,031	2,090	263,102	390	2,614	3,004	266,106
Consultant fees	223,329	73,807	10,000	307,136	12,734	55,342	68,076	375,212
Postage and delivery	407	95	-	502	193	3,987	4,180	4,682
Repairs and maintenance	615	233	-	848	66	63	129	977
Office supplies and expense	8,804	3,580	398	12,782	583	1,704	2,287	15,069
Dues and publications	25,607	41,997	119	67,723	554	22,932	23,486	91,209
Advertising	4,285	104,529	-	108,814	18	766	784	109,598
Conference	6,682	2,521	319	9,522	163	1,115	1,278	10,800
Events	-	20,959	-	20,959	-	355,154	355,154	376,113
Equipment	11,551	6,122	4,236	21,909	1,025	985	2,010	23,919
Staff training and development	14,003	1,161	-	15,164	203	354	557	15,721
Board mission	1,289	-	-	1,289	-	-	-	1,289
Miscellaneous	34,006	12,711	-	46,717	3,350	19,169	22,519	69,236
TOTAL	\$ 2,670,900	\$ 1,051,345	\$ 127,725	\$ 3,849,970	\$ 239,831	\$ 676,128	\$ 915,959	\$ 4,765,929
								\$ 4,105,047

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (416,098)	\$ 2,154,206
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	14,538	9,104
Donated stock	(78,984)	(91,030)
Unrealized (gain) loss on investments	(414,706)	349,389
Realized gains on sale of investments	(23,938)	(11,172)
Accrued pension liability	(19,318)	33,102
Discount on long-term grants receivable	(77,556)	113,833
Discount on long-term pledges receivable	19,995	-
Loss on disposal of equipment	-	1,456
Decrease (increase) in:		
Grants receivable	920,000	(2,375,000)
Pledges receivable	(184,353)	14,539
Prepaid expenses and other assets	29,704	(8,883)
Security deposits	(45,592)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	58,284	(46,022)
Accrued salaries and related benefits	(3,327)	42,219
Deferred rent	8,843	(18,101)
Refundable advance	<u>153,922</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(58,586)</u>	<u>167,640</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(33,272)	(20,617)
Net proceeds (purchases) of investments	<u>323,719</u>	<u>(189,943)</u>
Net cash provided (used) by investing activities	<u>290,447</u>	<u>(210,560)</u>
Net increase (decrease) in cash and cash equivalents	231,861	(42,920)
Cash and cash equivalents at beginning of year	<u>323,417</u>	<u>366,337</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 555,278</u>	<u>\$ 323,417</u>

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, Refugees International, Inc. adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way Refugees International, Inc. recognized revenue; however, the presentation and disclosures of revenue have been enhanced. Refugees International, Inc. has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

New accounting pronouncements adopted (continued) -

Also during 2019, Refugees International, Inc. adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. Refugees International, Inc. adopted the ASU using a modified prospective basis.

Cash -

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 (loss), 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 at the date of the gift. Refugees International, Inc.'s policy is to liquidate all gifts of investments as soon as possible after 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. Pledges and grants receivable are written off when deemed uncollectable. An allowance for doubtful accounts was not considered necessary at December 31, 2019.

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.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

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, 2019 totaled \$14,538.

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, 2019, 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 -

Revenues are recorded by Refugees International, Inc. upon notification of the contribution or grant and substantial satisfaction of all conditions, if applicable. Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant is limited to specific programmatic areas or is designated for use in future periods. Contributions and grants with donor restrictions are released and classified as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions or satisfaction of time restrictions.

Refugees International, Inc. may receive grants for direct and indirect program costs 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. Accordingly, contract revenues are recognized when earned and classified as "without donor restrictions" to the extent expenses are incurred and milestones are achieved in compliance with the criteria stipulated in the contract. Payments in advance are recorded as a Refundable Advance in the Statement of Financial Position and deferred to the applicable period in which related contractual obligations are met.

In-kind contributions -

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

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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. Prior to 2019, certain costs were allocated under a joint cost methodology among the programs and supporting services benefited. In particular, the costs of conducting certain events were allocated to program and fundraising components of the activities as they were deemed to serve both the purpose of educating the general public of the organization's mission as well as the purpose of appealing for funds. Starting in 2019, all costs associated with such events are directly attributed to fundraising activities to better reflect the evolving nature and purpose of these events. As such, \$263,454 in event costs from 2018, previously allocated to Public Education costs have been reclassified to Fundraising costs to conform to the current year's presentation and methodology.

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.

New accounting pronouncements (not yet adopted) -

FASB has issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

New accounting pronouncements (not yet adopted) (continued) -

The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is 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, 2019:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 314,203	\$ 314,203
Exchange traded funds	1,481,051	1,673,566
Mutual funds	1,134,201	1,359,527
Fixed income securities	<u>744,679</u>	<u>758,496</u>
TOTAL INVESTMENTS	<u>\$ 3,674,134</u>	<u>\$ 4,105,792</u>

Included in investment income are the following:

Interest and dividends	\$ 119,454
Management fees	(27,158)
Unrealized gain on investments	414,706
Realized gain on sale of investments	<u>23,938</u>
TOTAL INVESTMENT INCOME	<u>\$ 530,940</u>

3. GRANTS AND PLEDGES RECEIVABLE

As of December 31, 2019, contributors to Refugees International, Inc. have made written promises to give amounts totaling \$2,071,975. Grants and pledges due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 4.75% - 5.5%. Grants are due as follows at December 31, 2019:

2020	\$ 1,005,000
2021	<u>800,000</u>
Total	1,805,000
Less: Present value discount	<u>(36,277)</u>
GRANTS RECEIVABLE	<u>\$ 1,768,723</u>

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. GRANTS AND PLEDGES RECEIVABLE (Continued)

Pledges are due as follows at December 31, 2019:

2020	\$ 163,247
2021	80,000
2022	<u>80,000</u>
Total	323,247
Less: Present value discount	<u>(19,995)</u>
PLEDGES RECEIVABLE	<u>\$ 303,252</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019:

Advocacy	\$ 326,029
Public Education	63,865
Staff Training and Development	15,927
Earnings on Endowment	62,215
Endowment to be invested in perpetuity	287,503
Subject to passage of time	<u>1,662,735</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,418,274</u>

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:

Advocacy	\$ 217,504
Public Education	160,922
Staff Training and Development	1,468
Earnings on Endowment	3,705
Time restrictions accomplished	<u>800,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,183,599</u>

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, 2019:

Cash	\$ 555,278
Investments	4,105,792
Grants receivable	1,768,723
Pledges receivable	303,252
Less: Amounts unavailable for general expenditures within one year due to time and purpose restrictions	<u>(1,571,764)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 5,161,281</u>

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 \$402,000 per month for the year ending December 31, 2019. 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, 2019, 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, 2019:

Donated legal services	\$ 146,488
Donated event services	42,617
Donated advertising	<u>103,572</u>
TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 292,677</u>

The following programs have benefited from these donated services:

Advocacy	\$ 92,273
Public Education	138,524
Fundraising	52,051
General and Administrative	<u>9,829</u>
TOTAL	<u>\$ 292,677</u>

7. LEASE COMMITMENTS

On May 18, 2012, Refugees International, Inc. entered into a seven-year lease agreement for office space in the District of Columbia, effective November 1, 2012. The lease agreement includes a 2.5% annual rent escalation. This lease ended in November 2019.

In August 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, 2019, 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 \$31,712.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. LEASE COMMITMENTS (Continued)

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

Year Ending December 31:

2020	\$ 319,952
2021	332,750
2022	377,406
2023	392,502
2024	408,202
Thereafter	<u>387,858</u>
	<u>\$ 2,218,670</u>

Total rent expense for the year ended December 31, 2019 was \$334,993, 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, 2019 totaled \$56,456, 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 2019, Refugees International, Inc. paid \$81,969 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, 2019, the value of the accrued pension liability aggregated \$1,056,588. The net effect of the pension liability adjustment during the year ended December 31, 2019, was a decrease of \$19,318 to the liability and an expense of \$62,651.

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.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

9. FAIR VALUE MEASUREMENT (Continued)

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.

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, 2019.

- *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.
- *Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, Refugees International, Inc.'s investments as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments				
Money market funds	\$ 314,203	\$ -	\$ -	\$ 314,203
Exchange traded funds	1,673,566	-	-	1,673,566
Mutual funds	1,359,527	-	-	1,359,527
Fixed income securities	<u>758,496</u>	<u>-</u>	<u>-</u>	<u>758,496</u>
TOTAL	<u>\$ 4,105,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,105,792</u>

REFUGEES INTERNATIONAL, INC.
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10. 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 asset 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 fund consisted of the following as of December 31, 2019:

Cash	\$ 50,000
Pledge receivable, net of discount of \$12,497	137,503
Money market funds	20,755
Exchange traded funds	128,897
Mutual funds	<u>12,563</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 349,718</u>

Changes in endowment net assets for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 145,751	\$ 145,751
Investment income	-	20,169	20,169
Contributions	-	187,503	187,503
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(3,705)</u>	<u>(3,705)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 349,718</u>	<u>\$ 349,718</u>

REFUGEES INTERNATIONAL, INC.
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10. ENDOWMENT (Continued)

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, 2019, 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.

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).

11. SUBSEQUENT EVENTS

In preparing these financial statements, Refugees International, Inc. has evaluated events and transactions for potential recognition or disclosure through April 16, 2020, the date the financial statements were issued.

The COVID-19 outbreak in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the global financial markets have declined, the related financial impact on Refugees International, Inc.'s investment portfolio at the time of the auditor's report has not been substantially significant.

On April 13, 2020, Refugees International, Inc. entered into a two-year promissory note agreement in the amount of \$472,355 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 beginning in November 2020, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.