

## **FINANCIAL STATEMENTS**

**REFUGEES  
INTERNATIONAL**



# **REFUGEES INTERNATIONAL, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

**REFUGEES INTERNATIONAL, INC.**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2018, with Summarized Financial Information for 2017	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	7
NOTES TO FINANCIAL STATEMENTS	8 - 18

## **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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2017, 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, 2019

## REFUGEES INTERNATIONAL, INC.

**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 323,417	\$ 366,337
Investments	3,911,883	3,969,127
Grants receivable	1,050,000	350,000
Pledges receivable	138,894	153,433
Prepaid expenses and other assets	<u>78,420</u>	<u>69,537</u>
Total current assets	<u>5,502,614</u>	<u>4,908,434</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	71,031	68,853
Furniture	<u>3,738</u>	<u>5,218</u>
	74,769	74,071
Less: Accumulated depreciation	<u>(32,900)</u>	<u>(42,259)</u>
Net property and equipment	<u>41,869</u>	<u>31,812</u>
<b>NONCURRENT ASSETS</b>		
Security deposits	20,375	20,375
Grants receivable, net of current portion	<u>1,561,167</u>	<u>-</u>
Total noncurrent assets	<u>1,581,542</u>	<u>20,375</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,126,025</u></b>	<b><u>\$ 4,960,621</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 75,049	\$ 121,071
Accrued salaries and related benefits	130,875	88,656
Deferred rent	<u>22,869</u>	<u>18,101</u>
Total current liabilities	<u>228,793</u>	<u>227,828</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued pension liability	1,075,906	1,042,804
Deferred rent, net of current portion	<u>-</u>	<u>22,869</u>
Total noncurrent liabilities	<u>1,075,906</u>	<u>1,065,673</u>
Total liabilities	<u>1,304,699</u>	<u>1,293,501</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	2,809,030	2,921,335
Net assets with donor restrictions	<u>3,012,296</u>	<u>745,785</u>
Total net assets	<u>5,821,326</u>	<u>3,667,120</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,126,025</u></b>	<b><u>\$ 4,960,621</u></b>

See accompanying notes to financial statements.

## REFUGEES INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>			<u>2017</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,978,696	\$ 87,445	\$ 2,066,141	\$ 2,831,332
Foundation grants	1,078,085	3,276,767	4,354,852	1,537,252
Investment (loss) income	(247,614)	(4,833)	(252,447)	374,887
In-kind contributions	203,545	-	203,545	189,771
Net assets released from donor restrictions	<u>1,092,868</u>	<u>(1,092,868)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,105,580</u>	<u>2,266,511</u>	<u>6,372,091</u>	<u>4,933,242</u>
<b>EXPENSES</b>				
Program Services:				
Advocacy	2,291,632	-	2,291,632	2,098,843
Public Education	<u>1,160,823</u>	<u>-</u>	<u>1,160,823</u>	<u>1,071,692</u>
Total program services	<u>3,452,455</u>	<u>-</u>	<u>3,452,455</u>	<u>3,170,535</u>
Supporting Services:				
General and Administrative	237,958	-	237,958	193,739
Fundraising	<u>414,634</u>	<u>-</u>	<u>414,634</u>	<u>305,924</u>
Total supporting services	<u>652,592</u>	<u>-</u>	<u>652,592</u>	<u>499,663</u>
Total functional expenses	<u>4,105,047</u>	<u>-</u>	<u>4,105,047</u>	<u>3,670,198</u>
Change in net assets before other item	533	2,266,511	2,267,044	1,263,044
<b>OTHER ITEM</b>				
Pension expense	<u>112,838</u>	<u>-</u>	<u>112,838</u>	<u>44,283</u>
Change in net assets	(112,305)	2,266,511	2,154,206	1,218,761
Net assets at beginning of year	<u>2,921,335</u>	<u>745,785</u>	<u>3,667,120</u>	<u>2,448,359</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,809,030</u></b>	<b><u>\$ 3,012,296</u></b>	<b><u>\$ 5,821,326</u></b>	<b><u>\$ 3,667,120</u></b>

## REFUGEES INTERNATIONAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018						2017	
	Program Services			Supporting Services				
	Advocacy	Public Education	Program Services	General and Administrative	Fundraising	Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 1,270,478	\$ 492,710	\$ 1,763,188	\$ 187,076	\$ 144,915	\$ 331,991	\$ 2,095,179	\$ 2,021,494
Benefits	298,218	76,383	374,601	16,004	13,186	29,190	403,791	387,966
Printing	2,494	9,081	11,575	216	15,003	15,219	26,794	26,834
Occupancy	164,088	59,530	223,618	21,243	16,538	37,781	261,399	286,992
Audit	12,182	4,420	16,602	1,577	1,228	2,805	19,407	18,608
Insurance	62,431	6,317	68,748	2,254	1,755	4,009	72,757	65,646
Depreciation	5,715	2,073	7,788	740	576	1,316	9,104	6,338
Telephone	18,804	5,366	24,170	1,611	1,254	2,865	27,035	25,637
Travel and entertainment	214,650	7,134	221,784	198	5,622	5,820	227,604	172,855
Consultant fees	163,924	86,277	250,201	8,929	68,105	77,034	327,235	177,067
Postage and delivery	553	992	1,545	31	6,619	6,650	8,195	6,905
Repairs and maintenance	1,598	580	2,178	207	161	368	2,546	1,982
Office supplies and expense	11,502	2,948	14,450	643	1,406	2,049	16,499	10,721
Dues and publications	9,795	28,695	38,490	272	37,957	38,229	76,719	42,538
Advertising	2,713	88,846	91,559	86	902	988	92,547	84,445
Conference	6,581	5,240	11,821	462	1,073	1,535	13,356	9,139
Events	-	263,454	263,454	-	86,709	86,709	350,163	269,901
Equipment	9,058	2,386	11,444	727	710	1,437	12,881	12,398
Staff training and development	500	6,069	6,569	500	149	649	7,218	8,730
Board mission	1,620	-	1,620	-	-	-	1,620	-
Miscellaneous	26,575	12,322	38,897	3,335	10,766	14,101	52,998	34,002
Sub-total	2,283,479	1,160,823	3,444,302	246,111	414,634	660,745	4,105,047	3,670,198
Allocation of eligible grant general and administrative expenses	8,153	-	8,153	(8,153)	-	(8,153)	-	-
<b>TOTAL</b>	<b>\$ 2,291,632</b>	<b>\$ 1,160,823</b>	<b>\$ 3,452,455</b>	<b>\$ 237,958</b>	<b>\$ 414,634</b>	<b>\$ 652,592</b>	<b>\$ 4,105,047</b>	<b>\$ 3,670,198</b>

See accompanying notes to financial statements.

## REFUGEES INTERNATIONAL, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,154,206	\$ 1,218,761
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,104	6,338
Unrealized loss (gain) on investments	349,389	(293,533)
Realized gains on sale of investments	(11,172)	(22,889)
Accrued pension liability	33,102	(33,890)
Discount on long-term grants receivable	113,833	-
Loss on disposal of equipment	1,456	-
(Increase) decrease in:		
Grants receivable	(2,375,000)	(150,000)
Pledges receivable	14,539	(96,011)
Prepaid expenses and other assets	(8,883)	10,912
Increase (decrease) in:		
Accounts payable and accrued liabilities	(46,022)	74,525
Accrued salaries and related benefits	42,219	4,275
Deferred rent	<u>(18,101)</u>	<u>(11,325)</u>
Net cash provided by operating activities	<u>258,670</u>	<u>707,163</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(20,617)	(25,124)
Net purchase of investments	<u>(280,973)</u>	<u>(882,125)</u>
Net cash used by investing activities	<u>(301,590)</u>	<u>(907,249)</u>
Net decrease in cash and cash equivalents	(42,920)	(200,086)
Cash and cash equivalents at beginning of year	<u>366,337</u>	<u>566,423</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>323,417</u></b>	<b>\$ <u>366,337</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Donated Stock	<b>\$ <u>91,030</u></b>	<b>\$ <u>122,578</u></b>



**REFUGEES INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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. 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 for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, 2017, from which the summarized information was derived.

**Cash and cash equivalents -**

Refugees International, Inc. considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets. Refugees International, Inc.'s policy is to sell all donated stock immediately upon receipt of funds.

**Receivables -**

Pledges and accounts receivable are recorded at their net realizable value, which approximates fair value. Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

**Property and equipment -**

Property and equipment in excess of \$1,000 are capitalized and stated at cost.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

Property and equipment (continued) -

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, 2018 totaled \$9,104.

Income taxes -

Refugees International, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is subject to tax on qualified transportation benefits it provides to its employees. Tax expense on these benefits for 2018 totaled \$5,001. Refugees International, Inc. is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, 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.

Net assets classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) 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.'s 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.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with 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 restriction in the accompanying financial statements.

**REFUGEES INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**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.

**Functional allocation of expenses -**

Refugees International, Inc. allocates expenses to its core functional expense categories; Program Services (Advocacy and Public Education) 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 four 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.

**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, 2018**

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

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Refugees International, Inc. has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. Refugees International Inc. has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *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. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Refugees International, Inc. plans to adopt the new ASUs at the respective required implementation dates.

Reclassification -

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

The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$2,921,335 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amount of \$645,785 and \$100,000, respectively, are now classified as net assets with donor restrictions.

**REFUGEES INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 72,086	\$ 72,086
Exchange traded funds	1,293,613	1,305,668
Mutual funds	1,577,223	1,580,887
U.S. Treasury notes	900,291	903,513
Stocks	<u>51,718</u>	<u>49,729</u>
<b>TOTAL INVESTMENTS</b>	<b>\$ <u>3,894,931</u></b>	<b>\$ <u>3,911,883</u></b>

Included in investment income are the following:

Interest and dividends	\$ 111,780
Management fees	(26,010)
Unrealized loss on investments	(349,389)
Realized gain on sale of investments	<u>11,172</u>
<b>TOTAL INVESTMENT LOSS</b>	<b>\$ <u>(252,447)</u></b>

**3. GRANTS RECEIVABLE**

As of December 31, 2018, contributors to Refugees International, Inc. have made written promises to give amounts totaling \$2,725,000. Grants 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%.

Grants are due as follows at December 31, 2018:

2019	\$ 1,050,000
2020	875,000
2021	<u>800,000</u>
Total	2,725,000
Less: Present value discount (4.75%)	<u>(113,833)</u>
<b>GRANTS RECEIVABLE</b>	<b>\$ <u>2,611,167</u></b>

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2018:

Advocacy	\$ 550,826
Staff Development and Training	16,395
Subject to passage of time	2,299,324
Earnings on Endowment	45,751
Endowment to be invested in perpetuity	<u>100,000</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ <u>3,012,296</u></b>

**REFUGEES INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**4. 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:

Advocacy	\$ 324,463
Public Education	116,181
Staff Development and Training	1,062
Time restrictions accomplished	647,500
Earnings on Endowment	<u>3,662</u>

<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 1,092,868</u></b>
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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, 2018:

Cash	\$ 323,417
Investments	3,911,883
Grants receivable	2,611,167
Pledges receivable	138,894
Less: Amounts unavailable for general expenditures within one year due to time and purpose restrictions	<u>(2,205,786)</u>

<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 4,779,575</u></b>
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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 \$342,000 per month for the year ending December 31, 2018. 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, 2018, 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, 2018:

Donated legal services	\$ 73,343
Donated conference services	2,970
Donated event services	39,348
Donated advertising	<u>87,884</u>

<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<b><u>\$ 203,545</u></b>
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**REFUGEES INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**6. IN-KIND CONTRIBUTIONS (Continued)**

The following programs have benefited from these donated services:

Advocacy	\$ 46,039
Public Education	137,900
Fundraising	13,646
General and Administrative	<u>5,960</u>
	<b><u>\$ 203,545</u></b>

**7. FUNCTIONAL EXPENSES AND JOINT COST ALLOCATION**

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Refugees International, Inc. conducts various events to educate the general public of the organization's mission and purpose, as well as to appeal for funds. The costs of conducting these events included a total of \$350,163 of joint costs that are not directly attributable to either the program or fundraising components of the activities. The joint costs were allocated as follows at December 31, 2018:

Public Education	\$ 263,454
Fundraising	<u>86,709</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 350,163</u></b>

**8. 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. 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, 2018, 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 \$22,869.

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

<b>Year Ended December 31, 2019</b>	<b><u>\$ 271,726</u></b>
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Total rent expense for the year ended December 31, 2018 was \$261,399, which includes operating fees and taxes.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**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, 2018 totaled \$60,475, 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 2018, Refugees International, Inc. paid \$79,736 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, 2018, the value of the accrued pension liability aggregated \$1,075,906. The net effect of the pension liability adjustment during the year ended December 31, 2018, was an increase of \$33,102 to the liability and an expense of \$112,838.

**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, 2018**

**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, 2018.

- *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 price traded in an active stock market.
- *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.
- *U.S. Treasury notes* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class - Investments</b>				
Money market funds	\$ 72,086	\$ -	\$ -	\$ 72,086
Exchange traded funds	1,305,668	-	-	1,305,668
Mutual funds	1,580,887	-	-	1,580,887
U.S. Treasury notes	903,513	-	-	903,513
Stocks	<u>49,729</u>	<u>-</u>	<u>-</u>	<u>49,729</u>
<b>TOTAL</b>	<b><u>\$ 3,911,883</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,911,883</u></b>

**11. ENDOWMENT**

Refugees International, Inc.'s endowment consists of one donor-restricted endowment fund. 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.

**REFUGEES INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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, 2018:

Money market funds	\$ 25,303
Exchange traded funds	90,131
Mutual funds	<u>30,317</u>
<b>TOTAL ENDOWMENT FUNDS</b>	<b><u>\$ 145,751</u></b>

Changes in endowment net assets for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 154,246	\$ 154,246
Investment loss	-	(4,833)	(4,833)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(3,662)</u>	<u>(3,662)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 145,751</u></b>	<b><u>\$ 145,751</u></b>

**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 the organization to retain as funds of perpetual duration. As of December 31, 2018, 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, 2018**

**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, 2019, the date the financial statements were issued.