

FINANCIAL STATEMENTS

**REFUGEES
INTERNATIONAL**



REFUGEES INTERNATIONAL, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

REFUGEES INTERNATIONAL, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2022, with Summarized Financial Information for 2021	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2022, with Summarized Financial Information for 2021	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2022, with Summarized Financial Information for 2021	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2022, with Summarized Financial Information for 2021	7
NOTES TO FINANCIAL STATEMENTS	8 - 18



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. (Refugees International), which comprise the statement of financial position as of December 31, 2022, 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 as of December 31, 2022, 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 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'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'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'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's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



April 26, 2023

REFUGEES INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 510,756	\$ 381,442
Investments	5,240,338	6,636,480
Grants receivable	443,853	75,000
Pledges receivable	106,541	291,457
Prepaid expenses and other assets	<u>66,956</u>	<u>57,402</u>
Total current assets	<u>6,368,444</u>	<u>7,441,781</u>
PROPERTY AND EQUIPMENT		
Equipment	96,881	77,618
Furniture	<u>12,985</u>	<u>12,985</u>
	109,866	90,603
Less: Accumulated depreciation	<u>(74,366)</u>	<u>(58,084)</u>
Net property and equipment	<u>35,500</u>	<u>32,519</u>
NONCURRENT ASSETS		
Deposits	45,231	45,231
Right-of-use asset	<u>1,058,875</u>	<u>-</u>
Total noncurrent assets	<u>1,104,106</u>	<u>45,231</u>
TOTAL ASSETS	<u><u>\$ 7,508,050</u></u>	<u><u>\$ 7,519,531</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 167,206	\$ 40,475
Accrued salaries and related benefits	105,482	161,790
Deferred revenue	195,770	68,423
Operating lease liability	381,908	-
Deferred rent	<u>-</u>	<u>7,971</u>
Total current liabilities	<u>850,366</u>	<u>278,659</u>
NONCURRENT LIABILITIES		
Accrued pension liability	1,076,251	1,071,169
Operating lease liability, net of current portion	788,012	-
Deferred rent, net of current portion	<u>-</u>	<u>111,045</u>
Total noncurrent liabilities	<u>1,864,263</u>	<u>1,182,214</u>
Total liabilities	<u>2,714,629</u>	<u>1,460,873</u>
NET ASSETS		
Without donor restrictions	2,935,975	5,118,467
With donor restrictions	<u>1,857,446</u>	<u>940,191</u>
Total net assets	<u>4,793,421</u>	<u>6,058,658</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,508,050</u></u>	<u><u>\$ 7,519,531</u></u>

REFUGEES INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 1,858,977	\$ 187,925	\$ 2,046,902	\$ 2,698,753
Foundation contributions	765,803	1,133,558	1,899,361	1,474,301
Investment (loss) income, net	(686,358)	(37,040)	(723,398)	402,144
Contract revenue	362,553	-	362,553	256,447
In-kind contributions	164,040	-	164,040	147,985
Net assets released from donor restrictions	<u>367,188</u>	<u>(367,188)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,832,203</u>	<u>917,255</u>	<u>3,749,458</u>	<u>4,979,630</u>
EXPENSES				
Program Services:				
Advocacy	2,623,999	-	2,623,999	2,624,328
Strategic Outreach	<u>1,571,657</u>	<u>-</u>	<u>1,571,657</u>	<u>1,203,886</u>
Total program services	<u>4,195,656</u>	<u>-</u>	<u>4,195,656</u>	<u>3,828,214</u>
Supporting Services:				
General and Administrative	187,891	-	187,891	161,845
Fundraising	<u>536,726</u>	<u>-</u>	<u>536,726</u>	<u>382,172</u>
Total supporting services	<u>724,617</u>	<u>-</u>	<u>724,617</u>	<u>544,017</u>
Total expenses	<u>4,920,273</u>	<u>-</u>	<u>4,920,273</u>	<u>4,372,231</u>
Change in net assets before other items	<u>(2,088,070)</u>	<u>917,255</u>	<u>(1,170,815)</u>	<u>607,399</u>
OTHER ITEMS				
Extinguishment of debt	-	-	-	482,202
Pension expense	<u>(94,422)</u>	<u>-</u>	<u>(94,422)</u>	<u>(124,265)</u>
Total other items	<u>(94,422)</u>	<u>-</u>	<u>(94,422)</u>	<u>357,937</u>
Change in net assets	(2,182,492)	917,255	(1,265,237)	965,336
Net assets at beginning of year	<u>5,118,467</u>	<u>940,191</u>	<u>6,058,658</u>	<u>5,093,322</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,935,975</u>	<u>\$ 1,857,446</u>	<u>\$ 4,793,421</u>	<u>\$ 6,058,658</u>

REFUGEES INTERNATIONAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022						2021	
	Program Services			Supporting Services				
	Advocacy	Strategic Outreach	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 1,483,133	\$ 818,991	\$ 2,302,124	\$ 104,099	\$ 119,532	\$ 223,631	\$ 2,525,755	\$ 2,396,724
Benefits and payroll taxes	345,792	158,651	504,443	11,084	7,951	19,035	523,478	499,259
Printing	857	1,483	2,340	28	695	723	3,063	2,678
Occupancy	216,548	117,598	334,146	21,646	15,525	37,171	371,317	371,620
Audit	-	-	-	19,060	-	19,060	19,060	21,167
Insurance	59,427	10,285	69,712	1,893	1,358	3,251	72,963	71,020
Depreciation	9,496	5,156	14,652	949	681	1,630	16,282	16,262
Telephone	16,676	8,884	25,560	1,546	1,109	2,655	28,215	28,283
Travel and entertainment	113,283	8,992	122,275	280	259	539	122,814	20,846
Consultant fees	288,953	241,826	530,779	17,374	176,609	193,983	724,762	526,252
Postage and delivery	305	139	444	16	820	836	1,280	3,324
Repairs and maintenance	1,051	571	1,622	105	75	180	1,802	1,921
Office supplies and expense	7,360	1,745	9,105	281	202	483	9,588	8,116
Dues and publications	27,179	71,182	98,361	1,187	30,348	31,535	129,896	172,867
Advertising	3,891	79,717	83,608	139	6,710	6,849	90,457	90,511
Conference	5,264	2,604	7,868	172	230	402	8,270	3,039
Events	-	-	-	-	160,838	160,838	160,838	55,898
Equipment	6,207	3,371	9,578	621	445	1,066	10,644	10,644
Staff training and development	446	-	446	-	-	-	446	1,020
Miscellaneous	24,131	16,962	41,093	7,411	13,339	20,750	61,843	53,030
Bad debt expense	-	-	-	-	-	-	-	7,750
Stipends	14,000	3,500	17,500	-	-	-	17,500	10,000
Project assistance	-	20,000	20,000	-	-	-	20,000	-
TOTAL	\$ 2,623,999	\$ 1,571,657	\$ 4,195,656	\$ 187,891	\$ 536,726	\$ 724,617	\$ 4,920,273	\$ 4,372,231

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,265,237)	\$ 965,336
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	16,282	16,262
Receipt of donated stock	(51,630)	(54,798)
Proceeds from sales of donated stock	41,015	58,322
Change in unrealized loss (gain) on investments	920,949	(246,171)
Realized gain on sale of investments	(99,411)	(51,021)
Extinguishment of debt	-	(482,202)
Change in measurement of operating lease	(7,971)	-
Accrued pension liability	5,082	39,902
Change in discount on long-term pledges receivable	-	(4,957)
Change in allowance for doubtful accounts	-	(13,750)
(Increase) decrease in:		
Grants receivable	(368,853)	175,000
Pledges receivable	184,916	117,959
Prepaid expenses and other assets	(9,554)	11,425
Increase (decrease) in:		
Accounts payable and accrued liabilities	126,731	(49,845)
Accrued salaries and related benefits	(56,308)	29,263
Deferred rent	-	36,685
Deferred revenue	127,347	(256,447)
Refundable advance	-	(51,509)
Net cash (used) provided by operating activities	<u>(436,642)</u>	<u>239,454</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(19,263)	(1,842)
Net sales (purchases) of investments	<u>585,219</u>	<u>(784,784)</u>
Net cash provided (used) by investing activities	<u>565,956</u>	<u>(786,626)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable under Paycheck Protection Program	<u>-</u>	<u>482,202</u>
Net cash provided by financing activities	<u>-</u>	<u>482,202</u>
Net increase (decrease) in cash and cash equivalents	129,314	(64,970)
Cash and cash equivalents at beginning of year	<u>381,442</u>	<u>446,412</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 510,756</u></u>	<u><u>\$ 381,442</u></u>
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Extinguishment of Debt	<u>\$ -</u>	<u>\$ 482,202</u>
Right-of-Use Asset	<u>\$ 1,413,615</u>	<u>\$ -</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 1,532,631</u>	<u>\$ -</u>

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 provides public education and 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 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's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2022, Refugees International adopted ASU 2019-01, *Leases* (Topic 842), which changed 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. **Refugees International** applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 6 for further details.

During the year ended December 31, 2022, Refugees International adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. 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, 2022**

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

New accounting pronouncements 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 was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

Cash -

Refugees International 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 \$449,890 for the year ended December 31, 2022 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 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 (loss) 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's policy is to liquidate all gifts of investments as soon as possible after receipt of the gift.

Receivables -

Refugees International 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, 2022, Refugees International did not write off any pledges or grants receivable.

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, 2022

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, 2022 totaled \$16,282.

Income taxes -

Refugees International 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 is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2022, Refugees International 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 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 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, 2022, Refugees International had no unrecognized conditional contributions.

Refugees International 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.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Support and revenue (continued) -

Refugees International 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.

There were no receivables from contracts with customers as of December 31, 2022 or 2021.

In-kind contributions -

In-kind contributions consist primarily of legal services and advertising 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 allocates expenses to its core functional expense categories; Program Services (Advocacy 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 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.

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 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.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Fair value measurement -

Refugees International 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 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 -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for Refugees International for the year ending December 31, 2023 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

Refugees International 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, 2022:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 449,890	\$ 449,890
Exchange traded funds	760,184	768,382
Mutual funds	1,161,325	1,172,987
Fixed income securities	2,947,650	2,839,457
Stocks	<u>9,639</u>	<u>9,622</u>
TOTAL INVESTMENTS	<u>\$ 5,328,688</u>	<u>\$ 5,240,338</u>

Included in investment loss, net are the following:

Interest and dividends	\$ 136,517
Management fees	(38,377)
Change in unrealized loss on investments	(920,949)
Realized gain on sale of investments	<u>99,411</u>
TOTAL INVESTMENT LOSS, NET	<u>\$ (723,398)</u>

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Endowment to be invested in perpetuity	\$ 300,000
Advocacy	1,063,743
Strategic Outreach	175,500
Subject to passage of time	256,810
Accumulated earnings on endowment not yet appropriated for spending	53,086
Staff Training and Development	<u>8,307</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,857,446</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:

Time restrictions accomplished	\$ 105,000
Advocacy	91,745
Strategic Outreach	152,000
Appropriation of endowment assets for expenditure	<u>18,443</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 367,188</u>

4. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2022:

Cash	\$ 510,756
Investments	5,240,338
Grants receivable, current	443,853
Pledges receivable, current	106,541
Less: Amounts unavailable for general expenditures within one year due to time and purpose restrictions	<u>(1,600,636)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 4,700,852</u>

Refugees International 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 \$418,000 per month for the year ending December 31, 2022. Refugees International's policy is to structure its financial assets to become available as general expenditures, liabilities, and other obligations become due. In addition, Refugees International invests cash in excess of short-term requirements in various investments.

5. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2022, Refugees International was the beneficiary of certain donated professional services which allowed Refugees International to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the in-kind contributions during the year ended December 31, 2022.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

5. IN-KIND CONTRIBUTIONS (Continued)

Donated legal services are valued based on the attorney's standard hourly rate multiplied by the number of hours donated to work on Refugees International. Donated advertising is valued based on the advertising platform's standard cost to post each type of advertisement multiplied by the number of each type of advertisement posted for Refugees International. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2022.

Donated legal services	\$ 89,387
Donated advertising	<u>74,653</u>
TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 164,040</u>

The following programs and supporting services have benefited from these donated services:

Advocacy	\$ 52,129
Strategic Outreach	102,963
Fundraising	3,737
General and Administrative	<u>5,211</u>
TOTAL	<u>\$ 164,040</u>

6. LEASE COMMITMENTS

During 2019, Refugees International 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%.

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. Refugees International elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. Refugees International also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. Further, in accordance with the election of the practical expedients, Refugees International did not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, Refugees International recorded a right-of-use asset in the amount of \$1,413,615. Refugees International recorded an operating lease liability in the amount of \$1,532,631, by calculating the present value using the discount rate of 1.10%. The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2023	\$ 392,502
2024	408,202
2025	<u>387,860</u>
	1,188,564
Less: Imputed interest	<u>(18,644)</u>
	1,169,920
Less: Current portion	<u>(381,908)</u>
LONG-TERM PORTION	<u>\$ 788,012</u>

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

6. LEASE COMMITMENTS (Continued)

Occupancy expense, including imputed interest and amortization of the right-of-use asset, along with storage rental fees, for the year ended December 31, 2022 was \$371,317, and is included in occupancy expense in the accompanying Statement of Functional Expenses.

7. RETIREMENT PLANS

Refugees International'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. 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, 2022 totaled \$82,506, and is included in benefits in the accompanying Statement of Functional Expenses.

Refugees International 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 2022, Refugees International paid \$89,340 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, 2022, the value of the accrued pension liability aggregated \$1,076,251. The net effect of the pension liability adjustment during the year ended December 31, 2022, was an increase of \$5,082 to the liability and an expense of \$94,422.

8. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Refugees International 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 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, 2022

8. 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 and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - Valued at the daily closing price as reported by the fund. The money market funds are open-end mutual funds that are 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 funds are 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 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 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's investments as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments				
Money market funds	\$ 449,890	\$ -	\$ -	\$ 449,890
Exchange traded funds	768,382	-	-	768,382
Mutual funds	1,172,987	-	-	1,172,987
Fixed income securities	-	2,839,457	-	2,839,457
Stocks	<u>9,622</u>	<u>-</u>	<u>-</u>	<u>9,622</u>
TOTAL	\$ <u>2,400,881</u>	\$ <u>2,839,457</u>	\$ <u>-</u>	\$ <u>5,240,338</u>

9. ENDOWMENTS

Refugees International'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.

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.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. ENDOWMENTS (Continued)

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 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 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, 2022:

Money market funds	\$ 94,069
Exchange traded funds	<u>259,017</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 353,086</u>

Changes in endowment net assets for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 408,569	\$ 408,569
Investment loss, net	-	(37,040)	(37,040)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(18,443)</u>	<u>(18,443)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 353,086</u>	<u>\$ 353,086</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 to retain as funds of perpetual duration. Deficiencies of this nature exist in one of the two donor-restricted endowment funds, which has a corpus of \$200,000 and a deficiency of \$13,150 as of December 31, 2022. This deficiency was primarily due to unfavorable market conditions that occurred during the year.

Return Objectives and Risk Parameters -

Refugees International 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.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. ENDOWMENTS (Continued)

Strategies Employed for Achieving Objectives -

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

10. SUBSEQUENT EVENTS

In preparing these financial statements, Refugees International has evaluated events and transactions for potential recognition or disclosure through April 26, 2023, the date the financial statements were issued.