

**REFUGEES INTERNATIONAL, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

BUNTUA & COMPANY

2020 PENNSYLVANIA AVE., N.W., # 363
WASHINGTON, DC 20006

INDEPENDENT AUDITORS' REPORT

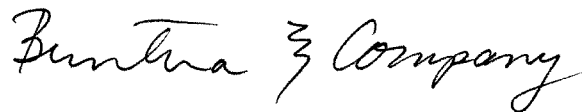
The Board of Directors
Refugees International, Inc.
Washington, D.C.

We have audited the accompanying statement of financial position of the Refugees International, Inc. as of December 31, 2007 and the related statements of activities, cash flows and schedule of functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Refugees International, Inc. as of December 31, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

April 8, 2008



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REFUGEES INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007
(With Comparative Totals for 2006)

	<u>ASSETS</u>			Total	2006 Total (Memorandum Only)
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
Current Assets					
Cash and cash equivalents (Note 2)	\$1,053,724	\$ 874,919	\$ 100,000	\$2,028,643	\$ 1,963,680
Grants receivable (Note 3)	165,000	350,000	-	515,000	597,500
Other receivable	54,984	-	-	54,984	1,500
Advances	5,641	-	-	5,641	5,130
Prepaid Expenses	46,286	-	-	46,286	32,125
Total Current Assets	<u>1,325,635</u>	<u>1,224,919</u>	<u>100,000</u>	<u>2,650,554</u>	<u>2,599,935</u>
Property and Equipment (Note 4)					
Land and building	832,003	-	-	832,003	832,003
Leasehold improvements	12,144	-	-	12,144	-
Furniture and equipment	102,607	-	-	102,607	84,534
Total	946,754	-	-	946,754	916,537
Less accumulated depreciation and amortization	(259,714)	-	-	(259,714)	(255,705)
Property and Equipment, net	<u>687,040</u>	<u>-</u>	<u>-</u>	<u>687,040</u>	<u>660,832</u>
Other Assets					
Deposit	24,508	-	-	24,508	4,820
Total Assets	<u>\$2,037,183</u>	<u>\$ 1,224,919</u>	<u>\$ 100,000</u>	<u>\$3,362,102</u>	<u>\$ 3,265,587</u>

The accompanying notes are an integral part of these financial statements.

REFUGEES INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007
(With Comparative Totals for 2006)
(continued)

LIABILITIES AND NET ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2006 Total (Memorandum Only)</u>
Current Liabilities					
Accounts payable and accrued expenses	\$ 105,219	\$ -	\$ -	\$ 105,219	\$ 80,344
Accrued payroll and payroll taxes	40,211	-	-	40,211	35,706
Deferred rent	28,301	-	-	28,301	-
Current portion of mortgage payable(Note 5)	469,274	-	-	469,274	30,877
Total Current Liabilities	<u>643,005</u>	<u>-</u>	<u>-</u>	<u>643,005</u>	<u>146,927</u>
Long-Term Liabilities					
Mortgage payable, net of current portion	-	-	-	-	466,366
Total Liabilities	<u>643,005</u>	<u>-</u>	<u>-</u>	<u>643,005</u>	<u>613,293</u>
Net Assets					
Unrestricted	1,394,178	-	-	1,394,178	1,130,304
Temporarily restricted	-	1,224,919	-	1,224,919	1,421,990
Permanently restricted	-	-	100,000	100,000	100,000
Total Net Assets	<u>1,394,178</u>	<u>1,224,919</u>	<u>100,000</u>	<u>2,719,097</u>	<u>2,652,294</u>
Total Liabilities and Net Assets	<u>\$2,037,183</u>	<u>\$1,224,919</u>	<u>\$ 100,000</u>	<u>\$3,362,102</u>	<u>\$ 3,265,587</u>

The accompanying notes are an integral part of these financial statements.

REFUGEES INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
(With Comparative Totals for 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2006 Total (Memorandum Only)
Revenue and other support					
Grants and contributions	\$ 2,434,537	\$ 1,038,094	\$ -	\$3,472,631	\$ 3,139,838
Interest income	66,775	-	-	66,775	45,769
Other income	(20,236)	-	-	(20,236)	18,155
Net assets released from restriction					
Expiration of time restrictions	621,591	(621,591)	-	-	-
Restriction satisfied by payments	613,574	(613,574)	-	-	-
Total Revenue and Other Support	<u>3,716,241</u>	<u>(197,071)</u>	<u>-</u>	<u>3,519,170</u>	<u>3,203,762</u>
Expenses					
Program Services					
Advocacy	2,430,220	-	-	2,430,220	2,022,053
Public education	592,077	-	-	592,077	393,553
Supporting Services					
General and administrative	173,756	-	-	173,756	136,288
Fundraising	256,314	-	-	256,314	196,899
Total Expenses	<u>3,452,367</u>	<u>-</u>	<u>-</u>	<u>3,452,367</u>	<u>2,748,793</u>
Change in Net Assets	263,874	(197,071)	-	66,803	454,969
Net Assets At Beginning of Year	<u>1,130,304</u>	<u>1,421,990</u>	<u>100,000</u>	<u>2,652,294</u>	<u>2,197,325</u>
Net Assets At End of Year	<u>\$ 1,394,178</u>	<u>\$ 1,224,919</u>	<u>\$ 100,000</u>	<u>\$2,719,097</u>	<u>\$ 2,652,294</u>

The accompanying notes are an integral part of these financial statements.

REFUGEES INTERNATIONAL, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007
(With Comparative Totals for 2006)

	Program Services			Supporting Services			Total 2006
	Advocacy	Public Education	Program Services	General and Administrative	Fundraising	Support Services	
Salaries	\$ 1,129,260	\$ 251,984	\$ 1,381,244	\$ 122,374	\$ 135,733	\$ 258,107	\$ 1,639,351
Benefits	372,314	59,356	431,670	20,067	28,804	48,871	480,541
Consultant fees	229,993	105,364	335,357	13,946	7,239	21,185	356,542
Travel	315,544	25,430	340,974	132	1,654	1,786	342,760
Events	-	84,276	84,276	-	28,091	28,091	112,367
Project assistance	85,229	-	85,229	-	-	-	85,229
Occupancy	61,940	7,765	69,705	3,552	4,103	7,655	77,360
Insurance	50,627	2,605	53,232	4,758	1,312	6,070	59,302
Depreciation and amortization	29,400	6,097	35,497	2,789	3,221	6,010	41,507
Printing	9,570	18,559	28,129	230	8,478	8,708	36,837
Telephone	28,638	3,955	32,593	1,188	2,227	3,415	36,008
Dues and publications	16,241	5,503	21,744	200	10,095	10,295	32,039
Interest expense	20,648	4,282	24,930	1,959	2,262	4,221	29,151
Relocation expenses	15,333	3,180	18,513	1,455	1,680	3,135	21,648
Office supplies	9,391	1,639	11,030	725	1,814	2,539	13,569
Conference	8,351	2,129	10,480	569	1,316	1,885	12,365
Miscellaneous	93	19	112	11,706	11	11,717	11,829
Advertising	1,554	3,277	4,831	-	6,570	6,570	11,401
Equipment rental	7,074	1,467	8,541	671	775	1,446	9,987
Postage	1,781	1,147	2,928	165	6,678	6,843	9,771
Staff training & development	6,566	1,065	7,631	264	1,099	1,363	8,994
Computer supplies	4,613	967	5,580	323	773	1,096	6,676
Repairs and maintenance	4,625	822	5,447	376	434	810	6,257
Audit	3,612	749	4,361	343	396	739	5,100
Delivery expenses	1,742	330	2,072	60	1,491	1,551	3,623
Furniture and equipment	-	-	-	1,406	-	1,406	1,406
Duplicating	529	110	639	50	58	108	747
Project overhead charges	15,552	-	15,552	(15,552)	-	(15,552)	-
	<u>\$ 2,430,220</u>	<u>\$ 592,077</u>	<u>\$ 3,022,297</u>	<u>\$ 173,756</u>	<u>\$ 256,314</u>	<u>\$ 430,070</u>	<u>\$ 3,452,367</u>
							<u>\$ 2,748,793</u>

The accompanying notes are an integral part of these financial statements.

REFUGEES INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Cash Flows From (Used in) Operating Activities		
Change in net assets	\$ 66,803	\$ 454,969
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	41,507	41,396
Increase (decrease) in cash resulting from changes in:		
Grants receivable	82,500	138,396
Other receivable	(53,484)	748
Advances	(511)	15,369
Prepaid expenses	(14,161)	5,064
Deposits	(19,688)	(3,540)
Accounts payable and accrued expenses	29,380	43,938
Deferred rent	28,301	-
	160,647	696,340
Cash Flows Used in Investing Activities:		
Purchase of furniture and equipment	(67,715)	(16,626)
Net Cash Flows Used in Investing Activities	(67,715)	(16,626)
Cash Flows From Financing Activities		
Payment of long term debt	(27,969)	(26,324)
Net Cash Flows Used From Financial Activities	(27,969)	(26,324)
Net Increase(Decrease) in Cash and Cash Equivalents	64,963	653,390
Cash and Cash Equivalents, Beginning of year	1,963,680	1,310,290
Cash and Cash Equivalents, End of year	\$ 2,028,643	\$ 1,963,680
Supplemental Information - Interest Paid	\$ 29,151	\$ 30,795

The accompanying notes are an integral part of these financial statements.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

1. Summary of Significant Accounting Policies

Organization and Purpose

Refugees International, Inc. (RI) was incorporated in 1980 under the District of Columbia Non-profit Corporation Act for the purpose of assisting refugees.

Basis of Accounting

RI has adopted the accrual basis of accounting in the presentation of its financial statements. Consequently, revenue is recognized when earned rather than when cash is received, and expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Unrestricted net assets have no restrictions on their use imposed by the donor. Temporarily restricted net assets are those whose use is restricted until a specified time or purpose has expired as designated by donor. Permanently restricted net assets are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes.

Revenue Recognition

RI reports contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007
(CONTINUATION)

1. Summary of Significant Accounting Policies, continued

Income Taxes

The Internal Revenue Service has determined that RI is a public charity and is exempt from Federal Income taxes under Section 501 (c)(3) of the Internal Revenue Code, except income from unrelated business activities. Accordingly, no provision for income taxes is required as of December 31, 2007, as the organization had no unrelated business income.

2. Cash and Cash Equivalent

Cash equivalents consist of cash and other highly liquid short term investments which are readily convertible into cash within ninety (90) days of purchase. Short term investments also include donated securities which are recorded at fair market value at the time of the gift or the gross proceeds at the time of the sale.

3. Grants Receivable

Grants receivable consists primarily of contributions pledged from donors. All receivables are deemed fully collectible within one year and are recorded at net realizable value.

4. Property and Equipment

Property and equipment is stated at cost, except for donated property and equipment which is carried at the fair market value as of the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of thirty years for the building and five to seven years for furniture and equipment. Expenses for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses. RI sold the building in January 2008.

Depreciation expenses for the years ended December 31, 2007 and 2006 are \$41,507 and \$41,396, respectively.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007
(CONTINUATION)

5. Mortgage Payable

RI's obligation under mortgage payable consists of the following at December 31, 2007:

5.99% note payable, due in monthly installments of \$4,760, including interest, through April 3, 2019, secured by a Deed of Trust on the land and building.	<u>\$ 469,274</u>
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In January 2008, the mortgage liability was fully paid from the proceeds of the sale of the building.

6. Retirement Plan

RI offered the employees to participate in a voluntary 403(b) Tax Deferred Annuity. RI contributes 50% of the employee's contribution up to 4% of the employee's salary. In addition to the matching basis, RI will contribute an amount to be determined by RI. The annual rate for 2007 and 2006 was 5%. RI's contributions in 2007 and 2006 are \$73,657 and \$ 68,884 respectively.

7. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on the functional basis in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supported services benefited.

RI conducted various events to provide information about their work and to appeal for funds. The costs of conducting these events included a total of \$112,367 of joint costs that are not directly attributable to either the program or fundraising components of the activities. These joint costs were allocated as follows:

Public education	\$ 84,276
Fundraising	<u>28,092</u>
Total	<u>\$ 112,367</u>

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007
(CONTINUATION)

8. Concentrations of Risk

RI maintains cash balances at several financial institutions. Where applicable, accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007 and 2006, RI's uninsured cash balances totals about \$1,122,650 and \$1,686,000, respectively. These are largely in money market funds.

9. Lease Commitment

On September 25, 2007, RI entered into five year lease agreement for their current office space commencing on November 19, 2007. Annual base rent will increase by four percent (4%) on each anniversary of the lease through the end of the term.

RI also signed a one-year lease agreement for their office in New York which commenced on February 2007. The lease will automatically renew for successive periods of one year until unilaterally terminated by either party. The fixed monthly charge during any renewal period is the greater of the current market rate as determined by the landlord or the fixed monthly charge plus seven percent (7%). The lease has been renewed for the next year. The minimum future rental commitments for the above operating leases are:

<u>Year</u>	
2008	\$ 240,743
2009	247,341
2010	257,235
2011	267,524
2012	<u>230,319</u>
	<u>\$1,243,162</u>

10. Other Matter

RI pays pension to a former officer based on the employment contract dated February 15, 2001. Under this contract, RI will pay pension with annual cost of living increases upon retirement in 2006, with right of survivorship to the wife. Total amounts paid in 2007 and 2006 were \$70,111 and \$59,894, respectively.