

**FINANCIAL STATEMENTS**

**REFUGEES INTERNATIONAL, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2011**

**REFUGEES INTERNATIONAL, INC.**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Refugees International, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, 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, 2012, 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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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### Report on Summarized Comparative Information

We have previously audited Refugees International, Inc.'s 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2012. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2011, is consistent in all material respects with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

Bethesda, Maryland  
May 3, 2013

**REFUGEES INTERNATIONAL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2012**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 703,514	\$ 441,631
Investments (Notes 2 and 9)	1,112,998	1,548,161
Accounts receivable from employees	19,032	3,300
Grants receivable	201,372	520,157
Pledges receivable	294,703	318,500
Prepaid expenses	<u>88,651</u>	<u>77,085</u>
Total current assets	<u>2,420,270</u>	<u>2,908,834</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	93,907	120,837
Furniture	6,434	8,465
Leasehold improvements	<u>-</u>	<u>12,144</u>
	100,341	141,446
Less: Accumulated depreciation and amortization	<u>(64,759)</u>	<u>(93,982)</u>
Net property and equipment	<u>35,582</u>	<u>47,464</u>
<b>NONCURRENT ASSETS</b>		
Security deposits	<u>21,495</u>	<u>24,346</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,477,347</u></b>	<b><u>\$ 2,980,644</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 54,533	\$ 42,617
Accrued salaries and related benefits	<u>178,084</u>	<u>179,684</u>
Total current liabilities	<u>232,617</u>	<u>222,301</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued pension liability (Note 8)	1,220,331	1,242,611
Deferred rent (Note 7)	<u>30,233</u>	<u>-</u>
Total noncurrent liabilities	<u>1,250,564</u>	<u>1,242,611</u>
Total liabilities	<u>1,483,181</u>	<u>1,464,912</u>
<b>NET ASSETS</b>		
Unrestricted	100,174	330,490
Temporarily restricted (Note 3)	793,992	1,085,242
Permanently restricted (Note 4)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>994,166</u>	<u>1,515,732</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,477,347</u></b>	<b><u>\$ 2,980,644</u></b>

## REFUGEES INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>					
Contributions	\$ 1,826,845	\$ 134,206	\$ -	\$ 1,961,051	\$ 1,683,249
Foundation grants	383,954	589,483	-	973,437	1,886,720
Investment income (Note 2)	153,210	4,962	-	158,172	15,106
In kind contributions (Note 5)	192,724	-	-	192,724	-
Net assets released from donor restrictions (Note 3)	<u>1,019,901</u>	<u>(1,019,901)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,576,634</u>	<u>(291,250)</u>	<u>-</u>	<u>3,285,384</u>	<u>3,585,075</u>
<b>EXPENSES</b>					
Program services:					
Advocacy	2,231,365	-	-	2,231,365	2,564,352
Public Education	<u>952,720</u>	<u>-</u>	<u>-</u>	<u>952,720</u>	<u>939,040</u>
Total program services	<u>3,184,085</u>	<u>-</u>	<u>-</u>	<u>3,184,085</u>	<u>3,503,392</u>
Supporting services:					
General and Administrative	216,010	-	-	216,010	170,412
Fundraising	<u>406,855</u>	<u>-</u>	<u>-</u>	<u>406,855</u>	<u>289,222</u>
Total supporting services	<u>622,865</u>	<u>-</u>	<u>-</u>	<u>622,865</u>	<u>459,634</u>
Total expenses	<u>3,806,950</u>	<u>-</u>	<u>-</u>	<u>3,806,950</u>	<u>3,963,026</u>
Change in net assets	(230,316)	(291,250)	-	(521,566)	(377,951)
Net assets at beginning of year	<u>330,490</u>	<u>1,085,242</u>	<u>100,000</u>	<u>1,515,732</u>	<u>1,893,683</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 100,174</u></b>	<b><u>\$ 793,992</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 994,166</u></b>	<b><u>\$ 1,515,732</u></b>

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<b>2012</b>		
	<b>Program Services</b>		
	<b>Advocacy</b>	<b>Public Education</b>	<b>Total Program Services</b>
Salaries	\$ 1,179,697	\$ 427,118	\$ 1,606,815
Benefits (Note 8)	347,478	97,615	445,093
Staff training and development	17,688	2,800	20,488
Consultant fees	116,753	51,784	168,537
Audit	10,778	3,703	14,481
Depreciation and amortization	13,888	4,772	18,660
Delivery expenses	1,589	510	2,099
Telephone	30,043	7,977	38,020
Office supplies and expense	8,667	2,908	11,575
Computer supplies	1,310	450	1,760
Postage	767	187	954
Printing	2,563	4,479	7,042
Dues and publications	14,782	9,542	24,324
Advertising	1,288	99,731	101,019
Travel	195,901	13,518	209,419
Occupancy (Note 7)	183,720	59,559	243,279
Program office costs	35,787	-	35,787
Equipment rental	10,535	3,620	14,155
Repairs and maintenance	2,223	764	2,987
Insurance	50,206	4,570	54,776
Furniture and equipment	-	-	-
Conference	5,435	1,423	6,858
Events (Note 6)	-	155,625	155,625
Miscellaneous	267	65	332
<b>TOTAL</b>	<b>\$ 2,231,365</b>	<b>\$ 952,720</b>	<b>\$ 3,184,085</b>

See accompanying notes to financial statements.

					2011
<u>Supporting Services</u>					
<u>General and</u>		<u>Total</u>			
<u>Administrative</u>	<u>Fundraising</u>	<u>Supporting</u>	<u>Services</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
\$ 120,165	\$ 165,374	\$ 285,539	\$ 1,892,354	\$ 2,015,242	
15,052	23,995	39,047	484,140	569,536	
3	394	397	20,885	34,311	
8,235	73,564	81,799	250,336	243,572	
954	1,337	2,291	16,772	24,081	
1,229	1,722	2,951	21,611	24,282	
116	706	822	2,921	3,582	
1,394	3,557	4,951	42,971	40,645	
545	1,686	2,231	13,806	17,356	
116	162	278	2,038	478	
48	7,532	7,580	8,534	6,566	
72	9,763	9,835	16,877	25,091	
389	14,654	15,043	39,367	43,410	
-	1,280	1,280	102,299	3,522	
126	22,049	22,175	231,594	260,563	
15,348	21,494	36,842	280,121	293,503	
12	-	12	35,799	13,594	
933	1,306	2,239	16,394	15,397	
197	276	473	3,460	8,847	
5,678	1,649	7,327	62,103	70,580	
-	-	-	-	1,339	
243	2,081	2,324	9,182	27,524	
-	51,875	51,875	207,500	195,497	
45,155	399	45,554	45,886	24,508	
<b>\$ 216,010</b>	<b>\$ 406,855</b>	<b>\$ 622,865</b>	<b>\$ 3,806,950</b>	<b>\$ 3,963,026</b>	

See accompanying notes to financial statements.

## REFUGEES INTERNATIONAL, INC.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (521,566)	\$ (377,951)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	21,611	24,282
Stock donations	(56,653)	(77,004)
Unrealized (gain) loss on investments	(17,132)	84,469
Realized gain on sales of investments	(94,967)	(18,937)
Deferred rent abatement	30,233	-
Loss on sale of equipment	1,791	-
(Increase) decrease in:		
Accounts receivable from employees	(15,732)	6,738
Grants receivable	318,785	(162,642)
Pledges receivable	23,797	(174,365)
Prepaid expenses	(11,566)	(20,480)
Security deposits	2,851	162
Increase (decrease) in:		
Accounts payable and accrued liabilities	11,916	(18,923)
Accrued salaries and related benefits	(1,600)	(37,605)
Accrued pension liability	(22,280)	(10,000)
Net cash used by operating activities	<u>(330,512)</u>	<u>(782,256)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(11,520)	(22,522)
Net proceeds from sales of investments	<u>603,915</u>	<u>663,095</u>
Net cash provided by investing activities	<u>592,395</u>	<u>640,573</u>
Net increase (decrease) in cash and cash equivalents	261,883	(141,683)
Cash and cash equivalents at beginning of year	<u>441,631</u>	<u>583,314</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 703,514</u>	<u>\$ 441,631</u>

See accompanying notes to financial statements.

**REFUGEES INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

**Organization -**

Refugees International, Inc. is a nonprofit organization, incorporated in 1980 and located in the District of Columbia for the purpose of assisting refugees. Refugees International, Inc. focuses on work in seven countries and around six issues: neglected crises, return and reintegration, internal displacement, peacekeeping, statelessness and climate displacement.

**Basis of presentation -**

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

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, 2011, 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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). Refugees International, Inc. maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000. 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.

**Receivables -**

All receivables are stated at actual amounts which approximate fair value. Management considers all amounts 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. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

Property and equipment (continued) -

Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2012 totaled \$21,611.

Income taxes -

Refugees International, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Refugees International, Inc. is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2012, 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. The Federal Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net assets classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Refugees International, Inc. and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Refugees International, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by Refugees International, Inc. There are restrictions placed on the use of investment earnings from these endowment funds.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

In kind contributions -

In kind contributions consist of advertising and legal services. In kind contributions are recorded at their fair market value as of the date of the gift.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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

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/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 executive positions, and other departments (e.g. Finance, Human Resources, Fundraising, etc.) 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, Supporting Services expenses related to salaries and benefits are generally allocated evenly across these four core categories 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.

2. INVESTMENTS

Investments consisted of the following at December 31, 2012:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 40,668	\$ 40,668
Stocks	219,341	251,939
Mutual funds	<u>724,043</u>	<u>820,391</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 984,052</u></b>	<b><u>\$ 1,112,998</u></b>

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

2. INVESTMENTS (Continued)

Included in investment income are the following:

Interest and dividends	\$	46,073
Unrealized gain on investments		17,132
Realized gain on sales of investments		<u>94,967</u>
<b>TOTAL INVESTMENT INCOME</b>	<b>\$</b>	<b><u>158,172</u></b>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2012:

Advocacy	\$	534,352
Public Education		120,000
Time Restricted		<u>139,640</u>
	<b>\$</b>	<b><u>793,992</u></b>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Advocacy	\$	676,551
Public Education		138,000
Passage of Time		165,000
Fundraising		<u>40,350</u>
	<b>\$</b>	<b><u>1,019,901</u></b>

4. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of two \$50,000 endowments (from the same donor) for the purpose of furthering the programmatic mission of the organization. The corpus is required to be invested in-perpetuity with the income available to support the purpose specified by the donor. As of December 31, 2012, permanently restricted net assets totaled \$100,000.

5. IN KIND CONTRIBUTIONS

During the year ended December 31, 2012, Refugees International, Inc. was the beneficiary of certain donated professional services which allowed Refugees International, Inc. to provide greater resources towards its activities. Following is a breakdown of donations which have been included in revenue and expense for the year ended December 31, 2012.

Donated advertising	\$	99,731
Donated legal services		<u>92,993</u>
	<b>\$</b>	<b><u>192,724</u></b>

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

5. IN KIND CONTRIBUTIONS (Continued)

The following programs have benefited from these donated services:

Advocacy	\$	59,759
Public Education		120,264
Fundraising		7,410
General and Administrative		<u>5,291</u>
	\$	<u>192,724</u>

6. 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 \$207,500 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:

Public Education	\$	155,625
Fundraising		<u>51,875</u>
	\$	<u>207,500</u>

7. LEASE COMMITMENTS

On September 25, 2007, Refugees International, Inc. entered into a five year lease agreement for office space in the District of Columbia. The lease expired on October 31, 2012 and a new lease agreement was entered into, effective November 1, 2012, for the same office space in the District of Columbia. The new lease agreement includes a 2.5% annual rent escalation and is for a term of seven years.

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 Statements of Financial Position. For the year ended December 31, 2012, the difference between the actual monthly payments and the straight-line basis is reflected in the Statements of Financial Position as a deferred rent liability aggregating \$30,233.

Refugees International, Inc. also entered into a six month lease agreement for office space in New York, which was effective February 1, 2012; the lease will automatically renew for successive periods of six months until unilaterally terminated by either party.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

7. LEASE COMMITMENTS (Continued)

On November 15, 2011, Refugees International, Inc. entered into a lease agreement for office space in London. The lease agreement does not include any escalation and ends March 31, 2014.

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

<u>Year Ending December 31,</u>	
2013	\$ 256,354
2014	254,362
2015	257,944
2016	264,393
2017	271,002
Thereafter	<u>549,504</u>
	<u>\$ 1,853,559</u>

Total rent expense for the year ended December 31, 2012 was \$280,121, which includes operating fees and taxes.

8. RETIREMENT PLANS

Refugees International, Inc.'s employees have an option to participate in a voluntary Safe Harbor 401(k) Plan. Employees are eligible to join upon six months of employment with Refugees International, Inc. The minimum percentage of compensation a participant may elect to be treated as an Elective Deferral is 1%, and the maximum percentage of compensation a participant may elect to be treated as an Elective Deferral is 85%. Matching contributions equal 100% on the first 5% of participant's compensation, which is deferred as an Elective Deferral. Contributions to the plan during the year ended December 31, 2012 totaled \$66,962.

Refugees International, Inc. modified the Safe Harbor 401(k) Plan, effective January 1, 2013, such that the maximum percentage of compensation a participant may elect to be treated as an Elective Deferral is 80%, and matching contributions equal 100% on the first 4% of participant's compensation. All other aspects of the Safe Harbor 401(k) Plan remain unchanged.

Refugees International, Inc. has 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 2012, Refugees International, Inc. paid \$77,939 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 (based on the spread between the nominal 30-year bond yields and inflation indexed 30-year bond yields) and the participant/spouse mortality tables under the Pension Protection Act. As of December 31, 2012, the value of the accrued pension liability aggregated \$1,220,331.

**REFUGEES INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**9. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, Refugees International, Inc. has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market that Refugees International, Inc. has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2012.

- *Money market funds*—Fair value is equal to the reported net asset value of the fund.
- *Stocks*—Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds*—Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

Financial assets recorded in the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2012:

<b>Asset Category - Investments</b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Money market funds	\$ 40,668	\$ -	\$ -	\$ 40,668
Stocks	251,939	-	-	251,939
Mutual funds	<u>820,391</u>	<u>-</u>	<u>-</u>	<u>820,391</u>
<b>TOTAL</b>	<b><u>\$1,112,998</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,112,998</u></b>

**10. SUBSEQUENT EVENTS**

In preparing these financial statements, Refugees International, Inc. has evaluated events and transactions for potential recognition or disclosure through May 3, 2013, the date the financial statements were issued.