

**FINANCIAL STATEMENTS**

**REFUGEES INTERNATIONAL, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2012**

# 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 Refugees International, Inc., which comprise the statement of financial position as of December 31, 2013, 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.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## 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, 2013, 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.

## Report on Summarized Comparative Information

We have previously audited Refugees International, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2013. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2012, is consistent in all material respects with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

May 1, 2014

**REFUGEES INTERNATIONAL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

**ASSETS**

	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 689,139	\$ 703,514
Investments (Notes 2 and 9)	1,116,685	1,112,998
Accounts receivable from employees	21,018	19,032
Grants receivable	-	200,047
Pledges receivable	239,487	294,703
Prepaid expenses and other assets	<u>67,950</u>	<u>89,976</u>
Total current assets	<u>2,134,279</u>	<u>2,420,270</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	57,491	93,907
Furniture	<u>5,218</u>	<u>6,434</u>
	62,709	100,341
Less: Accumulated depreciation and amortization	<u>(38,909)</u>	<u>(64,759)</u>
Net property and equipment	<u>23,800</u>	<u>35,582</u>
<b>NONCURRENT ASSETS</b>		
Security deposits	<u>21,495</u>	<u>21,495</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,179,574</u></b>	<b><u>\$ 2,477,347</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 50,985	\$ 54,533
Accrued salaries and related benefits	170,466	178,084
Deferred rent (Note 7)	<u>25,068</u>	<u>-</u>
Total current liabilities	<u>246,519</u>	<u>232,617</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued pension liability (Note 8)	1,185,196	1,220,331
Deferred rent (Note 7)	<u>22,186</u>	<u>30,233</u>
Total noncurrent liabilities	<u>1,207,382</u>	<u>1,250,564</u>
Total liabilities	<u>1,453,901</u>	<u>1,483,181</u>
<b>NET ASSETS</b>		
Unrestricted	163,644	100,174
Temporarily restricted (Note 3)	462,029	793,992
Permanently restricted (Note 4)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>725,673</u>	<u>994,166</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,179,574</u></b>	<b><u>\$ 2,477,347</u></b>

See accompanying notes to financial statements.

## REFUGEES INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013			2012	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>					
Contributions	\$ 1,761,238	\$ 428,003	\$ -	\$ 2,189,241	\$ 1,961,051
Foundation grants	490,863	172,411	-	663,274	973,437
Investment income (Note 2)	108,265	10,374	-	118,639	158,172
In-kind contributions (Note 5)	158,565	-	-	158,565	192,724
Net assets released from donor restrictions (Note 3)	<u>942,751</u>	<u>(942,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,461,682</u>	<u>(331,963)</u>	<u>-</u>	<u>3,129,719</u>	<u>3,285,384</u>
<b>EXPENSES</b>					
Program Services:					
Advocacy	1,983,770	-	-	1,983,770	2,231,365
Public Education	<u>934,817</u>	<u>-</u>	<u>-</u>	<u>934,817</u>	<u>952,720</u>
Total program services	<u>2,918,587</u>	<u>-</u>	<u>-</u>	<u>2,918,587</u>	<u>3,184,085</u>
Supporting Services:					
General and Administrative	166,829	-	-	166,829	216,010
Fundraising	<u>312,796</u>	<u>-</u>	<u>-</u>	<u>312,796</u>	<u>406,855</u>
Total supporting services	<u>479,625</u>	<u>-</u>	<u>-</u>	<u>479,625</u>	<u>622,865</u>
Total expenses	<u>3,398,212</u>	<u>-</u>	<u>-</u>	<u>3,398,212</u>	<u>3,806,950</u>
Change in net assets	63,470	(331,963)	-	(268,493)	(521,566)
Net assets at beginning of year	<u>100,174</u>	<u>793,992</u>	<u>100,000</u>	<u>994,166</u>	<u>1,515,732</u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>163,644</u></b>	<b>\$ <u>462,029</u></b>	<b>\$ <u>100,000</u></b>	<b>\$ <u>725,673</u></b>	<b>\$ <u>994,166</u></b>

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013		
	<u>Program Services</u>		
	<u>Advocacy</u>	<u>Public Education</u>	<u>Total Program Services</u>
Salaries	\$ 1,077,944	\$ 424,049	\$ 1,501,993
Benefits (Note 8)	256,354	79,555	335,909
Staff training and development	-	-	-
Consultant fees	92,166	56,283	148,449
Audit	10,612	4,005	14,617
Depreciation and amortization	7,532	2,843	10,375
Delivery expenses	2,004	834	2,838
Telephone	28,141	8,218	36,359
Office supplies and expense	6,066	2,584	8,650
Computer supplies	1,491	563	2,054
Departmental supplies	1,061	-	1,061
Postage	432	163	595
Printing	542	1,253	1,795
Dues and publications	23,368	13,401	36,769
Advertising	927	81,773	82,700
Travel	193,732	20,306	214,038
Board mission	5,997	-	5,997
Occupancy (Note 7)	183,075	66,396	249,471
Program office costs	23,104	-	23,104
Equipment rental	10,993	4,149	15,142
Repairs and maintenance	822	362	1,184
Insurance	50,331	3,838	54,169
Conference	5,133	595	5,728
Events (Note 6)	-	162,990	162,990
Miscellaneous	1,943	657	2,600
<b>TOTAL</b>	<b>\$ 1,983,770</b>	<b>\$ 934,817</b>	<b>\$ 2,918,587</b>

See accompanying notes to financial statements.

					<b>2012</b>	
<b>Supporting Services</b>						
<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>		
\$ 106,074	\$ 121,751	\$ 227,825	\$ 1,729,818	\$ 1,892,354		
9,912	11,377	21,289	357,198	484,140		
-	-	-	-	20,885		
5,693	63,012	68,705	217,154	250,336		
923	1,059	1,982	16,599	16,772		
655	752	1,407	11,782	21,611		
134	846	980	3,818	2,921		
1,352	1,753	3,105	39,464	42,971		
454	1,013	1,467	10,117	13,806		
130	149	279	2,333	2,038		
-	-	-	1,061	-		
38	8,379	8,417	9,012	8,534		
32	9,609	9,641	11,436	16,877		
623	11,438	12,061	48,830	39,367		
31	750	781	83,481	102,299		
350	5,135	5,485	219,523	231,594		
-	-	-	5,997	-		
15,292	17,552	32,844	282,315	280,121		
-	-	-	23,104	35,799		
956	1,097	2,053	17,195	16,394		
71	82	153	1,337	3,460		
861	988	1,849	56,018	62,103		
99	1,381	1,480	7,208	9,182		
-	54,330	54,330	217,320	207,500		
23,149	343	23,492	26,092	45,886		
<b>\$ 166,829</b>	<b>\$ 312,796</b>	<b>\$ 479,625</b>	<b>\$ 3,398,212</b>	<b>\$ 3,806,950</b>		

See accompanying notes to financial statements.

## REFUGEES INTERNATIONAL, INC.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (268,493)	\$ (521,566)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	11,782	21,611
Stock donations	(52,272)	(56,653)
Unrealized loss (gain) on investments	14,022	(17,132)
Realized gain on sales of investments	(88,148)	(94,967)
Deferred rent abatement	17,021	30,233
Loss on sale of equipment	-	1,791
(Increase) decrease in:		
Accounts receivable from employees	(1,986)	(15,732)
Grants receivable	200,047	318,593
Pledges receivable	55,216	23,797
Prepaid expenses and other assets	22,026	(11,374)
Security deposits	-	2,851
Increase (decrease) in:		
Accounts payable and accrued liabilities	(3,548)	11,916
Accrued salaries and related benefits	(7,618)	(1,600)
Accrued pension liability	<u>(35,135)</u>	<u>(22,280)</u>
Net cash used by operating activities	<u>(137,086)</u>	<u>(330,512)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(11,520)
Net proceeds from sales of investments	<u>122,711</u>	<u>603,915</u>
Net cash provided by investing activities	<u>122,711</u>	<u>592,395</u>
Net (decrease) increase in cash and cash equivalents	(14,375)	261,883
Cash and cash equivalents at beginning of year	<u>703,514</u>	<u>441,631</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 689,139</u></b>	<b><u>\$ 703,514</u></b>

**REFUGEES INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**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 (the organization also maintains offices in New York and London) for the purpose of assisting refugees. Refugees International, Inc. focuses on work in various countries and around seven issues: neglected crises, violence against women and girls, 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, 2012, from which the summarized information was derived.

Cash and cash equivalents -

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

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Refugees International, Inc. maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

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.

Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expense when incurred. Depreciation and amortization expense for the year ended December 31, 2013 totaled \$11,782.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

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, 2013, 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, 2013

#### 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, 2013:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 127,119	\$ 127,119
Stocks	116,603	157,107
Mutual funds	<u>758,156</u>	<u>832,459</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 1,001,878</u></b>	<b><u>\$ 1,116,685</u></b>

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**2. INVESTMENTS (Continued)**

Included in investment income are the following:

Interest and dividends	\$	44,513
Unrealized loss on investments		(14,022)
Realized gain on sales of investments		<u>88,148</u>
<b>TOTAL INVESTMENT INCOME</b>	<b>\$</b>	<b><u>118,639</u></b>

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2013:

Advocacy	\$	387,029
Fundraising		25,000
Time Restricted		<u>50,000</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$</b>	<b><u>462,029</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	\$	633,112
Public Education		145,000
Passage of Time		<u>164,639</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$</b>	<b><u>942,751</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, 2013, permanently restricted net assets totaled \$100,000.

**5. IN-KIND CONTRIBUTIONS**

During the year ended December 31, 2013, Refugees International, Inc. was the beneficiary of certain donated professional services which allowed Refugees International, Inc. to provide greater resources toward its activities. Following is a breakdown of donations which have been included in revenue and expense for the year ended December 31, 2013:

Donated advertising	\$	81,637
Donated legal services		51,225
Unreimbursed travel		<u>25,703</u>
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<b>\$</b>	<b><u>158,565</u></b>

**REFUGEES INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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

The following programs have benefited from these donated services:

Advocacy	\$ 35,399
Public Education	111,167
Fundraising	8,922
General and Administrative	<u>3,077</u>
	<b><u>\$ 158,565</u></b>

**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 \$217,320 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	\$ 162,990
Fundraising	<u>54,330</u>
	<b><u>\$ 217,320</u></b>

**7. LEASE COMMITMENTS**

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

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes has been recorded as a deferred rent liability in the Statement of Financial Position. For the year ended December 31, 2013, the difference between the actual monthly payments and the straight-line basis is reflected in the Statement of Financial Position as a deferred rent liability aggregating \$47,254.

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.

On May 8 2012, Refugees International, Inc. entered into a lease agreement for office space in London. The lease is month-to-month and can be terminated by either party with 90 days notice.

**REFUGEES INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**7. LEASE COMMITMENTS (Continued)**

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

**Year Ending December 31,**

2014	\$ 251,653
2015	257,944
2016	264,393
2017	271,002
2018	277,777
Thereafter	<u>271,726</u>
	<b><u>\$ 1,594,495</u></b>

Total rent expense for the year ended December 31, 2013 was \$282,315, which includes operating fees and taxes.

**8. RETIREMENT PLANS**

Refugees International, Inc.'s employees have an option to participate in a voluntary Safe Harbor 401(k) Plan. Employees are eligible to join upon six months of employment with Refugees International, Inc. The minimum percentage of compensation a participant may elect to be treated as an Elective Deferral is 1%, and the maximum percentage of compensation a participant may elect to be treated as an Elective Deferral is 80%. Matching contributions equal 100% on the first 4% of participant's compensation, which is deferred as an Elective Deferral. Contributions to the plan during the year ended December 31, 2013 totaled \$48,975.

Refugees International, Inc. entered into an agreement to provide an annual pension payment to a former officer based on an employment contract dated February 15, 2001. The agreement requires an initial payment of \$60,000 (paid in 2006, the first year of retirement), increased by an annual cost of living allowance (COLA), with right of survivorship to the former officer's wife. During 2013, 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, 2013, the value of the accrued pension liability aggregated \$1,185,196. The net effect of the pension liability adjustment during the year ended December 31, 2013 was a recovery of \$35,135.

**9. FAIR VALUE MEASUREMENT**

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

**REFUGEES INTERNATIONAL, INC.**

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**9. FAIR VALUE MEASUREMENT (Continued)**

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

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

- *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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class - Investments</b>				
Money market funds	\$ 127,119	\$ -	\$ -	\$ 127,119
Stocks	157,107	-	-	157,107
Mutual funds	<u>832,459</u>	<u>-</u>	<u>-</u>	<u>832,459</u>
<b>TOTAL</b>	<b><u>\$1,116,685</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,116,685</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 1, 2014, the date the financial statements were issued.

Subsequent to December 31, 2013, the management of Refugees International Inc., became aware of a potential dispute with respect to a former employee. In the event an actual dispute arises, Refugees International Inc. maintains insurance to provide coverage for such matters. As such, management does not anticipate any material impact to its financial statements or position.