

FINANCIAL STATEMENTS

REFUGEES INTERNATIONAL, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

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, 2016, 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, 2016, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited Refugees International, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 18, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2015, is consistent in all material respects with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

April 12, 2017

REFUGEES INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 566,423	\$ 636,422
Investments	2,770,580	1,814,952
Accounts receivable	-	5,814
Grants receivable	200,000	280,000
Pledges receivable	57,422	246,242
Prepaid expenses and other assets	<u>80,449</u>	<u>80,506</u>
Total current assets	<u>3,674,874</u>	<u>3,063,936</u>
PROPERTY AND EQUIPMENT		
Equipment	43,729	51,997
Furniture	<u>5,218</u>	<u>5,218</u>
	48,947	57,215
Less: Accumulated depreciation	<u>(35,921)</u>	<u>(45,549)</u>
Net property and equipment	<u>13,026</u>	<u>11,666</u>
NONCURRENT ASSETS		
Security deposits	<u>20,375</u>	<u>22,250</u>
TOTAL ASSETS	<u>\$ 3,708,275</u>	<u>\$ 3,097,852</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 46,546	\$ 55,493
Accrued salaries and related benefits	84,381	74,302
Deferred rent	<u>11,325</u>	<u>4,716</u>
Total current liabilities	<u>142,252</u>	<u>134,511</u>
NONCURRENT LIABILITIES		
Accounts payable and accrued liabilities	-	11,048
Accrued pension liability	1,076,694	1,113,330
Deferred rent, net of current portion	<u>40,970</u>	<u>52,296</u>
Total noncurrent liabilities	<u>1,117,664</u>	<u>1,176,674</u>
Total liabilities	<u>1,259,916</u>	<u>1,311,185</u>
NET ASSETS		
Unrestricted	1,876,459	1,070,463
Temporarily restricted	471,900	616,204
Permanently restricted	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>2,448,359</u>	<u>1,786,667</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,708,275</u>	<u>\$ 3,097,852</u>

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>			<u>2015</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE					
Contributions	\$ 1,802,143	\$ 119,195	\$ -	\$ 1,921,338	\$ 1,917,454
Foundation grants	1,293,217	367,707	-	1,660,924	1,497,173
Investment income	157,002	7,636	-	164,638	1,151
In-kind contributions	255,523	2,000	-	257,523	170,179
Other loss	-	-	-	-	(1,020)
Net assets released from donor restrictions	<u>640,842</u>	<u>(640,842)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,148,727</u>	<u>(144,304)</u>	<u>-</u>	<u>4,004,423</u>	<u>3,584,937</u>
EXPENSES					
Program Services:					
Advocacy	1,822,475	-	-	1,822,475	1,660,935
Public Education	<u>1,007,079</u>	<u>-</u>	<u>-</u>	<u>1,007,079</u>	<u>962,979</u>
Total program services	<u>2,829,554</u>	<u>-</u>	<u>-</u>	<u>2,829,554</u>	<u>2,623,914</u>
Supporting Services:					
General and Administrative	129,538	-	-	129,538	158,317
Fundraising	<u>342,336</u>	<u>-</u>	<u>-</u>	<u>342,336</u>	<u>299,261</u>
Total supporting services	<u>471,874</u>	<u>-</u>	<u>-</u>	<u>471,874</u>	<u>457,578</u>
Total functional expenses	<u>3,301,428</u>	<u>-</u>	<u>-</u>	<u>3,301,428</u>	<u>3,081,492</u>
Change in net assets before other item	847,299	(144,304)	-	702,995	503,445
OTHER ITEM					
Pension expense	<u>41,303</u>	<u>-</u>	<u>-</u>	<u>41,303</u>	<u>41,797</u>
Change in net assets	805,996	(144,304)	-	661,692	461,648
Net assets at beginning of year	<u>1,070,463</u>	<u>616,204</u>	<u>100,000</u>	<u>1,786,667</u>	<u>1,325,019</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,876,459</u>	<u>\$ 471,900</u>	<u>\$ 100,000</u>	<u>\$ 2,448,359</u>	<u>\$ 1,786,667</u>

REFUGEES INTERNATIONAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016						2015	
	Program Services			Supporting Services			Total Expenses	Total Expenses
	Advocacy	Public Education	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Salaries	\$ 984,618	\$ 440,679	\$ 1,425,297	\$ 100,215	\$ 151,253	\$ 251,468	\$ 1,676,765	\$ 1,519,874
Benefits	225,912	61,402	287,314	8,674	13,091	21,765	309,079	297,266
Printing	842	9,003	9,845	37	9,440	9,477	19,322	20,146
Occupancy	190,974	79,203	270,177	17,177	25,925	43,102	313,279	281,990
Audit	12,298	5,101	17,399	1,106	1,670	2,776	20,175	23,270
Insurance	55,563	5,790	61,353	1,256	1,895	3,151	64,504	65,723
Depreciation	4,647	1,928	6,575	418	631	1,049	7,624	8,226
Telephone	16,596	5,303	21,899	907	1,849	2,756	24,655	28,949
Travel and entertainment	151,037	11,152	162,189	269	1,115	1,384	163,573	168,383
Consultant fees	109,499	65,648	175,147	8,723	45,628	54,351	229,498	282,871
Postage and delivery	228	650	878	48	10,679	10,727	11,605	10,540
Repairs and maintenance	884	367	1,251	80	210	290	1,541	2,825
Office supplies and expense	5,282	2,134	7,416	434	980	1,414	8,830	9,171
Dues and publications	16,400	16,034	32,434	225	11,731	11,956	44,390	44,627
Advertising	1,740	84,572	86,312	-	-	-	86,312	3,516
Conference	4,785	938	5,723	137	586	723	6,446	13,012
Events	-	208,145	208,145	-	61,840	61,840	269,985	248,892
Equipment	5,392	2,236	7,628	485	732	1,217	8,845	15,156
Staff training and development	6,080	-	6,080	925	760	1,685	7,765	10,016
Board mission	21	-	21	-	-	-	21	351
Miscellaneous	16,677	6,794	23,471	1,422	2,321	3,743	27,214	26,688
Sub-total	1,809,475	1,007,079	2,816,554	142,538	342,336	484,874	3,301,428	3,081,492
Allocation of eligible grant general and administrative expenses	13,000	-	13,000	(13,000)	-	(13,000)	-	-
TOTAL	\$ 1,822,475	\$ 1,007,079	\$ 2,829,554	\$ 129,538	\$ 342,336	\$ 471,874	\$ 3,301,428	\$ 3,081,492

See accompanying notes to financial statements.

REFUGEES INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 661,692	\$ 461,648
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,624	8,226
Stock donations	(94,318)	(96,024)
Unrealized (gain) loss on investments	(61,804)	59,040
Realized gain on sales of investments	(45,812)	(9,006)
Accrued pension liability	(36,636)	(36,142)
Loss on disposal of equipment	-	234
(Increase) decrease in:		
Accounts receivable	5,814	(602)
Grants receivable	80,000	172,613
Pledges receivable	188,820	(82,105)
Prepaid expenses and other assets	57	(7,940)
Security deposits	1,875	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	(19,995)	29,802
Accrued salaries and related benefits	10,079	(6,502)
Deferred rent	(4,717)	1,734
Net cash provided by operating activities	<u>692,679</u>	<u>494,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(8,984)	(3,483)
Net purchase of investments	<u>(753,694)</u>	<u>(106,721)</u>
Net cash used by investing activities	<u>(762,678)</u>	<u>(110,204)</u>
Net (decrease) increase in cash and cash equivalents	(69,999)	384,772
Cash and cash equivalents at beginning of year	<u>636,422</u>	<u>251,650</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 566,423</u>	<u>\$ 636,422</u>

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Refugees International, Inc. advocates for lifesaving assistance and protection for displaced people and promotes solutions to displacement crises. Founded in 1980 and located in the District of Columbia, Refugees International, Inc. is an independent nonprofit organization, and does not accept any government or UN funding.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with 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, 2015, 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 -

Grants, pledges and accounts receivable are recorded at their net realizable value, which approximates fair value. All grants, pledges and accounts receivable are considered by management to be fully collectible within one year. 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. Depreciation expense for the year ended December 31, 2016 totaled \$7,624.

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.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Uncertain tax positions -

For the year ended December 31, 2016, Refugees International, Inc. has documented its consideration of Financial Accounting Standards Board ASC 740-10, *Income Taxes*, and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net assets classification -

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 donor 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 primarily of legal services, advertising, website development and event services. In-kind contributions are recorded at their fair market value as of the date of the gift.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

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 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 related to salaries and benefits are allocated to Program Services in accordance with actual time spent in the accompanying Statement of Activities and Change in Net Assets.

Risks and uncertainties -

Refugees International, Inc. invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

Refugees International, Inc. adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Refugees International, Inc. accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments.

The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of Refugees International, Inc.'s financial statements, it is not expected to alter Refugees International, Inc.'s reported financial position and activities.

REFUGEES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. INVESTMENTS

Investments consisted of the following at December 31, 2016:

	Cost	Fair Value
Money market funds	\$ 323,849	\$ 323,849
Exchange traded funds	1,045,617	1,072,891
Mutual funds	1,130,465	1,172,969
U.S. Treasury notes	155,603	153,902
Stocks	42,238	46,969
TOTAL INVESTMENTS	\$ 2,697,772	\$ 2,770,580

Included in investment income are the following:

Interest and dividends	\$ 57,022
Unrealized gain on investments	61,804
Realized gain on sales of investments	45,812
TOTAL INVESTMENT INCOME	\$ 164,638

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

Advocacy	\$ 176,078
Staff development and training	21,315
Earnings on permanent endowment	44,591
Time Restricted	229,916
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 471,900

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	\$ 415,179
Public Education	125,000
Fundraising	6,162
Staff development and training	1,685
Earnings on permanent endowment	3,678
Passage of Time	89,138
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 640,842

4. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of one \$100,000 endowment 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, 2016, permanently restricted net assets totaled \$100,000.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

5. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2016, Refugees International, Inc. was the beneficiary of certain donated professional services which allowed Refugees International, Inc. to provide greater resources toward its activities. Following is a breakdown of donations which have been included in support and revenue for the year ended December 31, 2016:

Donated legal services	\$ 99,885
Donated website development	15,000
Donated event services	58,548
Donated advertising	<u>84,090</u>
TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 257,523</u>

The following programs have benefited from these donated services:

Advocacy	\$ 60,620
Public Education	172,520
Fundraising	16,868
General and Administrative	5,515
Prepaid Event	<u>2,000</u>
	<u>\$ 257,523</u>

As of December 31, 2016, Refugees International, Inc. had received a security deposit totaling \$2,000 for an event to be held in 2017, and accordingly, Refugees International, Inc. recorded this deposit in prepaid expenses and other assets in the accompanying Statement of Financial Position.

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 \$269,985 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	\$ 208,145
Fundraising	<u>61,840</u>
	<u>\$ 269,985</u>

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.

REFUGEES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

7. LEASE COMMITMENTS (Continued)

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, 2016, 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 \$52,295.

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

Year Ending December 31,

2017	\$	271,002
2018		277,777
2019		<u>271,726</u>
	\$	<u>820,505</u>

Total rent expense for the year ended December 31, 2016 was \$313,279, 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, 2016 totaled \$46,615, and is included in benefits in the accompanying statement of functional expenses.

Refugees International, Inc. entered into an agreement to provide an annual pension payment to a former officer based on an employment contract dated February 15, 2001. The agreement requires an initial payment of \$60,000 (paid in 2006, the first year of retirement), increased by an annual cost of living allowance (COLA), with right of survivorship to the former officer's wife. During 2016, 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 and the participant/spouse mortality tables under the Pension Protection Act. As of December 31, 2016, the value of the accrued pension liability aggregated \$1,076,694. The net effect of the pension liability adjustment during the year ended December 31, 2016 was a recovery of \$36,636.

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).

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

9. FAIR VALUE MEASUREMENT (Continued)

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, 2016.

- *Money market funds* and *Exchange traded 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.
- *U.S. Treasury notes* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, Refugees International, Inc.'s investments as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class - Investments				
Money market funds	\$ 323,849	\$ -	\$ -	\$ 323,849
Exchange traded funds	1,072,891	-	-	1,072,891
Mutual funds	1,172,969	-	-	1,172,969
U.S. Treasury notes	153,902	-	-	153,902
Stocks	<u>46,969</u>	<u>-</u>	<u>-</u>	<u>46,969</u>
TOTAL	<u>\$ 2,770,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,770,580</u>

10. ENDOWMENT

Refugees International, Inc.'s endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

REFUGEES INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
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10. ENDOWMENT (Continued)

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Refugees International, Inc. classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The preservation of the fund;
- The purpose of the organization and donor restrictions;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment and spending policies of the organization.

The endowment fund consisted of the following as of December 31, 2016:

Money market funds	\$	24,996
Exchange traded funds		91,114
Mutual funds		<u>28,481</u>
TOTAL ENDOWMENT FUNDS	\$	<u>144,591</u>

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 40,633	\$ 100,000	\$ 140,633
Investment income	7,636	-	7,636
Appropriation of endowment assets for expenditure	<u>(3,678)</u>	<u>-</u>	<u>(3,678)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 44,591</u>	<u>\$ 100,000</u>	<u>\$ 144,591</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 the organization to retain as funds of perpetual duration. As of December 31, 2016, there were no deficiencies in Refugees International, Inc.'s endowment funds.

REFUGEES INTERNATIONAL, INC.
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10. ENDOWMENT (Continued)

Return Objectives and Risk Parameters -

Refugees International, Inc. has adopted an investment and spending policy for the endowment that attempts to provide funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested to preserve principal and achieve long-term capital appreciation.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, Refugees International, Inc. relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

11. SUBSEQUENT EVENTS

In preparing these financial statements, Refugees International, Inc. has evaluated events and transactions for potential recognition or disclosure through April 12, 2017, the date the financial statements were issued.

The President of Refugees International, Inc. has resigned from his position to take effect the 2nd quarter of 2017. A successor has already been chosen and will assume his duties on June 12, 2017.