



**INTERNATIONAL RESCUE COMMITTEE, INC.**

Financial Statements

September 30, 2014

(with comparative financial information as of September 30, 2013)

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## **Independent Auditors' Report**

The Board of Directors  
International Rescue Committee, Inc.:

We have audited the accompanying financial statements of International Rescue Committee, Inc., which comprise the balance sheet as of September 30, 2014, and the related statements of activities, 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 U.S. generally accepted accounting principles; 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.

### ***Auditors' 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 auditors' 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 organization'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 organization'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 International Rescue Committee, Inc. as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.



***Report on Summarized Comparative Information***

We have previously audited International Rescue Committee, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**KPMG LLP**

February 10, 2015

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Balance Sheet

September 30, 2014

(with comparative financial information as of September 30, 2013)

(Amounts in thousands)

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents (notes 7, 8, and 11)	\$ 52,614	38,296
Short-term investments (note 2)	537	61
Grants and contracts receivable (notes 7, 8, and 12)	44,472	38,141
Inventory	11,473	8,346
Contributions receivable, net (note 11)	1,281	2,465
Loan program receivables	463	435
Other assets, net	7,180	7,278
Investments (notes 2 and 11):		
Endowment and emergency funds	111,759	105,494
Split-interest agreements	10,603	10,238
	<u>122,362</u>	<u>115,732</u>
Split-interest agreements – contributions receivable	250	261
Property and equipment, net (note 4)	4,955	4,684
Total assets	\$ <u>245,587</u>	<u>215,699</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 16,770	14,460
Accrued vacation and severance	10,780	9,605
Program advances (notes 7 and 8)	46,113	35,479
Deferred revenue and other liabilities	3,313	2,382
Loan program liability	1,670	1,118
Annuity liabilities related to split-interest agreements	5,510	5,733
Deferred rent obligation (note 5)	6,375	6,833
Total liabilities	<u>90,531</u>	<u>75,610</u>
Commitments and contingencies (notes 2, 5, 6, 8, and 14)		
Net assets:		
Unrestricted (notes 9 and 11):		
Board-designated endowment	50,117	48,898
Undesignated	7,910	7,242
Renewals and replacement fund	12,321	5,309
Designated for special-purpose fund	1,981	2,515
Total unrestricted	<u>72,329</u>	<u>63,964</u>
Temporarily restricted (notes 9 and 11):		
Donor contributions	20,182	17,019
Reinvested return on endowment funds	7,240	5,469
Split-interest agreements	499	464
Total temporarily restricted	<u>27,921</u>	<u>22,952</u>
Permanently restricted (notes 10 and 11):		
Donor endowment and emergency funds	54,805	52,145
Contributions receivable	1	1,028
Total permanently restricted	<u>54,806</u>	<u>53,173</u>
Total net assets	<u>155,056</u>	<u>140,089</u>
Total liabilities and net assets	\$ <u>245,587</u>	<u>215,699</u>

See accompanying notes to financial statements.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Statement of Activities

Year ended September 30, 2014

(with summarized financial information for the year ended September 30, 2013)

(Amounts in thousands)

	2014			Total	2013 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating activities:					
Operating revenues:					
Contributions (notes 9 and 12)	\$ 38,374	22,587	—	60,961	43,658
Contributed goods and services	5,259	328	—	5,587	5,307
Grants and contracts (notes 7, 9, and 12)	469,166	—	—	469,166	377,638
Foundation and private grants (notes 7 and 9)	19,790	—	—	19,790	21,674
Investment return used for operations (note 3)	3,489	998	—	4,487	4,119
Loan administration fees and other income	3,296	249	—	3,545	3,686
Release from restrictions	20,150	(20,150)	—	—	—
Total operating revenues	<u>559,524</u>	<u>4,012</u>	<u>—</u>	<u>563,536</u>	<u>456,082</u>
Operating expenses:					
Program services:					
International relief and assistance programs	401,955	—	—	401,955	316,719
U.S. programs	73,932	—	—	73,932	71,841
Emergency preparedness, technical units, and other	27,025	—	—	27,025	23,194
Women's Refugee Commission	6,490	—	—	6,490	4,831
Total program services	<u>509,402</u>	<u>—</u>	<u>—</u>	<u>509,402</u>	<u>416,585</u>
Supporting services:					
Management and general	25,613	—	—	25,613	22,407
Fund-raising	14,193	—	—	14,193	14,167
Total supporting services	<u>39,806</u>	<u>—</u>	<u>—</u>	<u>39,806</u>	<u>36,574</u>
Total operating expenses	<u>549,208</u>	<u>—</u>	<u>—</u>	<u>549,208</u>	<u>453,159</u>
Excess of operating revenues over operating expenses	<u>10,316</u>	<u>4,012</u>	<u>—</u>	<u>14,328</u>	<u>2,923</u>
Nonoperating activities:					
Bequests and contributions (note 11)	—	—	1,435	1,435	2,817
Split-interest agreements	(129)	29	—	(100)	(399)
Excess of investment return, net (note 3)	3,243	923	—	4,166	10,590
Expenses related to:					
Split-interest agreements and endowment – fund-raising	(1,839)	—	—	(1,839)	(930)
Designated special-purpose fund	(1,034)	—	—	(1,034)	(385)
Renewals and replacement fund	(1,989)	—	—	(1,989)	(1,847)
Reclassifications	(203)	5	198	—	—
Total nonoperating activities	<u>(1,951)</u>	<u>957</u>	<u>1,633</u>	<u>639</u>	<u>9,846</u>
Increase in net assets	8,365	4,969	1,633	14,967	12,769
Net assets at beginning of year	<u>63,964</u>	<u>22,952</u>	<u>53,173</u>	<u>140,089</u>	<u>127,320</u>
Net assets at end of year	\$ <u><u>72,329</u></u>	<u><u>27,921</u></u>	<u><u>54,806</u></u>	<u><u>155,056</u></u>	<u><u>140,089</u></u>

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Statement of Functional Expenses

Year ended September 30, 2014

(with summarized financial information for the year ended September 30, 2013)

(Amounts in thousands)

	Program services								Supporting services			Total		
	International relief and assistance				Total	U.S. programs	Emergency preparedness, technical units, and other	Women's Refugee Commission	Total program services	Supporting services		2014	2013	
	Africa	Asia	Middle east	Europe and other countries						Management and general	Fund-raising			Total supporting services
Personnel	\$ 79,075	22,306	28,431	2,067	131,879	36,763	16,354	2,753	187,749	17,858	6,926	24,784	212,533	187,654
Professional services	3,788	933	890	102	5,713	1,538	1,453	704	9,408	2,529	1,222	3,751	13,159	11,512
Travel, conferences, and events	8,505	1,278	1,492	150	11,425	1,472	2,829	379	16,105	953	716	1,669	17,774	17,058
Occupancy	7,041	1,653	1,802	180	10,676	4,572	1,579	374	17,201	3,080	524	3,604	20,805	18,309
Communications	2,699	348	608	64	3,719	771	799	168	5,457	690	5,630	6,320	11,777	11,211
Vehicles, equipment, and supplies	17,750	2,602	2,430	216	22,998	1,765	358	66	25,187	1,708	138	1,846	27,033	21,028
Subgrants	47,126	37,451	4,550	633	89,760	1,199	89	2,864	93,912	14	2	16	93,928	65,204
Program materials and direct assistance	63,712	11,951	43,775	946	120,384	23,796	234	16	144,430	—	—	—	144,430	113,347
Contributed goods and services	2,544	210	746	29	3,529	1,727	3	—	5,259	—	—	—	5,259	5,072
Other	1,255	162	411	44	1,872	329	3,600	36	5,837	1,402	133	1,535	7,372	5,926
Total expenses	233,495	78,894	85,135	4,431	401,955	73,932	27,298	7,360	510,545	28,234	15,291	43,525	554,070	456,321
Less nonoperating expenses, primarily personnel related to split-interest agreements and endowment, and brand promotion	—	—	—	—	—	—	(273)	(870)	(1,143)	(2,621)	(1,098)	(3,719)	(4,862)	(3,162)
Total operating expenses reported by function in the statement of activities	\$ 233,495	78,894	85,135	4,431	401,955	73,932	27,025	6,490	509,402	25,613	14,193	39,806	549,208	453,159
2013 total	\$ 206,985	56,152	46,810	6,772	316,719	71,841	23,194	4,831	416,585	22,407	14,167	36,574	—	453,159

See accompanying notes to financial statements.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Statement of Cash Flows

Year ended September 30, 2014

(with comparative financial information for the year ended September 30, 2013)

(Amounts in thousands)

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Increase in net assets	\$ 14,967	12,769
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	973	1,095
Net realized and unrealized (gains) losses on investments	(7,311)	(13,267)
Proceeds on disposal of property and equipment	49	3
Change in value of split-interest agreements	395	581
Permanently restricted contributions	(1,435)	(2,818)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(6,331)	478
Inventory	(3,127)	(2,106)
Contributions receivable	145	(27)
Loan program receivables	(28)	143
Other assets	98	(743)
Accounts payable and accrued expenses	2,310	(1,299)
Accrued vacation and severance	1,175	248
Program advances	10,634	6,316
Deferred revenue and other liabilities	931	138
Loan program liability	552	72
Deferred rent obligation	(458)	(277)
Net cash provided by operating activities	13,539	1,306
Cash flows from investing activities:		
Purchases of property and equipment	(1,293)	(829)
Proceeds from sale or redemption of investments	33,468	14,636
Purchases of investments	(32,787)	(13,647)
Proceeds from short-term investments, net	(476)	6,837
Net cash (used in) provided by investing activities	(1,088)	6,997
Cash flows from financing activities:		
Permanently restricted contributions	1,435	2,818
Decrease in contributions receivable	1,039	895
Proceeds from contributions under split-interest agreements	295	211
Payments to beneficiaries under split-interest agreements	(902)	(941)
Net cash provided by financing activities	1,867	2,983
Net increase in cash and cash equivalents	14,318	11,286
Cash and cash equivalents at beginning of year	38,296	27,010
Cash and cash equivalents at end of year	\$ 52,614	38,296

See accompanying notes to financial statements.

# INTERNATIONAL RESCUE COMMITTEE, INC.

## Notes to Financial Statements

September 30, 2014

(with comparative financial information as of September 30, 2013)

(Amounts in thousands)

### (1) Organization and Summary of Significant Accounting Policies

#### (a) Organization

International Rescue Committee, Inc. (IRC) is a private, not-for-profit organization that serves refugees and communities victimized by oppression or violent conflict worldwide. IRC is committed to freedom, human dignity, and self-reliance. This commitment is expressed in emergency relief, protection of human rights, post conflict development, resettlement assistance, and advocacy.

#### (b) Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, IRC's net assets and changes therein are classified and reported as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. As reflected in the accompanying financial statements and discussed below, IRC's board of directors has designated a portion of the unrestricted net assets for specific purposes.
- Temporarily restricted net assets – net assets that are subject to donor-imposed restrictions that permit IRC to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of IRC.
- Permanently restricted net assets – net assets that are subject to donor-imposed restrictions that they be maintained permanently by IRC and only the income be used as specified by the donor. Certain emergency funds allow temporary use of principal.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or by law.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as release from restrictions in the statement of activities.



**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2014

(with comparative financial information as of September 30, 2013)

(Amounts in thousands)

**(c) Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments and alternative investments that are redeemable at or near the balance sheet date (generally within 90 days).
- Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation, and alternative investments that are not redeemable at or near the balance sheet date.

Most investments classified as Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the IRC's interest therein, its classification in Level 2 or 3 is based on the IRC's ability to redeem its interest at or near September 30. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement.

The fair value of IRC's investments, contributions, and split-interest agreements is disclosed in their respective notes. The carrying amounts of all other financial instruments approximate their fair value at September 30, 2014 and 2013 because of the terms and relatively short maturities of these financial instruments. The estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

# INTERNATIONAL RESCUE COMMITTEE, INC.

## Notes to Financial Statements

September 30, 2014

(with comparative financial information as of September 30, 2013)

(Amounts in thousands)

### (d) *Grants, Contracts and Contributions*

IRC receives grants contracts and contributions from a number of sources including federal, foreign and local governments, private foundations and others. These agreements are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. generally accepted accounting principles.

Grants and contracts that are treated as exchange transactions are reported as unrestricted revenue when expenses are incurred in accordance with the terms of the agreement and are classified as grants and contracts or foundation and private grants in the statement of activities. Accordingly, amounts received but not recognized as revenue are classified in the balance sheet as program advances, and amount expended but not yet received are classified as grants and contracts receivable.

Contributions, including unconditional promises to give (pledges), are recognized initially at fair value as revenues in the period received or pledged. Contributions are considered to be unrestricted unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions to be received after one year are discounted using a risk-adjusted rate. The inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Bequest income is recorded when the will has passed through the probate court and amounts can be reasonably determined.

### (e) *Endowment and Emergency Funds*

IRC's endowment is subject to the provision of the New York Prudent Management of Institutional Funds Act (NYPMIFA). Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets to be classified as temporarily restricted net assets until appropriated for expenditure. Accordingly, the IRC 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. ASC 958-205 requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets to be classified as temporarily restricted net assets until appropriated for expenditure.

#### **Board-Designated Endowment**

The board of directors has established a fund to provide for the long-term financial stability of IRC and to enhance its ability to respond to extraordinary emergency needs. The purpose of this fund is to provide a mechanism for the board of directors to set aside and invest certain funds. Accordingly, the board of directors has designated the Leo Cherne Emergency Fund, certain unrestricted bequests, extraordinary gifts (as determined by the board of directors), and portions of unrestricted surpluses in operating funds for this purpose.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2014

(with comparative financial information as of September 30, 2013)

(Amounts in thousands)

**Donor Endowment and Emergency Funds**

In further support of the long-term financial stability of the organization, IRC receives donations for which the principal must be permanently maintained. Included in this category are endowment donations and emergency funds that allow IRC to use principal on a temporary basis for emergency response situations and to preposition itself with commonly used emergency response inventory. Principal used by IRC must be subsequently returned to the fund.

*(f) Contributed Goods and Services*

Contributed goods are recognized as revenue at their estimated fair value at the date of receipt and expensed when used.

Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the services provided. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenues and are not reported in the financial statements.

*(g) Split-Interest Agreements*

IRC is the beneficiary of a number of split-interest agreements with donors. IRC may control donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement, at which time the remaining assets are generally for IRC's unrestricted use.

IRC records the assets of the agreements (at fair value) if the assets are controlled and invested by IRC. IRC records nonoperating contribution revenue at the date the agreement is established after recording a liability for the present value of the estimated future payments expected to be made to the beneficiaries. The carrying amount approximates fair value. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy. Adjustments to the annuity liabilities to reflect the amortization of the discount and revaluation of expected future payments to beneficiaries based on changes in actuarial assumptions are made annually and recognized as a nonoperating activity in the line item split-interest agreements.

In other situations where assets are controlled and invested by an independent third party, IRC records a receivable and nonoperating contribution revenue at the date of the agreement based on the present value of the estimated future distributions expected to be received by IRC over the expected term of the agreement.

The discount rate used in valuing split-interest agreement liabilities as of September 30, 2014 and 2013 ranged from 1.0% to 10.6%.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2014

(with comparative financial information as of September 30, 2013)

(Amounts in thousands)

**(h) *Functional Expense Allocations***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation factors determined by management.

**(i) *Operations***

IRC excludes from operating activities bequests, contributions and expenses related to split-interest agreements and the Freedom Fund (note 12), changes in value of split-interest agreements, investment return on split-interest agreements, investment return of the Freedom Fund in excess of or less than the spending rate (note 3), nonrecurring expenses funded by the designated special-purpose fund and the renewals and replacement fund, and other nonrecurring items. All other revenue and expenses are included in operating activities.

**(j) *Cash and Cash Equivalents***

For the purposes of the statement of cash flows, IRC considers all highly liquid debt instruments purchased with original maturities of three months or less, other than those held as part of the investment portfolio, to be cash equivalents.

**(k) *Short-Term Investments***

Short-term investments consist of money market funds with original maturities greater than three months.

**(l) *Investments***

Investments are stated at fair value based on quoted market prices except for the fair values of alternative investments, which include hedge funds, commingled funds, and a direct lending fund, which are stated at net asset value as provided by the general partners and fund managers, respectively, based upon the underlying net assets of the funds. These estimated values are reviewed and evaluated by management for reasonableness. Alternative investments are generally less liquid than other investments and the reported fair value may differ significantly from the values that would have been reported had a ready market for these securities existed. Included in the investments of the alternative investments are certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance-sheet risk, may result in loss due to changes in the market. Losses from investments in alternative investments are limited to its investment.

**(m) *Inventory***

Inventory consists of program materials and emergency response supplies not used as of September 30. Inventory is recorded at cost upon purchase, while contributed inventory is recorded at fair value. Inventory is deducted and expensed when used.

# INTERNATIONAL RESCUE COMMITTEE, INC.

## Notes to Financial Statements

September 30, 2014

(with comparative financial information as of September 30, 2013)

(Amounts in thousands)

**(n) *Property and Equipment***

Property and equipment are recorded at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation and amortization. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, generally three to seven years. Amortization of leasehold improvements is provided on the straight-line method over the lesser of their useful lives or the terms of the related lease. Property and equipment acquired with funds received from grants in which the grantor retains a reversionary interest in the assets at the end of the grant period are expensed in the year of acquisition.

**(o) *Foreign Currency Translation***

IRC applies the current rate method of translation when including the accounts of its foreign offices. All foreign-denominated assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the average rate in effect during the year. The resulting translation loss for 2014 and 2013 of \$1,063 and \$141, respectively, is reflected in the statement of activities.

**(p) *Tax Status***

The Internal Revenue Service has ruled that, pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code), IRC is exempt from federal income taxes and is a publicly supported organization, as defined in Section 509(a)(1) of the Code. As a not-for-profit organization, IRC is also exempt from state and local income taxes. Accordingly, IRC is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purposes. IRC utilizes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. No provision for income taxes was required for fiscal 2014 or 2013.

**(q) *Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates and assumptions include allowances for uncollectible receivables, the present value of multiyear pledges, the valuation of alternative investments, annuity liabilities, and the allocation of expenses to functional classifications.

**(r) *Comparative Financial Information***

The statements of activities and functional expenses are presented with prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with IRC's 2013 financial statements, from which the comparative totals were derived.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2014

(with comparative financial information as of September 30, 2013)

(Amounts in thousands)

**(2) Investments**

**(a) Fair Value Hierarchy**

The following tables present the IRC's fair value hierarchy for investments, the only financial instruments measured at fair value as of September 30, 2014 and 2013:

	<b>2014</b>			<b>Total fair value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Equities:</b>				
Direct ownership – United States	\$ 9,523	—	—	9,523
<b>Mutual funds:</b>				
United States	22,964	—	—	22,964
International	14,138	—	—	14,138
<b>Commingled funds:</b>				
United States	—	3,586	—	3,586
International	—	2,147	—	2,147
<b>Total</b>	<b>46,625</b>	<b>5,733</b>	<b>—</b>	<b>52,358</b>
<b>Fixed income:</b>				
<b>Direct ownership:</b>				
U.S. government/agency	409	—	—	409
U.S. corporate and other	48	—	—	48
<b>Mutual funds:</b>				
U.S. government/agency	11,671	—	—	11,671
U.S. corporate and other	7,536	—	—	7,536
<b>Commingled fund:</b>				
U.S. corporate and other	—	2,889	—	2,889
<b>Total</b>	<b>19,664</b>	<b>2,889</b>	<b>—</b>	<b>22,553</b>
Closed-end macro fund	4,618	—	—	4,618
Direct lending funds	—	—	4,669	4,669
<b>Hedge funds:</b>				
Distressed debt	—	7,626	—	7,626
Multistrategy	—	5,687	—	5,687
Long-short equity	—	18,281	—	18,281
Special situations	—	6,341	—	6,341
<b>Total</b>	<b>—</b>	<b>37,935</b>	<b>—</b>	<b>37,935</b>
Cash and cash equivalents	229	—	—	229
Short-term investments	537	—	—	537
<b>Total</b>	<b>\$ 71,673</b>	<b>46,557</b>	<b>4,669</b>	<b>122,899</b>

**INTERNATIONAL RESCUE COMMITTEE, INC.**

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	<b>2013</b>			<b>Total fair value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Equities:</b>				
Direct ownership – United States	\$ 9,131	—	—	9,131
<b>Mutual funds:</b>				
United States	14,530	—	—	14,530
International	19,798	—	—	19,798
<b>Commingled funds:</b>				
United States	—	3,430	—	3,430
International	—	2,225	—	2,225
Total	<u>43,459</u>	<u>5,655</u>	<u>—</u>	<u>49,114</u>
<b>Fixed income:</b>				
<b>Direct ownership:</b>				
U.S. government/agency	1,700	—	—	1,700
U.S. corporate and other	53	—	—	53
<b>Mutual funds:</b>				
U.S. government/agency	11,494	—	—	11,494
U.S. corporate and other	2,571	—	—	2,571
<b>Commingled fund:</b>				
U.S. corporate and other	—	2,738	—	2,738
International	—	5,405	—	5,405
Total	<u>15,818</u>	<u>8,143</u>	<u>—</u>	<u>23,961</u>
Closed-end macro fund	4,804	—	—	4,804
Direct lending funds	—	—	3,915	3,915
<b>Hedge funds:</b>				
Distressed debt	—	7,052	—	7,052
Multistrategy	—	5,095	—	5,095
Long-short equity	—	16,347	—	16,347
Special situations	—	5,144	—	5,144
Total	<u>—</u>	<u>33,638</u>	<u>—</u>	<u>33,638</u>
Cash and cash equivalents	300	—	—	300
Short-term investments	61	—	—	61
Total	<u>\$ 64,442</u>	<u>47,436</u>	<u>3,915</u>	<u>115,793</u>

Commingled funds of \$8,622 and \$13,798 at September 30, 2014 and 2013, respectively, do not trade publicly and, therefore, do not have published market prices. The underlying investments, however, are principally marketable securities.

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Investments at September 30, 2014 and 2013 include \$111,759 and \$105,494, respectively, relating to IRC's Freedom Fund (note 12) and \$10,603 and \$10,238, respectively, relating to split-interest agreements.

IRC has an Investment Committee comprising members of the Board of Directors and Overseers, which is charged with the responsibility of providing fiduciary oversight over IRC's investments. The Investment Committee meets with executive management and external advisers on a regular basis to review investment performance, asset allocation, and investment manager performance.

The following tables present a reconciliation for all Level 3 assets measured at fair value at September 30:

	<b>2014</b>			
	<b>Direct lending fund</b>	<b>Special situations</b>	<b>Multistrategy</b>	<b>Total</b>
Beginning balance	\$ 3,915	—	—	3,915
Purchases	1,174	—	—	1,174
Settlements	(420)	—	—	(420)
Ending balance	<u>\$ 4,669</u>	<u>—</u>	<u>—</u>	<u>4,669</u>
	<b>2013</b>			
	<b>Direct lending fund</b>	<b>Special situations</b>	<b>Multistrategy</b>	<b>Total</b>
Beginning balance	\$ 3,725	3,489	4,582	11,796
Net appreciation	—	1,655	513	2,168
Purchases	190	—	—	190
Transfer to Level 2 – expiration of lockup	—	(5,144)	(5,095)	(10,239)
Ending balance	<u>\$ 3,915</u>	<u>—</u>	<u>—</u>	<u>3,915</u>

**(b) Portfolio Liquidity**

IRC reviews the liquidity of its investments to ensure that it is able to meet its cash needs for grants, operating expenses, and capital calls. As of September 30, 2014, IRC had investments of \$71,673 that could be sold on a daily basis under normal market conditions. This included \$10,209 in direct ownership investments held in separate accounts with the IRC's custodial trustee and \$61,464 in mutual fund investments.



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IRC's investments in commingled bond and stock funds, direct lending fund, and hedge funds totaled \$51,226 as of September 30, 2014. The liquidity of these investments is determined by the redemption period for each fund, which differs among investments and is detailed further in this note.

**(c) Strategies of Commingled, Hedge, and Direct Lending Funds**

The following table lists the investment strategies, redemption terms, and assets for commingled and hedge funds measured at fair value as of September 30, 2014:

	<u>Total fair value</u>	<u>Redemption dates per year</u>	<u>Redemption notice period</u>
Commingled bond fund:			
United States	\$ <u>2,889</u>	Daily	N/A
Total commingled bond funds	<u>2,889</u> (a)		
Commingled stock funds:			
United States	3,586	Daily	N/A
International	<u>2,147</u>	Daily	N/A
Total commingled stock funds	<u>5,733</u> (a)		
Direct lending fund	4,669 (b)	N/A	N/A
Hedge funds:			
Distressed debt	7,626	Quarterly	65 days
Multistrategy fund	5,687	Annually	90 days
Long-short equity	18,281	Annually; quarterly	45 days
Special situations	<u>6,341</u>	Semiannually	45 days
Total hedge funds	<u>37,935</u> (c)		
Total	<u>\$ <u>51,226</u></u>		

The following provides details for the investment strategies listed above:

**(a) Commingled Bond and Stock Funds**

These common trust funds are not publicly traded. These funds are redeemable daily, with payouts to IRC at each month-end.

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**(b) Direct Lending Fund**

These consist of two investments in direct lending funds that provide debt financing for middle market companies. These investments have commitments of four and ten years remaining.

**(c) Multistrategy Hedge Funds**

This consists of \$37,935 invested in five hedge funds at September 30, 2014. All five funds are fully redeemable. These hedge funds invest in equity, fixed income, and derivatives, and vary their investment strategies in response to changing market opportunities. As of September 30, 2014, the IRC's combined investments in these funds included 20% credit strategies, 48% long-short equity strategies, 15% multistrategies, and 17% special situations.

At September 30, 2014 and 2013, the IRC had unfunded commitments to limited partnerships of \$2,925 and \$675, respectively.

**(3) Investment Return**

IRC maintains a spending rate policy on the Freedom Fund (note 12) invested assets. The spending rate policy was designed to preserve the value of the investment portfolio in real terms and to reduce the impact of market fluctuations on operations. The spending rate used for operations is set at 4.5% of the previous two-year rolling average fair value. In addition to the return on the Freedom Fund invested assets, investment return used for operations includes investment income on working capital cash and short-term investments.

Investment return for the years ended September 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 1,342	1,442
Net realized gains	1,296	792
Net unrealized gains	<u>6,015</u>	<u>12,475</u>
Total return on investments	8,653	14,709
Less investment return used for operations	<u>(4,487)</u>	<u>(4,119)</u>
Excess of investment return used for operations over actual return	<u>\$ 4,166</u>	<u>10,590</u>

Return on investment is shown net of investment manager fees at September 30, 2014 and 2013.

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**(4) Property and Equipment**

Property and equipment consisted of the following as of September 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Furniture and equipment	\$ 2,493	2,708
Cars, vans, and mobile units	3,022	2,831
Leasehold improvements	9,698	9,137
Land	135	—
Donated art portfolios	95	95
Construction in progress	—	42
	15,443	14,813
Less accumulated depreciation and amortization	(10,488)	(10,129)
	\$ 4,955	4,684

**(5) Lease Agreements**

IRC leases several office facilities and equipment under operating leases expiring at various dates through 2021. Rental expense is recognized on the straight-line basis, rather than in accordance with base payment schedules, for purposes of recognizing a constant annual rental expense. The difference between straight lining the rental charge and actual payments is reported as deferred rent in the balance sheet. The deferred rent obligation grew as payments were less than expenses until fiscal year 2012. Future rental payments are subject to escalation for IRC's proportionate share of increases in certain building operating expenses. Lease agreements for facilities in overseas locations are generally for periods of one year or less.

The following is a schedule, by fiscal year, of the minimum future rentals on leases with expiration dates greater than one year as of September 30, 2014:

Year ending September 30:	
2015	\$ 7,007
2016	6,993
2017	6,561
2018	5,957
2019	5,460
Thereafter	8,297
Total minimum future payments	\$ 40,275

Rent expense for the years ended September 30, 2014 and 2013 was \$14,621 and \$13,018, respectively.

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**(6) Defined Contribution Retirement Plan**

IRC's 403(b) Retirement Savings Plan covers all U.S.-based and expatriate personnel subject to plan eligibility requirements. IRC makes contributions based on a prescribed matching schedule of employee contributions. Basic employee contributions up to 6% of compensation are eligible for a matching contribution by IRC. Matching contributions are deposited in the plan each payroll period based on the following formula:

- 100% of the basic employee contribution up to the first 3% of compensation plus
- 50% of the basic employee contribution up to the next 3% of compensation

IRC provides base contributions, in addition to the existing matching contributions program, which allows for immediate eligibility with a three-year vesting requirement for the base contributions.

Pension expense relating to the defined contribution plan for 2014 and 2013 was \$5,439 and \$4,771, respectively.

IRC's 457(b) Plan covers highly compensated employees and enables eligible employees to enhance their retirement security by permitting them to defer a portion of their compensation once limits on the 403(b) plan have been reached during the calendar year.

IRC's 457(f) Plan is a nonqualified deferred compensation plan and is intended to constitute an unfunded plan for a select group of management or highly compensated employees and be exempt from Parts 2, 3, and 4 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended and is intended to constitute a deferred compensation plan as defined in Section 457(f) of the Internal Revenue Code of 1986, as amended.

**(7) Significant Funders and Concentrations of Credit Risk**

Grants and contracts revenues were from the following for the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
U.S. federal and local government agencies	\$ 199,655	175,324
European agencies	175,506	124,640
United Nations agencies	71,352	55,309
Other agencies	22,653	22,365
	<u>\$ 469,166</u>	<u>377,638</u>

During the year ended September 30, 2014, 14% and 19% (15% and 19% each during fiscal year 2013) of revenues from grants and contracts were received from the U.S. Department of State (Bureau of Population, Refugees, and Migration) and the U.S. Agency for International Development, including the Office of Foreign Disaster Assistance, respectively. The operation of IRC's programs at present levels is

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dependent upon continued funding from these organizations and from United Nations and European agencies.

During the year ended September 30, 2014, approximately 78% of the revenues from foundation and private donors was comprised of grants from 9 donors (71% from 7 donors during fiscal year 2013).

Financial instruments that potentially subject IRC to concentrations of credit risk consist principally of cash and cash equivalents and grants and contracts receivable. Cash and cash equivalents include program advances and, as of September 30, 2014 and 2013, 53% and 55%, respectively, is deposited in banks in foreign locations. At September 30, 2014 and 2013, 30% and 46%, respectively, of grants and contracts receivable are due from the European Union agencies, including Europeaid, the European Commission Humanitarian Aid Office, and the United Kingdom's Department for International Development, through IRC's foreign affiliates.

**(8) Grants and Contracts Receivable and Program Advances**

Grants and contracts receivable were from the following as of September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Federal and local government agencies	\$ 11,349	3,630
United Nations agencies	7,762	6,262
European agencies	17,618	19,052
Foundation and private donors	1,440	1,126
Other agencies	6,303	8,071
	<u>\$ 44,472</u>	<u>38,141</u>

Program advances, included in cash and cash equivalents, were received from the following as of September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
United Nations agencies	\$ 10,524	5,206
European agencies	19,454	14,271
Foundation and private donors	12,244	9,487
Other agencies	3,891	6,515
	<u>\$ 46,113</u>	<u>35,479</u>

In accordance with the terms of certain government contracts, the records of IRC are subject to audit for varying periods after the date of final payment of the contracts. IRC is liable for any disallowed costs. In

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the opinion of management, adjustments that might result from such audits would not have a significant effect on IRC's financial position or changes in net assets.

**(9) Temporarily Restricted Net Assets**

Temporarily restricted net assets as of September 30, 2014 and 2013 are available subject to time and purpose restrictions as follows:

	<u>2014</u>	<u>2013</u>
Time restrictions:		
Split-interest agreements	\$ 499	464
General purpose	7,740	6,312
Purpose restrictions:		
Balkans, Caucasus, and other programs	796	973
Middle East programs	2,962	1,181
Asian programs	2,378	902
African programs	<u>3,289</u>	<u>3,304</u>
Total international relief and assistance programs	9,425	6,360
U.S. programs	3,572	2,925
Emergency preparedness, technical units, and other	6,255	4,592
Women's Refugee Commission	42	1,918
Supporting services	<u>388</u>	<u>381</u>
	<u>\$ 27,921</u>	<u>22,952</u>

During 2014 and 2013, total revenue for the Women's Refugee Commission was \$5,656 and \$4,809, respectively. This is reported as operating revenue, primarily as restricted contributions and grant and contract revenue.

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**(10) Permanently Restricted Net Assets**

The income earned on permanently restricted net assets as of September 30, 2014 and 2013 is available for the following purposes:

	<b>2014</b>	<b>2013</b>
Reproductive health	\$ 9,870	9,870
Emergency response	9,414	9,414
U.S. programs	1,202	1,189
President's office	1,000	200
Children's programs	294	294
International programs	99	99
General purposes	32,927	32,107
	\$ 54,806	53,173

**(11) Freedom Fund**

IRC's Freedom Fund comprises the board-designated endowment, donor endowment, and emergency funds assets and net assets. As of September 30, 2014 and 2013, the Freedom Fund is categorized on the balance sheets as follows:

	<b>2014</b>	<b>2013</b>
Assets:		
Cash and cash equivalents	\$ 403	1,018
Contributions receivable	1	1,028
Investments	111,759	105,494
Total	\$ 112,163	107,540
Net assets:		
Unrestricted board-designated endowment	\$ 50,117	48,898
Temporarily restricted – reinvested return	7,240	5,469
Permanently restricted	54,806	53,173
Total	\$ 112,163	107,540

The IRC endowment consists of 20 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the IRC to function as endowments (board-designated). At September 30, 2014, there were no fair values of donor-restricted endowment fund less than their original fair value (underwater).

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Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets, which exclude contributions receivable, consist of the following at September 30, 2014 and 2013:

		<b>2014</b>			
		<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted	\$	—	7,240	54,805	62,045
Quasi (board-designated)		50,117	—	—	50,117
Total	\$	<u>50,117</u>	<u>7,240</u>	<u>54,805</u>	<u>112,162</u>

		<b>2013</b>			
		<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted	\$	(24)	5,469	52,145	57,590
Quasi (board-designated)		48,922	—	—	48,922
Total	\$	<u>48,898</u>	<u>5,469</u>	<u>52,145</u>	<u>106,512</u>

Changes in endowment net assets, which exclude contributions receivable, for the fiscal years ended September 30, 2014 and 2013 were as follows:

		<b>2014</b>			
		<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Net assets, September 30, 2013	\$	48,898	5,469	52,145	106,512
Net appreciation (depreciation) (realized and unrealized)		3,506	4,419	(6)	7,919
Contributions		710	—	2,468	3,178
Distributions		(2,819)	(2,628)	—	(5,447)
Reclassifications of restrictions		(178)	(20)	198	—
Net assets, September 30, 2014	\$	<u>50,117</u>	<u>7,240</u>	<u>54,805</u>	<u>112,162</u>



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	<b>2013</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Net assets, September 30, 2012	\$ 44,076	1,309	48,421	93,806
Net appreciation (realized and unrealized)	8,580	5,035	8	13,623
Contributions	416	—	3,716	4,132
Distributions	(4,174)	(875)	—	(5,049)
Net assets, September 30, 2013	\$ 48,898	5,469	52,145	106,512

**(12) Foreign Affiliates**

IRC is currently affiliated with two separately incorporated organizations, International Rescue Committee, U.K. and International Rescue Committee, Belgium. Revenue provided by these affiliates, primarily funded by the European Commission Humanitarian Aid Office and Department for International Development, was \$167,183 and \$112,501 for fiscal years 2014 and 2013, respectively, and is included in grants and contracts and contributions in the statement of activities. Net (payables) receivables due from the International Rescue Committee, U.K., consisting primarily of grants and contracts receivables, were (\$3,725) and \$5,997 as of September 30, 2014 and 2013, respectively.

**(13) Line of Credit**

IRC has an \$8,000 unsecured line of credit from a financial institution bearing interest at a rate of LIBOR plus 125 basis points per annum. There were no amounts outstanding under such line during the year or at September 30, 2014 and 2013.

**(14) Contingencies**

IRC is contingently liable under certain claims and lawsuits, many of which are covered in whole or in part by insurance. In management's opinion, none of these claims and lawsuits will have a material adverse effect on the financial position or changes in net assets of IRC.

**(15) Subsequent Events**

In connection with the preparation of the financial statements, the IRC evaluated subsequent events from September 30, 2014 through February 10, 2015, which was the date the financial statements were approved for issuance, and concluded that no additional disclosures are required.