Consolidated Financial Statements and Report of Independent Certified Public Accountants

HIAS, Inc. and Related Entities

December 31, 2019 and 2018

Contents

Grant Thornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
HIAS, Inc. and Related Entities

We have audited the accompanying consolidated financial statements of HIAS, Inc. (HIAS) which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to HIAS's preparation and fair presentation of the consolidated 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 HIAS'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 consolidated 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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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HIAS, Inc. and related entities as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Arlington, Virginia
July 31, 2020

HIAS, Inc. and Related Entities

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	2019	2018
ASSETS		
Cash	$ 7,512,760	$ 6,461,992
Investments - allocated, client deposits, non-American pension plan (Note 4)	63,162,583	55,472,457
Investments held for charitable gift annuities and trusts (Note 4)	2,363,897	1,946,750
Grants receivables (net of allowances of $68,262 for 2019 and $72,518 for 2018)	3,659,702	3,094,764
Contribution receivables	2,150,226	1,825,922
Other receivables	238,619	66,426
Deposits and prepaid expenses	608,491	428,381
Property and equipment, net (Note 6)	1,138,965	958,532
Total assets	$ 80,835,243	$ 70,255,224
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 5,391,698	$ 3,974,903
Deferred revenue	3,968,019	2,177,243
Client deposits	4,734,731	5,318,426
Deferred rent	1,001,021	878,052
Severance obligations	2,854,521	1,563,874
Grants payable	325,995	189,977
Pension obligations (Note 7)	6,184,847	5,724,148
Annuity obligations (Note 5)	1,355,950	1,258,427
Total liabilities	25,816,782	21,085,050
NET ASSETS		
Without donor restrictions	48,173,427	43,485,474
With donor restrictions	6,845,034	5,684,700
Total net assets	55,018,461	49,170,174
Total liabilities and net assets	$ 80,835,243	$ 70,255,224

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

HIAS, Inc. and Related Entities

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended December 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:						
Contributions	$ 12,449,793	$ 1,972,849	$ 14,422,642	$ 16,008,175	$ 1,338,650	$ 17,346,825
Operating grants	19,603,940	-	19,603,940	10,270,483	-	10,270,483
Bequests	50,734	-	50,734	61,421	-	61,421
Governmental and intergovernmental agencies:						
U.S. Department of Health and Human Services	4,526,939	-	4,526,939	3,560,036	-	3,560,036
U.S. Department of State	16,882,354	-	16,882,354	15,578,701	-	15,578,701
Migrant loan processing fees and repayments	545,188	-	545,188	675,862	-	675,862
Investment income designated for current operations (Note 4)	2,176,956	-	2,176,956	2,477,145	-	2,477,145
Service fee revenues and other revenues	904,486	-	904,486	196,560	-	196,560
Net assets released from restriction	1,474,323	(1,474,323)	-	1,761,278	(1,761,278)	-
Total revenues and other support	$ 58,614,713	$ 498,526	$ 59,113,239	$ 50,589,661	$ (422,628)	$ 50,167,033

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

HIAS, Inc. and Related Entities

CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

For the years ended December 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:						
Program services - refugee and immigration assistance:						
U.S. operations	$ 14,596,849	$ -	$ 14,596,849	$ 11,851,127	$ -	$ 11,851,127
International operations	34,021,294	-	34,021,294	21,918,939	-	21,918,939
Total program services	48,618,143	-	48,618,143	33,770,066	-	33,770,066
Supporting services:						
Management and general	9,606,408	-	9,606,408	8,683,088	-	8,683,088
Fundraising	3,327,220	-	3,327,220	2,530,224	-	2,530,224
Total supporting services	12,933,628	-	12,933,628	11,213,312	-	11,213,312
Total operating expenses	61,551,771	-	61,551,771	44,983,378	-	44,983,378
Changes in net assets from operations	(2,937,058)	498,526	(2,438,532)	5,606,283	(422,628)	5,183,655
Non-operating activities:						
Non-operating investment (loss) income (Note 4)	5,708,895	799,837	6,508,732	(5,959,489)	(155,629)	(6,115,118)
Bequests	1,067,512	-	1,067,512	777,078	-	777,078
Actuarial gain (loss) on split-interest agreements	331,533	(138,029)	193,504	(80,860)	(150,416)	(231,276)
Changes in pension obligations other than net periodic benefit cost	517,071	-	517,071	(279,255)	-	(279,255)
Total non-operating activities	7,625,011	661,808	8,286,819	(5,542,526)	(306,045)	(5,848,571)
CHANGE IN NET ASSETS	4,687,953	1,160,334	5,848,287	63,757	(728,673)	(664,916)
Net assets - beginning of year	43,485,474	5,684,700	49,170,174	43,421,717	6,413,373	49,835,090
Net assets - end of year	$ 48,173,427	$ 6,845,034	$ 55,018,461	$ 43,485,474	$ 5,684,700	$ 49,170,174

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

HIAS, Inc. and Related Entities

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	Program Services - Refugee and Immigration Assistance			Supporting Services			
	U.S. Operations	International Operations	Total	Management and General	Fundraising	Total	2019 Total
Payments to resettling communities	$ 8,326,111	$ 129,711	$ 8,455,822	$ -	$ -	$ -	$ 8,455,822
Transportation and transient assistance	618,786	7,148,587	7,767,373	-	-	-	7,767,373
Total emigration and resettlement expenses	8,944,897	7,278,298	16,223,195	-	-	-	16,223,195
Personnel expenses:							
Salaries	2,443,401	10,900,194	13,343,595	5,318,497	1,546,595	6,865,092	20,208,687
Payroll taxes and employee benefits (including pension cost of approximately $425,572) (Note 7)	668,488	4,657,276	5,325,764	2,902,389	462,823	3,365,212	8,690,976
Total personnel expenses	3,111,889	15,557,470	18,669,359	8,220,886	2,009,418	10,230,304	28,899,663
Other expenses:							
Rent, utilities, taxes, maintenance and insurance (Note 8)	208,765	2,104,948	2,313,713	1,266,888	-	1,266,888	3,580,601
Communications costs	5,542	228,161	233,703	136,021	-	136,021	369,724
Mailing costs	44,096	107,548	151,644	43,868	790,422	834,290	985,934
Computers, furniture and equipment	59,042	1,286,662	1,345,704	420,155	108,042	528,197	1,873,901
Professional and consulting fees	889,089	2,137,676	3,026,765	1,631,262	105,761	1,737,023	4,763,788
Local transportation	11,451	345,251	356,702	9,229	2,024	11,253	367,955
Project support	166,403	4,157	170,560	1,894	1,400	3,294	173,854
Program supplies	-	534,354	534,354	-	-	-	534,354
Memberships and subscriptions	15,321	40,468	55,789	87,244	13,114	100,358	156,147
Printing and office supplies	1,087	332,778	333,865	47,881	1,309	49,190	383,055
Publications and media	47,635	1,162	48,797	148,083	9,847	157,930	206,727
Travel, site visits, conferences and meetings	389,494	808,902	1,198,396	306,882	33,205	340,087	1,538,483
International travel	5,953	436,266	442,219	181,769	10,006	191,775	633,994
Advertising	5,459	435	5,894	204,829	241,750	446,579	452,473
Depreciation and amortization	-	19,391	19,391	73,491	-	73,491	92,882
Bank charges and miscellaneous	24,178	126,466	150,644	163,475	922	164,397	315,041
Indirect costs	666,548	2,670,901	3,337,449	(3,337,449)	-	(3,337,449)	-
Total other expenses	2,540,063	11,185,526	13,725,589	1,385,522	1,317,802	2,703,324	16,428,913
Total functional expenses	$ 14,596,849	$ 34,021,294	$ 48,618,143	$ 9,606,408	$ 3,327,220	$ 12,933,628	$ 61,551,771

The accompanying notes are an integral part of this consolidated financial statement.

HIAS, Inc. and Related Entities

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	Program Services - Refugee and Immigration Assistance			Supporting Services			
	U.S. Operations	International Operations	Total	Management and General	Fundraising	Total	2018 Total
Payments to resettling communities	$ 6,548,743	$ 142,029	$ 6,690,772	$ -	$ -	$ -	$ 6,690,772
Resettlement documentation		8,668	8,668	530	-	530	9,198
Transportation and transient assistance	399,485	3,580,334	3,979,819	152	-	152	3,979,971
Total emigration and resettlement expenses	6,948,228	3,731,031	10,679,259	682	-	682	10,679,941
Personnel expenses:							
Salaries	2,214,654	7,294,308	9,508,962	5,334,166	1,269,421	6,603,587	16,112,549
Payroll taxes and employee benefits (including pension cost of approximately $314,674) (Note 7)	677,450	2,931,546	3,608,996	2,030,481	366,343	2,396,824	6,005,820
Total personnel expenses	2,892,104	10,225,854	13,117,958	7,364,647	1,635,764	9,000,411	22,118,369
Other expenses:							
Rent, utilities, taxes, maintenance and insurance (Note 8)	2,770	1,306,498	1,309,268	996,901	-	996,901	2,306,169
Communications costs	5,940	163,137	169,077	133,970	1,476	135,446	304,523
Mailing costs	47,694	47,189	94,883	40,301	626,649	666,950	761,833
Computers, furniture and equipment	41,583	702,688	744,271	461,038	109,099	570,137	1,314,408
Professional and consulting fees	626,773	1,246,268	1,873,041	931,699	89,361	1,021,060	2,894,101
Local transportation	8,782	174,433	183,215	8,597	3,935	12,532	195,747
Project support	198,122	39,935	238,057	69,884	861	70,745	308,802
Program supplies	4,581	1,251,224	1,255,805	-	-	-	1,255,805
Memberships and subscriptions	14,845	5,306	20,151	129,059	24,916	153,975	174,126
Printing and office supplies	1,296	190,753	192,049	56,838	535	57,373	249,422
Publications and media	350	293	643	117,930	1,997	119,927	120,570
Travel, site visits, conferences and meetings	356,816	332,141	688,957	295,208	27,098	322,306	1,011,263
International travel	58,434	56,388	114,822	277,728	7,865	285,593	400,415
Advertising	772	10,006	10,778	470,919	-	470,919	481,697
Depreciation and amortization	-	3,149	3,149	158,399	668	159,067	162,216
Bank charges and miscellaneous	27,073	33,772	60,845	183,126	-	183,126	243,971
Indirect costs	614,964	2,398,874	3,013,838	(3,013,838)	-	(3,013,838)	-
Total other expenses	2,010,795	7,962,054	9,972,849	1,317,759	894,460	2,212,219	12,185,068
Total functional expenses	$ 11,851,127	$ 21,918,939	$ 33,770,066	$ 8,683,088	$ 2,530,224	$ 11,213,312	$ 44,983,378

The accompanying notes are an integral part of this consolidated financial statement.

HIAS, Inc. and Related Entities

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 5,848,287	$ (664,916)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	92,882	162,216
Donor-restricted endowment	(635,959)	(54,699)
Realized gain on investments	(1,098,963)	(1,950,387)
Unrealized (gain) loss on investments	(7,075,435)	6,069,230
(Gain) loss on split-interest agreements	(193,504)	231,276
Changes in operating assets and liabilities:		
Grants receivables	(564,938)	1,173,496
Contribution receivables	(324,304)	506,042
Other receivables	(172,193)	451,233
Deposits and prepaid expenses	(180,110)	231,913
Accounts payable and accrued expenses	1,416,795	357,776
Deferred revenue	1,790,776	1,779,795
Client deposits	(583,695)	(997,180)
Deferred rent	122,969	(78,522)
Severance obligations	1,290,647	403,423
Grants payable	136,018	(665)
Pension obligations	460,699	(372,935)
Net cash provided by operating activities	329,972	7,247,096
Cash flows from investing activities:		
Proceeds from sale of investments	12,689,704	15,154,251
Purchase of investments	(12,369,467)	(18,090,671)
Purchase of equipment	(273,315)	-
Net cash provided by (used in) investing activities	46,922	(2,936,420)
Cash flows from financing activities:		
Donor-restricted endowment	635,959	54,699
Payments of annuity obligations	(171,272)	(401,461)
Investment income subject to annuity obligations	209,187	(65,272)
Net cash provided by (used in) financing activities	673,874	(412,034)
NET INCREASE IN CASH	1,050,768	3,898,642
Cash - beginning of year	6,461,992	2,563,350
Cash - end of year	$ 7,512,760	$ 6,461,992

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

NOTE 1 - ORGANIZATION

HIAS, Inc. and related entities (collectively, HIAS) rescue people whose lives are in danger for being who they are. HIAS protects the most vulnerable refugees, helping them build new lives and reuniting them with their families in safety and freedom. HIAS advocates for the protection of refugees and assure that displaced people are treated with the dignity they deserve. Guided by its Jewish values and history, HIAS brings more than 130 years of expertise to its work with refugees. HIAS operates in the United States, Asia, Caribbean, Latin America, Africa and Europe. The consolidated financial statements of HIAS included certain related entities in these geographical locations.

The primary sources of revenue are: federal funding through United States (U.S.) Government Grants (see Note 9), operating grants, contributions and investment income, derived mainly from endowments.

HIAS is a nonprofit organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The consolidated financial statements include the accounts of HIAS' domestic and international operations offices. All material interoffice balances and transactions have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include all related entities as mentioned above. All significant intercompany transactions have been eliminated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, the classification of HIAS' net assets and its support, revenues and expenses are based on the existence or absence of donor-imposed restrictions. The amounts for each of the two classes of net assets, with and without donor restrictions, are displayed in the consolidated statements of financial position and the changes in each of those classes of net assets are displayed in the consolidated statements of activities.

Net assets consist of the following:

Net Assets Without Donor Restrictions - net assets that are without any restrictions by donor-imposed stipulations and, therefore, are available to carry out HIAS' operations.

Net Assets With Donor Restrictions - net assets resulting from contributions and other inflows of assets whose use by HIAS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of HIAS pursuant to those stipulations. When such stipulations end or are fulfilled, such net assets with donor restrictions are reclassified to net assets without restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Also included in this category are net assets resulting from contributions and other inflows of assets whose use by HIAS is limited in perpetuity by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of HIAS. These restricted net assets are comprised primarily of funds restricted by donors to be held in perpetuity, the income from which is intended to support the operations of HIAS.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

HIAS has elected to recognize the revenue in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized

Concentration of Credit Risk

Financial instruments that potentially subject HIAS to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation (FDIC) limit, and investments. At December 31, 2019, HIAS had $7,262,760 in excess of the FDIC insured limit. Management does not believe that a significant risk of loss is likely due to the failure of a financial institution HIAS utilizes. Management also believes that its market risk is mitigated by an adequate diversification of its investments amongst a variety of asset classes.

Investments

Investments are stated at quoted market values or values provided by the respective fund manager or general partner as of the measurement date. Realized and unrealized gains or losses on investments pertaining to HIAS have been reflected on the accompanying consolidated statements of activities as part of non-operating investment income - net. Dividends are accrued based on the ex-dividend date. Interest income is recognized as earned. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility changes. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported on the accompanying consolidated financial statements.

Fair Value Measurements

Fair value is 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. As required by U.S. GAAP for fair value measurement, HIAS uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date that HIAS has the ability to access. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. As of December 31, 2019 and 2018, HIAS had no investments which were deemed to be Level 2.

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. As of December 31, 2019 and 2018, HIAS had no investments which were deemed to be Level 3.

HIAS uses the net asset value (NAV) to determine the fair value of all underlying investments which (1) do not have a readily determinable fair value and (2) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Cash and Cash Equivalents

HIAS considers all highly liquid investments with original maturities of less than three months from the date of purchase to be cash and cash equivalents, except for those cash equivalents which are included in HIAS' investment portfolio which are considered to be for long-term investment purposes. HIAS' foreign deposits were monitored in accordance with HIAS' cash policy. HIAS had cash in foreign accounts totaling $3,219,696 and $2,028,694 as of December 31, 2019 and 2018, respectively.

Valuation of Investments

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Equity securities and mutual funds - Valued at the closing share price reported on the active market on which the individual securities are traded.

Fixed income securities - When quoted prices are available in an active market, they are classified within Level 1 of the fair value hierarchy. Quoted prices in inactive markets are classified within Level 2. If quoted market prices are not available or accessible, then fair values are estimated using pricing modules, matrix pricing, or discounted cash flow models. The most significant inputs to the discounted cash flow model are the coupon, yield and expected maturity date.

Collective trust and alternative investments - The collective trust and alternative investments consist of investments in funds of funds based on their underlying investments. The fair value of such investments are determined using the NAV per share as a practical expedient to estimate the fair value, unless it is probable that all or portion of the investment will be sold for an amount different from NAV. As of December 31, 2019 and 2018, HIAS had no plans to sell investments at amounts different from NAV. Investments measured at NAV as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

HIAS defines a capital asset as tangible property/equipment that meets all of the following requirements:

- It was procured through HIAS unrestricted funds;
- Total unit cost, including tax, shipping, duty, installation, etc., is $5,000 or more; and
- It has an expected useful life of more than one year.

HIAS depreciates assets on a straight-line basis over the estimated useful life associated with each class of asset. The table below shows these useful lives:

Asset Type	Estimated Useful Life
Leasehold property improvements	Shorter of 10 years or remaining lease period
Motor vehicles	3 years, unless the context determines that a shorter life would be more appropriate
Furniture and office equipment	5 years
Computer hardware	3 years
Computer software	3 years

Client Deposits (Care and Maintenance Funds)

HIAS receives care and maintenance funds from U.S. based sponsors (the Sponsor) on behalf of clients. A list of deposits are maintained by both HIAS Headquarters (HQ) and HIAS Vienna. These funds are recorded as a liability upon receipt and presented as Client deposits in the consolidated statements of financial position. All travel is expected to be completed in the next fiscal year, although in some cases, travel might be delayed due to various factors. The current HIAS liability represents care and maintenance funds that HIAS is carrying on behalf of the beneficiaries' expenses to resettle in the United States.

Annuity Agreements

The contribution portion of a charitable gift annuity agreement is recognized as a contribution without donor restrictions if the donor does not restrict the use of the assets contributed to the organization. Adjustments to annuity liabilities to reflect the amortization of the discount and revaluation of expected future payment to beneficiaries based on changes in actuarial assumptions are made annually and recognized in revenue as non-operating actuarial gain (loss) on split-interest agreements in the accompanying consolidated statements of activities. There were seven new charitable gift annuity agreements signed in 2019 for a total of $268,847. There were nine new charitable gift annuity agreements signed in 2018 for a total of $111,621.

Severance Obligation

Severance obligations are recorded when a qualifying event occurs or, for country offices, based on the respective country's labor laws.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental and Operating Grants and Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Conditional promises to give are not recognized until all conditions are satisfied. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift.

An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. No allowance was recorded at December 31, 2019 and 2018. All contributions are expected to be collected in the next year, therefore no discount has been recorded. Contributions receivable are written-off in the period deemed uncollectible.

There are no unrecognized conditional contributions, other than those related to governmental and operating grants noted below, as of December 31, 2019 and 2018.

Contributed services are recorded at their estimated fair value and are recognized as revenues and expenses on the consolidated statements of activities in the period received. Contributed legal services for the years ended December 31, 2019 and 2018 totaled $758,721 and $81,395, respectively, and are included in contribution revenue, and professional and consulting fees within other expenses, on the accompanying consolidated statements of activities.

Government and operating grants are treated as conditional contributions and revenue is recognized when a contribution becomes unconditional. Typically, contract and grant agreements contain a right of return or right of release from obligation provision and HIAS has limited discretion over how funds transferred should be spent. As such, HIAS recognizes revenue for these conditional contributions when the related barrier(s) has been overcome which is to the extent that expenses have been incurred for the purposes specified by the grantors.

The amounts reported as accounts receivable in the accompanying consolidated statements of financial position represent grant program expenses incurred in advance of the receipt of funds. HIAS estimates uncollectible amounts based on the aging of outstanding accounts receivable and management estimate of their net realizable values. Accounts are written-off when deemed uncollectable. Funds received in advance of incurred grant program expenses are reported as deferred revenue in the accompanying consolidated statements of financial position.

HIAS had approximately $19,565,170 and $11,780,112 in unrecognized conditional contributions as of December 31, 2019 and 2018, respectively. The revenue related to these awards is conditioned on HIAS incurring allowable expenditures under the terms of the agreements.

Migrant Loan Processing Fees, Repayments, Service Fees and Other Revenues

HIAS' travel loan services operate in accordance with its Reception and Placement Cooperative Agreement with the State Department and the Memorandum of Understanding (MOU) with the International Organization for Migration (IOM). Under these agreements, HIAS is responsible for the maintenance of transportation loans funded by the State Department and granted by IOM to HIAS' refugee clients for the cost of their transportation to the United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Under the IOM agreement, HIAS keeps 25% of the total amounts collected and recognizes it as migrant loan processing fees and repayments revenue in the accompanying consolidated statements of activities. The revenue is reported at the amount that reflects the consideration to which the HIAS expects the loan to be recovered. Revenue is recognized based on the loan amount recovered.

HIAS is not only collecting loans on behalf of IOM, but also assisting clients with basic financial literacy and trying to build strong connections with them. Building on this methodology, HIAS assists clients link closely with HIAS' livelihoods team to drive better value for the clients we resettle and serve.

Each HIAS affiliate is required to provide orientation to clients on loan repayment responsibilities. The Loan Services team provides technical assistance to the HIAS affiliate network. Historically, HIAS initial contact with the loan recipient is established with the first billing statement, issued six months after date of arrival. HIAS started to establish its relationship much earlier in 2018 by sending welcome letters that explain to its clients what to expect when they start receiving actual invoices. HIAS also supplements this technical assistance with materials that will explain the importance of building good credit in the United States and improving fiscal discipline overall.

The travel loan repayments is the first step towards credit building for HIAS' clients in the United States. This helps HIAS serve its clients better and help clients in the long run with their economic integration in the U.S.

Service fee revenues are direct program service fees recognized as revenues as services are rendered.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied overtime is recognized based on actual charges incurred in relation to the total expected or actual charges. Because all of its performance obligations relate to contracts within a duration of less than one year, HIAS has elected to apply the optional exemption provided in FASB Accounting Standards Codification (ASC) 606-10-14(a) and not disclose the information about remaining performance obligation associated with those contracts.

HIAS also recognizes revenue from other revenue streams which are within the scope of ASC 606. However, these revenue streams are not significant to HIAS' overall operations.

Contract Balances

HIAS' contract balances are comprised of receivable and client deposits. HIAS' receivables under ASC 606 amounting to $228,945 is disclosed as part of Other Receivables on the consolidated statements of financial position. Client deposits are separately disclosed on the consolidated statements of financial position.

Disaggregated Revenue

HIAS recognized $545,188 of migrant loan processing fees and repayments revenue over time during the year ended December 31, 2019. HIAS also recognized $781,840 of service fee and other charges over time during the year ended December 31, 2019, which is presented as part of the Service Fee Revenues and Other Revenues in the consolidated statements of activities.

Rent

Rent is recognized on a straight-line basis over the terms of the various leases.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Allocation of Expenses

The costs of providing HIAS' programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on actual labor expenses.

Foreign Currency Translation

The consolidated financial statements and transactions of HIAS' foreign operational offices are generally maintained in the relevant local currency. Where local currencies are used (other than those located in countries with highly inflationary economies, including Venezuela), assets and liabilities are translated at current exchange rates in effect at the date on the consolidated statements of financial position. Revenues and expenses are translated at the average exchange rate for each period. Gains and losses from foreign currency transactions are included in the consolidated statements of activities.

Venezuela - Foreign Currency and Inflation

HIAS has been adversely impacted by developments in Venezuela, including the significant devaluation of the Venezuelan Bolivar that have occurred in recent years, hyperinflation and restrictive exchange control regulations which reduced access to U.S. dollars through the official currency exchange mechanisms.

For the year ended December 31, 2019, there was no official foreign currency exchanges in Venezuela and the available exchange information available did not account for inflation. The exchange rate used in translating the local currency to U.S. dollars are the actual rates HIAS received on the exchanges.

Income Taxes

HIAS has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. No material taxable unrelated business income was generated, and, accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The tax years ending December 31, 2019, 2018, 2017, 2016 and 2015 are still open to audit for both federal and state purposes.

HIAS follows the accounting guidance that creates a single model to address uncertainty in tax positions and clarifies accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in its consolidated financial statements. Under the requirements of this guidance, organizations could now be required to record an obligation as the result of tax positions they have historically taken on various tax exposure items. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. HIAS is not required to record such an obligation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results may differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Risk of Operating Outside the United States

HIAS is subject to the risks of doing business outside the United States, including, among other risks, foreign currency exchange rate risks, tax laws and political or labor disturbances.

Recently Adopted New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. HIAS adopted the new standard effective January 1, 2019, the first day of HIAS' fiscal year using the modified retrospective approach only to contracts that were not completed at the date of application. The adoption of Topic 606 did not have a material impact on HIAS' consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Liabilities*. ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. The new standard impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The adoption of this guidance did not have a material impact on the consolidated financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, with the stated purpose if providing guidance in evaluating whether transactions should be accounted for as contributions or exchange transactions. In addition, the update introduces the concept of barriers in providing additional guidance on identifying conditions that would preclude the recognition of a contribution as revenue. The ASU 2018-08 applies to all entities that receive or make contributions, including both business and not-for-profit entities. Management has determined that the results of applying ASU 2018-08 did not have a material impact on the consolidated financial position, changes in net assets, cash flows, controls or systems of HIAS.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the guidance in former ASC Topic 840, *Leases*. The most significant change will result in the recognition of lease assets for the right to use the underlying asset, and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. This standard is effective for the fiscal year ending December 31, 2021, with early adoption permitted. Upon adoption of Topic 842, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. HIAS is evaluating the impact this ASU will have on the consolidated financial statement presentation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In October 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*, to improve the effectiveness of disclosures about the fair value measurements required under ASC 820. ASU 2018-13 amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures. The new ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. HIAS is evaluating the impact this ASU will have on the consolidated financial statement presentation.

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2019	2018
Financial assets and liquid resources:		
Cash	$ 7,512,760	$ 6,461,992
Contribution receivable within a year	2,150,226	1,825,922
Grants and other receivables, net	3,900,871	3,161,190
Endowment funds available for operations	2,961,510	2,176,956
Total financial assets available within one year	16,525,367	13,626,060
Less: Net assets with donor restrictions	(6,845,034)	(5,684,700)
Total financial and liquidation resources available within one year	$ 9,680,333	$ 7,941,360

The cash flows for HIAS have seasonal variations during the year. During year end holidays, special occasions and anniversaries like the World Refugee Day and Passover, HIAS experiences a high inflow of donations. To manage liquidity, HIAS keeps funds in the money market to manage cash flows. As of December 31, 2019 and 2018, there was $6,010,638 and $5,148,605, respectively, in United States Treasury bills.

NOTE 4 - INVESTMENTS

Investments are carried at fair value and consist of the following at December 31:

	2019 Fair Value	2018 Fair Value
Cash and cash equivalents	$ 11,018,270	$ 11,812,227
Mutual funds:		
Equity funds	18,844,202	11,276,196
Fixed-income funds	4,048,225	3,139,038
All asset funds	4,744,041	4,227,796
Total mutual funds	27,636,468	18,643,030
Equities - U.S. small cap	1,595,352	1,288,146
Fixed income securities	487,705	103,735
Collective trust	6,528,416	9,421,862
Alternative investments	18,260,269	16,150,207
Total investment	$ 65,526,480	$ 57,419,207

These investments are presented in the consolidated statements of financial position as follows:

	2019	2018
Investments - allocated, client deposits, non-American pension plan	$ 63,162,583	$ 873,038
Investments held for charitable gift annuities and trusts	2,363,897	(6,069,230)
Total investment	$ 65,526,480	$ 57,419,207

Investment (loss) income consists of the following:

	2019	2018
Interest and dividends	$ 905,641	$ 873,038
Realized gain	1,098,963	1,950,387
Unrealized gain (loss)	7,075,435	(6,069,230)
	9,080,039	(3,245,805)
Less:		
Investment fees	(394,351)	(392,168)
Investment return designated for current operations	(2,176,956)	(2,477,145)
Non-operating investment income (loss)	$ 6,508,732	$ (6,115,118)

NOTE 4 - INVESTMENTS - Continued

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2019 and 2018:

	2019		
	Level 1	**Reported at NAV**	**Total**
Mutual funds:			
Equity funds	$ 18,844,202	$ -	$ 18,844,202
Fixed - income funds	4,048,225	-	3,139,038
All asset funds	4,744,041	-	4,227,796
Total mutual funds	27,636,468	-	27,636,468
Equity - U.S. small cap	1,595,352	-	1,595,352
Fixed income securities	487,705	-	487,705
Collective trust *	-	6,528,416	6,528,416
Alternative investments *	-	18,260,269	18,260,269
Total investments, at fair value	$ 29,719,525	$ 24,788,685	$ 54,508,210
Cash and cash equivalents			$ 11,018,270
Total investments			$ 65,526,480

NOTE 4 - INVESTMENTS - Continued

	2018		
	Level 1	**Reported at NAV**	**Total**
Mutual funds:			
Equity funds	$ 11,276,196	$ -	$ 11,276,196
Fixed - income funds	3,139,038	-	3,139,038
All asset funds	4,227,796	-	4,227,796
Total mutual funds	18,643,030	-	18,643,030
Equity - U.S. small cap	1,288,146	-	1,288,146
Fixed income securities	103,735	-	103,735
Collective trust *	-	9,421,862	9,421,862
Alternative investments *	-	16,150,207	16,150,207
Total investments, at fair value	$ 20,034,911	$ 25,572,069	$ 45,606,980
Cash and cash equivalents			$ 11,812,227
Total investments			$ 57,419,207

* HIAS uses the NAV per share, or its equivalent to determine the fair value as of the measurement date of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

NOTE 4 - INVESTMENTS - Continued

The following tables detail certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2019 and 2018.

2019				
Type	Strategy	NAV in Funds	$ Amount of Unfunded Commitments	Redemption Terms
Collective trust	Global equity, bond and currency markets, and fixed-income securities	$ 4,907,935	$ -	Monthly, as of the last day of any month upon 2 days' prior notice
Collective trust	Outperform the Russell 1000 Growth Index by varying portfolio weights based on the volatilities and correlation of stocks	1,620,481	-	Monthly, as of the last day of any month upon 15 days' prior notice
Alternative investment	Diversified portfolio of equity securities of companies ordinarily incorporated in any county other than the U.S.	10,168,773	-	Monthly, as of the last day of any month upon 10 days' prior notice
Alternative investment	Global developed and emerging stocks, developed and emerging government bonds and emerging currencies, global inflation-protected bonds, U.S. high-yield and investment grade credit mortgages, global swamp spreads and commodities	5,140,347	-	Monthly, as of the last day of any month upon 15 days' prior notice
Alternative investment	Investment grade, credit, high yield credit, bank loan, and securitized markets	2,951,149	-	1st or 15th day of month, with 30 days' written notice
Total		$ 24,788,685	$ -	

NOTE 4 - INVESTMENTS - Continued

2018				
Type	**Strategy**	**NAV in Funds**	**$ Amount of Unfunded Commitments**	**Redemption Terms**
Collective trust	Global equity, bond and currency markets, and fixed-income securities	$ 7,939,777	$ -	Monthly, as of the last day of any month upon 2 days' prior notice
Collective trust	Outperform the Russell 1000 Growth Index by varying portfolio weights based on the volatilities and correlation of stocks	1,482,085	-	Monthly, as of the last day of any month upon 15 days' prior notice
Alternative investment	Diversified portfolio of equity securities of companies ordinarily incorporated in any county other than the U.S.	8,715,199	-	Monthly, as of the last day of any month upon 10 days' prior notice
Alternative investment	Global developed and emerging stocks, developed and emerging government bonds and emerging currencies, global inflation-protected bonds, U.S. high-yield and investment grade credit mortgages, global swamp spreads and commodities	4,810,906	-	Monthly, as of the last day of any month upon 15 days' prior notice
Alternative investment	Investment grade, credit, high yield credit, bank loan, and securitized markets	2,624,102	-	1st or 15th day of month, with 30 days' written notice
Total		$ 25,572,069	$ -	

NOTE 5 - SPLIT-INTEREST AGREEMENTS

HIAS is the beneficiary of charitable remainder trusts and charitable remainder unitrusts. The present values of the annuities' obligations are based upon the expected future cash flows to be paid to the annuities' beneficiaries. Adjustments to the annuity liabilities reflect the amortization of the discount and the revaluation of expected future payments to beneficiaries based on changes in actuarial assumptions, and are made annually and recognized as actuarial gains (losses) on split-interest agreements as part of non-operating activities within the consolidated statements of activities.

HIAS is the beneficiary of one charitable remainder trust in 2018 under an agreement where the assets are held and invested by a third party. HIAS recorded a receivable and a donor restricted contribution based on the present value of the estimated future distributions expected to be received by HIAS over the expected term of the agreement. This was liquidated in 2019.

The discount rate was 1.2% for each of the years ended December 31, 2019 and 2018.

The following tables show the changes in the annuity obligations:

	2019	2018
Annuity obligations, beginning of year	$ 1,258,427	$ 1,403,347
New agreements	268,847	111,621
Payments to annuitants	(197,115)	(401,460)
Change in actuarial valuations	25,791	144,919
Annuity obligations, end of year	$ 1,355,950	$ 1,258,427

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2019 and 2018:

	2019	2018
Furniture and equipment	$ 1,034,943	$ 798,436
Leasehold improvements	1,303,450	1,267,179
	2,338,393	2,065,615
Less: Accumulated depreciation	(1,199,428)	(1,107,083)
Property and equipment, net	$ 1,138,965	$ 958,532

Depreciation expense amounted to $92,882 and $162,216 for the years ended December 31, 2019 and 2018.

NOTE 7 - PENSIONS

Domestic Pension Plan

HIAS has a noncontributory defined benefit pension plan (the Plan) covering all of its eligible employees. All benefits under this plan were frozen effective February 15, 2012.

The following table sets forth the Plan's funded status and the components of net periodic benefit cost at December 31, 2019 and 2018:

	2019	2018
Reconciliation of benefit obligation:		
Benefit obligation, beginning of year	$ 15,225,577	$ 17,025,958
Service cost	160,000	160,000
Interest cost	614,002	592,455
Assumption gain (loss)	2,308,544	(1,354,755)
Actuarial loss	70,652	190,857
Expected expenses	-	(160,000)
Benefits paid	(755,126)	(1,228,937)
Benefit obligation, end of year	$ 17,623,649	$ 15,225,577

NOTE 7 - PENSIONS - Continued

	2019	2018
Reconciliation of fair value of plan assets:		
Plan assets, beginning of year	$ 10,034,738	$ 11,486,113
Actual return on assets	2,096,726	(766,316)
Employer contributions	623,658	700,594
Benefit payments and actual expenses	(755,126)	(1,385,653)
Plan assets, end of year	$ 11,999,996	$ 10,034,738
Projected benefit obligation	$ (17,623,649)	$ (15,225,577)
Accrued expenses	-	(288,097)
Fair value of plan assets	11,999,996	10,322,835
Funded status	$ (5,623,653)	$ (5,190,839)
Amounts that have not been recognized as components of net periodic benefit cost but are included in unrestricted net assets:		
Net actuarial loss	$ 5,598,164	$ 5,081,093
Components of net periodic benefit cost:		
Service cost	$ 160,000	$ 160,000
Interest cost	614,002	592,455
Expected return on plan assets	(643,628)	(520,720)
Amortization of net loss	409,027	402,393
Net periodic benefit cost	$ 539,401	$ 634,128
Changes in pension obligation other than net periodic benefit cost:		
Net loss	$ 926,098	$ 123,138
Amortization of net loss	(409,027)	(402,393)
Total	$ 517,071	$ 279,255
Estimated amounts expected to be recognized in net periodic benefit cost over the next fiscal year:		
Amortization of net loss	$ 20,330	$ 354,873

NOTE 7 - PENSIONS - Continued

The weighted-average assumptions used to determine benefit obligations at December 31, 2019 and 2018, respectively, are as follows:

	2019	2018
Discount rate	3.06	4.11%
Rate of compensation increase	N/A	N/A

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2019 and 2018, respectively, are as follows:

	2019	2018
Discount rate	4.11%	3.61%
Rate of compensation increase	N/A	N/A
Long-term rate of return	6.45%	7.00%

The long-term rate of return on assets assumption was selected by the Plan sponsor based on review of investment allocations with the investment advisor and based on both historic and projected returns. This assumption was determined to be an appropriate estimate of the expected returns, based on the nature of the pension plan investment allocation and related strategy. Since the rate of return assumption reflects a long-term outlook, it is not expected to change based on short-term market fluctuations. The Plan sponsor routinely monitors the performance of the pension plan assets and based on consultation with the investment advisor, will make changes to the investment allocation and strategy as determined to be necessary in an effort to maximize returns within prudent risk constraints.

The fair value of the Plan assets by asset category is as follows:

	December 31, 2019			
	Level 1	Level 2	Reported at NAV	Total Fair Value
Mutual funds:				
Equity funds	$ 3,525,852	$ -	$ -	$ 3,525,852
Fixed - income funds	1,139,850	-	-	1,139,849
All asset funds	1,564,044	-	-	1,564,044
Total mutual funds	$ 6,229,746	$ -	$ -	$ 6,229,746
Equity - U.S. small cap	768,857	-	-	768,857
Alternative investments	-	-	4,816,538	4,816,538
Total investments, at fair value	$ 6,998,603	$ 40,000	$ 4,816,538	$ 11,815,141
Cash and cash equivalents				$ 184,855
Total investments				$ 11,999,996

NOTE 7 - PENSIONS - Continued

	December 31, 2018			
	Level 1	Level 2	Reported at NAV	Total Fair Value
Mutual funds:				
Equity funds	$ 2,026,429	$ -	$ -	$ 2,026,429
Fixed - income funds	791,430	-	-	791,430
All asset funds	1,551,756	-	-	1,551,756
Total mutual funds	$ 4,369,615	$ -	$ -	$ 4,369,615
Equity - U.S. small cap	609,742	-	-	609,742
Fixed income securities	-	40,000	-	40,000
Collective trust	-	-	1,569,692	1,569,692
Alternative investments	-	-	3,315,869	3,315,869
Total investments, at fair value	$ 4,979,357	$ 40,000	$ 4,885,561	$ 9,904,918
Cash and cash equivalents				$ 417,917
Total investments				$ 10,322,835

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

	Domestic
Year ending December 31	
2020	$ 640,017
2021	656,145
2022	703,679
2023	782,463
2024	854,941
2025-2028	4,695,849

Foreign Pension Plan

HIAS had a nonqualified defined benefit pension plan covering eligible foreign employees. All benefits were frozen effective March 15, 2012. As of December 31, 2019 and 2018, the accumulated benefit obligation was $561,194 and $533,309, respectively, which is the present value of the benefits earned as of the date that the Plan froze benefit accruals. No additional pension contributions were incurred in 2019 or 2018.

The assumptions used included a discount rate of 2.86% and 3.93% for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 - PENSIONS - Continued

401(k) Defined Contribution Plan

HIAS sponsors a defined contribution plan covering all eligible employees. The defined contribution plan permits elective deferrals pursuant to Internal Revenue Code Section 401(k), up to the maximum amount by law of pre-tax annual compensation, as defined in the Plan. HIAS makes matching contributions up to 5% of the employee's total compensation. Total contributions to the Plan by HIAS during 2019 and 2018 were $425,572 and $314,674, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

New York

HIAS signed leases for two office spaces in New York in June 2019. The first lease covers the space occupied since 2015 for three years starting January 1, 2020 and ending December 31, 2022. The second lease covers additional space for the New York office for a three and a half year period starting July 1, 2019 to December 31, 2023. The lease commenced with base rent of $251,865 and $69,480 per annum, respectively, and escalates by 3% per until expiry at December 31, 2022. Rent expense for the New York leases totaled $273,832 and $251,884 for the years ended December 31, 2019 and 2018, respectively.

Maryland

In June 2019, HIAS signed a new lease to add 9,860 square feet of the second floor at its corporate headquarters in Silver Spring, Maryland. The lease signed in March 2015 was amended to extend the lease term from February 2026 to February, 2029. The new lease provides for the tenant an additional improvement allowance of $345,000 to the $849,070, which was provided in the first lease. The total allowance of $1,194,740 is being amortized over the term of the lease. The new lease provides for base rent of approximately $123,250 per year after a six month rent abatement. This brings the total rent abatement at the Silver Spring office to $524,250. Rent escalates by 2.75% per year until the lease expires in February 2029. Rent expense for the Silver Spring lease totaled $573,114 and $427,205 for the years ended December 31, 2019 and 2018, respectively.

Washington D.C.

On August 2, 2007, HIAS signed a lease for office space in Washington, D.C. The lease commenced with an annual payment of $129,836, with subsequent rent increases of 2.5% per year. HIAS subleased a portion of this space to another not-for-profit organization for the entirety of the lease, which expired in August 2017. On July 26, 2017, HIAS extended the Washington, D.C. lease through December 2019. Rent expense for the Washington, D.C. lease totaled $18,000 for each of the years ended December 31, 2019 and 2018.

NOTE 8 - COMMITMENTS AND CONTINGENCIES - Continued

Lease commitments are as follows:

	Rent Expense
Year ending December 31	
2020	$ 1,001,409
2021	1,051,482
2022	1,081,868
2023	761,991
2024	783,628
Thereafter	3,489,847
	$ 8,170,224

Contingencies

HIAS is a party to litigation and other claims in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant effect on the consolidated financial position or changes in net assets of HIAS.

NOTE 9 - CONCENTRATION RISK

The most significant source of HIAS's revenue are grants from the U.S. Government. In 2019, HIAS received $16,884,904 and $4,526,939 from the U.S. Department of State and U.S. Department of Health and Human Services, respectively, accounting for approximately 29% and 8%, respectively, of total revenues and other support. In 2018, HIAS received $15,578,701 and $3,560,036 from the U.S. Department of State and U.S. Department of Health and Human Services, respectively, accounting for approximately 31% and 7%, respectively, of total revenues and other support.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions released were:

	2019	2018
Scholarship awards	$ 189,089	$ 406,057
Refugee Border Crisis	61,960	-
Legal Service Program in Greece	-	129,210
Syrian/Europe Emergency Relief	5,001	73,328
Refugee Program for Artists, Scholars and Professionals	252,526	332,037
Michael B. Rukin Refugee Law Fellows Program In Israel	200,000	213,844
Refugee Crisis Deployment	228	50,945
New York Resettlement	15,000	39,893
Time restrictions	750,519	515,964
	$ 1,474,323	$ 1,761,278

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS - Continued

Net assets with donor restrictions are available for the following purposes or periods:

	2019	2018
Scholarship awards	$ 1,074,659	$ 948,370
Refugee Border Crisis	232,685	39,919
Resettlement of newly arrived immigrants within the U.S.	68,835	68,835
Rescue and resettlement of Russian Jewish children and other Russian Jews	100,000	100,000
Dire emergency use	15,633	15,633
Syrian/Europe Emergency Relief	-	5,001
Legal Service Program	10,000	10,000
Refugee Crisis Deployment	31,403	31,632
Refugee Program for Artists, Scholars and Professionals	271,022	423,386
Michael B. Rukin Refugee Law Fellows Program in Israel	175,000	-
New York Resettlement	3,578	3,578
Donor-restricted endowments (Note 11)	4,120,355	3,017,879
	6,103,170	4,664,233
Net assets with time restrictions	741,864	1,020,467
	$ 6,845,034	$ 5,684,700

NOTE 11 - ENDOWMENT FUNDS

HIAS' endowment funds include both donor-restricted "true" endowment funds and funds designated by the Board to function as endowments. HIAS has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation 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, HIAS classifies as net assets with donor restrictions (a) the original value of the 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. In accordance with NYPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of HIAS and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of HIAS
- The investment policies of HIAS
- When appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on HIAS

NOTE 11 - ENDOWMENT FUNDS - Continued

HIAS has a policy of appropriating for distribution a certain percentage (5% in 2019 and 2018) of its endowment fund's average fair value over the prior 12 quarters. In establishing this policy, HIAS considered the long-term expected return on its endowment. For 2019 and 2018, this allocation amounted to $2,176,956 and $2,477,145, respectively.

The return objective of HIAS is to generate investment income while maintaining the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in a diversified portfolio of investments. Investment income is recorded as donor restricted income and released from restriction upon expenditure for the program for which the endowment fund was established.

The endowment net assets consist of:

	2019	2018
Board-designated funds	$ 44,037,160	$ 37,043,174
Donor restricted endowment funds:		
The HIAS scholarship program	864,608	722,922
Special projects and activities of organization	3,014,491	2,053,701
Rescue and resettlement of Jewish immigrants	241,256	241,256
Total donor-restricted endowment funds	4,120,355	3,017,879
Total endowment funds	$ 48,157,515	$ 40,061,053

NOTE 11 - ENDOWMENT FUNDS - Continued

The following are the changes in endowment net assets for the years ended December 31, 2019 and 2018:

	2019		
	Board Designated	Donor Restricted	Total
Endowment net assets, beginning of year	$ 37,043,174	$ 3,017,879	$ 40,061,053
Investment income and fees	7,684,556	569,984	8,254,540
Contributions	1,067,512	635,959	1,703,471
Actuarial loss on split-interest agreement	331,533	-	331,533
Appropriation for archival project	(16,125)	-	(16,125)
Appropriate for expenditure	(1,527,307)	(103,467)	(2,176,956)
Endowment net assets, end of year	$ 44,037,160	$ 4,120,355	$ 48,157,515

	2018		
	Board Designated	Donor Restricted	Total
Endowment net assets, beginning of year	$ 41,969,795	$ 2,963,180	$ 44,932,975
Investment income and fees	(2,734,694)	-	(2,734,694)
Contributions	777,078	54,699	831,778
Actuarial loss on split-interest agreement	(80,860)	-	(80,860)
Appropriation for relocation	(64,356)	-	(64,356)
Appropriation for archival project	(346,644)	-	(346,644)
Appropriate for expenditure	(2,477,145)	-	(2,477,145)
Endowment net assets, end of year	$ 37,043,174	$ 3,017,879	$ 40,061,053

From time to time, the fair value of assets associated with individual donor restricted “true” endowment funds may fall below the level that the donor or NYPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2019 and 2018, there were no funds underwater.

NOTE 12 - BOARD DESIGNATED ENDOWMENT

HIAS’ board has designated funds to be set aside to establish and maintain a board endowment fund for the purpose of securing the organization’s long-term financial viability and continuing to meet the needs of the organization. The funds totaled $44,037,160 and $37,043,174 at December 2019 and 2018, respectively. The fund generated $1,067,512 and $777,078 of additional contributions for the years ended December 31, 2019 and 2018, respectively.

Assets of both the donor-restricted and board-designated endowment funds are invested in a broadly diversified portfolio spread over multiple asset classes.

NOTE 13 - RELATED PARTY TRANSACTIONS

HIAS received contributions from board members and other related organizations during the years ending December 31, 2019 and 2018, totaling $150,026 and $435,369, respectively.

NOTE 14 - SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on HIAS's financial condition, liquidity, and future results of operations. Management is actively monitoring the effect of this global pandemic on its financial condition, liquidity, operations, donors, refugees and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, HIAS is not able to estimate the full effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

HIAS evaluated its December 31, 2019 consolidated financial statements for subsequent events through July 31, 2020, the date the consolidated financial statements were available to be issued. HIAS is not aware of any additional subsequent events which would require recognition or disclosure in the consolidated financial statements.