

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**HIAS, Inc.**

December 31, 2022 and 2021

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors of  
HIAS, Inc.

**Opinion**

We have audited the consolidated financial statements of HIAS, Inc. and Related Entities (collectively "HIAS"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of HIAS as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HIAS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of matter**

As discussed in Note 2 and Note 8 to the consolidated financial statements, as of January 1, 2022, HIAS has adopted Accounting Standards Codification 842, *Leases*. Our opinion is not modified with respect to this matter.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HIAS's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HIAS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Grant Thornton LLP*

Arlington, Virginia  
October 2, 2023

HIAS, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,538,081	\$ 7,111,755
Investments - (including client deposits) (Note 4)	88,493,598	85,322,915
Investments held for charitable gift annuities and trusts (Note 4)	3,956,465	3,416,839
Grants receivables (net of allowances of \$482,085 for 2022 and \$547,193 for 2021)	20,292,769	13,082,339
Contribution receivables	2,714,518	2,162,401
Other receivables, net	1,213,266	154,715
Deposits and prepaid expenses	2,034,999	1,360,585
Right-of-use assets - operating	4,860,125	-
Property and equipment, net (Note 6)	<u>1,996,974</u>	<u>2,347,063</u>
 Total assets	 <u>\$ 140,100,795</u>	 <u>\$ 114,958,612</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 16,799,802	\$ 6,875,042
Deferred revenue	13,559,232	7,708,809
Client deposits	4,223,741	4,383,641
Deferred rent	-	1,378,094
Severance obligations	3,296,072	4,280,312
Grants payable	790,945	-
Lease liabilities - operating	5,403,198	-
Pension obligations (Note 7)	2,824,879	5,392,367
Annuity obligations (Note 5)	<u>2,855,095</u>	<u>1,882,760</u>
 Total liabilities	 <u>49,752,964</u>	 <u>31,901,025</u>
<b>Net assets</b>		
Without donor restrictions	56,284,098	71,231,198
With donor restrictions	<u>34,063,733</u>	<u>11,826,389</u>
 Total net assets	 <u>90,347,831</u>	 <u>83,057,587</u>
 Total liabilities and net assets	 <u>\$ 140,100,795</u>	 <u>\$ 114,958,612</u>

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

HIAS, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and other support</b>						
Contributions of cash and other financial assets	\$ 26,019,467	\$ 27,123,865	\$ 53,143,332	\$ 38,274,176	\$ 5,593,763	\$ 43,867,939
Contributions of nonfinancial assets	1,243,587	-	1,243,587	2,206,636	-	2,206,636
Operating grants	35,796,240	-	35,796,240	32,949,400	-	32,949,400
Bequests	10,262	-	10,262	67,030	-	67,030
Governmental agencies:						
U.S. Department of Health and Human Services	23,284,450	-	23,284,450	3,921,471	-	3,921,471
U.S. Department of State	59,508,348	-	59,508,348	36,935,679	-	36,935,679
U.S. Department of Homeland Security	10,596	-	10,596	64,586	-	64,586
Migrant loan processing fees and repayments	229,898	-	229,898	325,216	-	325,216
Investment income designated for current operations (Note 4)	2,335,770	-	2,335,770	2,441,112	-	2,441,112
Service fee revenues and other revenues	470,347	-	470,347	(6,361)	-	(6,361)
Net assets released from restriction	4,085,428	(4,085,428)	-	1,335,418	(1,335,418)	-
<b>Total revenues and other support</b>	<b>\$ 152,994,393</b>	<b>\$ 23,038,437</b>	<b>\$ 176,032,830</b>	<b>\$ 118,514,363</b>	<b>\$ 4,258,345</b>	<b>\$ 122,772,708</b>

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

HIAS, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

Years ended December 31,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Expenses</b>						
Program services - refugee and immigration assistance						
U.S. operations	\$ 45,861,212	\$ -	\$ 45,861,212	\$ 16,756,033	\$ -	\$ 16,756,033
International operations	103,933,028	-	103,933,028	69,858,142	-	69,858,142
Total program services	149,794,240	-	149,794,240	86,614,175	-	86,614,175
Supporting services						
Management and general	8,467,853	-	8,467,853	11,174,518	-	11,174,518
Fundraising	4,260,127	-	4,260,127	4,869,040	-	4,869,040
Total supporting services	12,727,980	-	12,727,980	16,043,558	-	16,043,558
Total operating expenses	162,522,220	-	162,522,220	102,657,733	-	102,657,733
Changes in net assets from operations	(9,527,827)	23,038,437	13,510,610	15,856,630	4,258,345	20,114,975
<b>Non-operating activities</b>						
Non-operating investment income (Note 4)	(9,594,071)	(801,093)	(10,395,164)	4,988,581	435,592	5,424,173
Bequests	1,560,694	-	1,560,694	1,552,132	-	1,552,132
Actuarial (loss) gain on split-interest agreements	(432,709)	-	(432,709)	281,615	-	281,615
Unrealized loss	(326,526)	-	(326,526)	-	-	-
Cumulative translation adjustment	614,954	-	614,954	-	-	-
Changes in pension obligations other than net periodic benefit cost	2,758,385	-	2,758,385	1,835,332	-	1,835,332
Total non-operating activities	(5,419,273)	(801,093)	(6,220,366)	8,657,660	435,592	9,093,252
<b>CHANGE IN NET ASSETS</b>	(14,947,100)	22,237,344	7,290,244	24,514,290	4,693,937	29,208,227
<b>Net assets - beginning of year</b>	71,231,198	11,826,389	83,057,587	46,716,908	7,132,452	53,849,360
<b>Net assets - end of year</b>	56,284,098	\$ 34,063,733	\$ 90,347,831	\$ 71,231,198	\$ 11,826,389	\$ 83,057,587

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

HIAS, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

	Program Services - Refugee and Immigration Assistance			Supporting Services			2022 Total
	U.S. Operations	International Operations	Total	Management and General	Fundraising	Total	
<b>Payments to resettling communities</b>	\$ 24,222,010	\$ 26,071,843	\$ 50,293,853	\$ 3,028,660	(19,670)	\$ 3,008,990	\$ 53,302,843
<b>Transportation and transient assistance</b>	794,135	12,846,923	13,641,058	111,325	(992)	110,333	13,751,391
Total emigration and resettlement expenses	25,016,145	38,918,766	63,934,911	3,139,985	(20,662)	3,119,323	67,054,234
<b>Personnel expenses</b>							
Salaries	7,995,852	25,423,161	33,419,013	7,472,205	1,532,650	9,004,855	42,423,868
Payroll taxes and employee benefits (including pension cost of approximately \$427,435) (Note 7)	2,693,438	10,656,346	13,349,784	2,418,091	1,298,748	3,716,839	17,066,623
Total personnel expenses	10,689,290	36,079,507	46,768,797	9,890,296	2,831,398	12,721,694	59,490,491
<b>Other expenses</b>							
Rent, utilities, taxes, maintenance and insurance (Note 8)	2,194,041	4,600,888	6,794,929	55,877	7,451	63,328	6,858,257
Communications costs	233,097	680,762	913,859	17,206	3,253	20,459	934,318
Mailing costs	747,095	75,104	822,199	22,588	64,209	86,797	908,996
Computers, furniture and equipment	1,102,385	2,006,244	3,108,629	801,882	105,805	907,687	4,016,316
Professional and consulting fees	3,029,691	2,856,818	5,886,509	2,763,958	741,305	3,505,263	9,391,772
Project support	146,999	194,957	341,956	4,501	-	4,501	346,457
Program supplies	132,994	3,580,409	3,713,403	57,799	635	58,434	3,771,837
Memberships and subscriptions	127,365	315,969	443,334	148,088	156,437	304,525	747,859
Printing and office supplies	80,452	724,333	804,785	19,484	11,273	30,757	835,542
Publications and media	12,912	89,560	102,472	196,927	-	196,927	299,399
Travel, site visits, conferences and meetings	355,042	3,040,806	3,395,848	293,988	70,241	364,229	3,760,077
International travel	432,983	762,399	1,195,382	374,993	159,344	534,337	1,729,719
Advertising	168,590	10,858	179,448	653,089	-	653,089	832,537
Depreciation and amortization	-	136,241	136,241	333,093	-	333,093	469,334
Bank charges and miscellaneous	51,807	574,234	626,041	319,596	129,438	449,034	1,075,075
Indirect costs	1,340,324	9,285,173	10,625,497	(10,625,497)	-	(10,625,497)	-
Total other expenses	10,155,777	28,934,755	39,090,532	(4,562,428)	1,449,391	(3,113,037)	35,977,495
<b>Total functional expenses</b>	<b>\$ 45,861,212</b>	<b>\$ 103,933,028</b>	<b>\$ 149,794,240</b>	<b>\$ 8,467,853</b>	<b>\$ 4,260,127</b>	<b>\$ 12,727,980</b>	<b>\$ 162,522,220</b>

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



HIAS, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

	Program Services - Refugee and Immigration Assistance			Supporting Services			2021 Total
	U.S. Operations	International Operations	Total	Management and General	Fundraising	Total	
<b>Payments to resettling communities</b>	\$ 9,186,039	\$ 2,802,195	\$ 11,988,234	\$ -	\$ -	\$ -	\$ 11,988,234
<b>Transportation and transient assistance</b>	429,510	15,418,143	15,847,653	-	-	-	15,847,653
Total emigration and resettlement expenses	9,615,549	18,220,338	27,835,887	-	-	-	27,835,887
<b>Personnel expenses</b>							
Salaries	3,655,863	21,584,697	25,240,560	6,844,672	2,796,527	9,641,199	34,881,759
Payroll taxes and employee benefits (including pension cost of approximately \$667,889) (Note 7)	1,241,348	7,275,898	8,517,246	2,672,705	1,018,649	3,691,354	12,208,600
Total personnel expenses	4,897,211	28,860,595	33,757,806	9,517,377	3,815,176	13,332,553	47,090,359
<b>Other expenses</b>							
Rent, utilities, taxes, maintenance and insurance (Note 8)	164,980	3,539,677	3,704,657	1,733,779	-	1,733,779	5,438,436
Communications costs	11,756	671,528	683,284	144,610	1,184	145,794	829,078
Mailing costs	21,225	103,070	124,295	21,032	526,886	547,918	672,213
Computers, furniture and equipment	504,583	1,843,383	2,347,966	1,179,589	158,485	1,338,074	3,686,040
Professional and consulting fees	433,103	2,865,330	3,298,433	2,852,592	239,562	3,092,154	6,390,587
Project support	9,595	265,635	275,230	960,551	101,447	1,061,998	1,337,228
Program supplies	9,703	3,007,578	3,017,281	-	-	-	3,017,281
Memberships and subscriptions	13,950	547,416	561,366	133,579	11,050	144,629	705,995
Printing and office supplies	7,334	548,237	555,571	141,487	4,491	145,978	701,549
Publications and media	2,760	90,265	93,025	167,850	-	167,850	260,875
Travel, site visits, conferences and meetings	88,954	1,223,696	1,312,650	74,776	7,297	82,073	1,394,723
International travel	13,232	223,395	236,627	93,950	482	94,432	331,059
Advertising	12,328	125,319	137,647	22,223	1,764	23,987	161,634
Depreciation and amortization	-	78,798	78,798	1,234	-	1,234	80,032
Bank charges and miscellaneous	35,901	878,024	913,925	1,809,616	1,216	1,810,832	2,724,757
Indirect costs	913,869	6,765,858	7,679,727	(7,679,727)	-	(7,679,727)	-
Total other expenses	2,243,273	22,777,209	25,020,482	1,657,141	1,053,864	2,711,005	27,731,487
<b>Total functional expenses</b>	<b>\$ 16,756,033</b>	<b>\$ 69,858,142</b>	<b>\$ 86,614,175</b>	<b>\$ 11,174,518</b>	<b>\$ 4,869,040</b>	<b>\$ 16,043,558</b>	<b>\$ 102,657,733</b>

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

HIAS, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 7,290,244	\$ 29,208,227
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	469,334	120,203
Contributions to donor-restricted endowment	(27,123,864)	(1,691,141)
Realized gain on investments	(457,623)	(5,967,839)
Unrealized loss on investments	10,893,509	279,639
Gain on split-interest agreements	(789,320)	(281,615)
Right-of-use assets - operating	841,480	-
Loss on disposal of fixed assets	6,042	346,878
Changes in operating assets and liabilities:		
Grants receivables	(7,210,430)	(7,520,481)
Contribution receivables	(552,117)	(216,118)
Other receivables	(1,058,551)	344,484
Deposits and prepaid expenses	(674,414)	(282,417)
Accounts payable and accrued expenses	9,924,759	928,393
Operating lease liabilities	(850,888)	-
Deferred revenue	5,850,423	3,712,002
Client deposits	(159,900)	(116,025)
Deferred rent	-	95,929
Severance obligations	(984,240)	319,552
Grants payable	790,945	(106,959)
Pension obligations	(2,567,488)	(2,096,063)
	<u>(6,362,099)</u>	<u>17,076,649</u>
Net cash (used in) provided by operating activities		
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	12,571,433	3,234,357
Purchase of investments	(25,524,205)	(24,904,779)
Purchase of equipment	(125,287)	(671,906)
	<u>(13,078,059)</u>	<u>(22,342,328)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities:</b>		
Contributions to donor-restricted endowment	27,123,864	1,691,141
Payments of annuity obligations	(322,076)	(212,578)
Investment income subject to annuity obligations	64,696	399,390
	<u>26,866,484</u>	<u>1,877,953</u>
Net cash provided by financing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>7,426,326</u>	<u>(3,387,726)</u>
<b>Cash and cash equivalents - beginning of year</b>	<u>7,111,755</u>	<u>10,499,481</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 14,538,081</u>	<u>\$ 7,111,755</u>
<b>Supplemental disclosures of cash flow information:</b>		
Right-of-use assets acquired under operating lease liabilities	<u>\$ 5,701,604</u>	<u>\$ -</u>

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

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

**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 assures that displaced people are treated with the dignity they deserve. Guided by its Jewish values and history, HIAS brings more than 140 years of expertise to its work with refugees. HIAS operates in the United States (U.S.), 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 U.S. Government Grants (see Note 9), operating grants, contributions and investment income, derived mainly from quasi endowments.

HIAS is a nonprofit organization exempt from federal income tax under Internal Revenue Code (IRC) 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 within the regions 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

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, 2022, HIAS had \$9,393,689 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.
- 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, 2022 and 2021, HIAS had no investments which were deemed to be Level 2.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

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, 2022 and 2021, 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 \$4,894,387 and \$3,410,723 as of December 31, 2022 and 2021, 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, 2022 and 2021.

*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 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, 2022 and 2021, 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.

***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, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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	Three years, unless the context determines that a shorter life would be more appropriate
Furniture and office equipment	Five years
Computer hardware	Three years
Computer software	Three years

***Client Deposits (Care and Maintenance Funds)***

HIAS receives care and maintenance funds from U.S. based sponsors on behalf of clients. A list of deposits is maintained by both HIAS Headquarters (HQ) and HIAS' office in 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 U.S.

***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 10 new charitable gift annuity agreements signed in 2022 for a total of \$1,313,945. There were nine new charitable gift annuity agreements signed in 2021 for a total of \$466,000.

***Severance Obligation***

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

***Governmental and Operating Grants and Contributions***

HIAS recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met in accordance with Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. 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, 2022 and 2021. 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.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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, 2022 and 2021 totaled \$1,243,587 and \$590,876, 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 in accordance with ASU 2018-08. 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 \$144,567,555 in unrecognized conditional contributions as of December 31, 2022. The revenue related to these awards is conditioned on HIAS incurring allowable expenditures under the terms of the agreements.

**Contributed Nonfinancial Assets and Services**

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. Estimated fair value is based on current rates for similar services. HIAS does not monetize such nonfinancial assets. All such assets were without donor restrictions.

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets and services recognized within the consolidated statements of activities consisted of the following:

Description	2022	2021	Utilization in Programs/Services	Donor Restrictions	Valuation Techniques and Inputs
Legal Services	\$ 1,243,587	\$ 590,876	Refugee and immigration assistance	No associated donor restrictions	Based on current rates for similar services in the U.S.
Airbnb Travel Credit	-	1,220,987	To provide short-term accommodations for refugees and asylum seekers	No associated donor restrictions	Standard rate per night for accommodations
Technology and software	-	394,773	Refugee and immigration assistance	No associated donor restrictions	Estimates of retail values that would be received for selling similar products in the United States ("U.S.") or based upon values provided by third parties
Total	<u>\$ 1,243,587</u>	<u>\$ 2,206,636</u>			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**Grants Expense**

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 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 U.S.

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 U.S. and improving fiscal discipline overall.

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

HIAS adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers (ASC 606)*, effective January 1, 2019. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five steps of the model include: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when (or as) the Association satisfies a performance obligation. 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 over time 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 ASC 606 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 from contracts amounting to \$210,717 and \$154,710 for the years ended December 31, 2022 and 2021, respectively, 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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

***Rent***

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

***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 years ended December 31, 2022 and 2021, 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.

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.

***Risk of Operating Outside the United States***

HIAS is subject to the risks of doing business outside the U.S., including, among other risks, foreign currency exchange rate risks, tax laws, political or labor disturbances, and safety and security risks to HIAS staff and assets.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

***New Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard requires the recognition of a right-of-use (ROU) asset and lease liability on the balance sheet for substantially all leases. The standard retained a dual model for lease classification, requiring leases to be classified as finance or operating lease to determine recognition in the statement of operations and cash flows. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases, Targeted Improvements*, which provided entities with a transition method option to not restate comparative periods presented, but to recognize a cumulative effect adjustment to beginning retained earnings in the period of adoption. HIAS elected the modified retrospective transition method and did not restate prior comparative periods. The standards also provide additional transition relief, of which HIAS has elected to (1) not reassess whether any expired or existing contracts are or contain leases, (2) retain the classification of leases (e.g., operating or finance lease) existing as of the date of adoption, (3) not reassess initial direct costs for any existing leases, and (4) not utilize hindsight when assessing lease term and ROU asset impairment. The standards require more detailed disclosures to enable users of financial statements to understand the amount, timing and uncertainty of cash flows arising from leases. HIAS adopted this standard as of January 1, 2022. See Note 8.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets through enhancement to presentation and disclosure. The new guidance requires contributed nonfinancial assets to be presented as a separate line item on the consolidated statement of activities, apart from cash and other financial asset contributions. This guidance also requires disclosure of the types of contributed nonfinancial assets and, for each category, information about whether the assets were monetized or utilized, a description of the policies to monetize or utilize such assets, a description of donor-imposed restrictions associated with the contributions, and a description of the valuation techniques and principal market used to arrive at a fair value measure at initial recognition. In 2022, HIAS retrospectively adopted the provisions of ASU No. 2020-07.

***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.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of December 31, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets and liquid resources		
Cash and cash equivalents	\$ 14,538,081	\$ 7,111,755
Contribution receivable within a year	2,714,518	2,162,401
Grants and other receivables, net	20,292,769	13,237,054
Endowment funds available for operations	<u>2,039,769</u>	<u>2,335,769</u>
Total financial assets available within one year	39,585,137	24,846,979
Less: net assets with donor restrictions	<u>(34,063,733)</u>	<u>(11,826,389)</u>
Total financial and liquidation resources available within one year	<u>\$ 5,521,404</u>	<u>\$ 13,020,590</u>

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, 2022 and 2021, there was \$5,904,096 and \$3,429,972, respectively, in U.S. Treasury bills.

**NOTE 4 - INVESTMENTS**

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

	<u>2022 Fair Value</u>	<u>2021 Fair Value</u>
Cash and cash equivalents	\$ 6,493,537	\$ 4,720,228
Mutual funds		
Equity funds	28,371,660	29,916,501
Fixed income funds	<u>1,347,927</u>	<u>4,475,217</u>
Total mutual funds	<u>29,719,587</u>	<u>34,391,718</u>
Equities - U.S. small cap	18,884,039	11,422,036
Fixed income securities	12,988,894	20,211,218
Collective trust	1,882,851	2,268,681
Alternative investments	<u>22,481,155</u>	<u>15,725,873</u>
Total investments	<u>\$ 92,450,063</u>	<u>\$ 88,739,754</u>

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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

	<u>2022</u>	<u>2021</u>
Investments (including client deposits)	\$ 88,493,598	\$ 85,322,915
Investments held for charitable gift annuities and trusts	<u>3,956,465</u>	<u>3,416,839</u>
<b>Total investments</b>	<b><u>\$ 92,450,063</u></b>	<b><u>\$ 88,739,754</u></b>

Investment income consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 2,851,524	\$ 2,647,171
Realized gain	457,623	5,964,839
Unrealized loss	<u>(10,893,509)</u>	<u>(279,639)</u>
	(7,584,362)	8,335,371
Less:		
Investment fees	(475,032)	(470,086)
Investment return designated for current operations	<u>(2,335,770)</u>	<u>(2,441,112)</u>
<b>Non-operating investment income</b>	<b><u>\$ (10,395,164)</u></b>	<b><u>\$ 5,424,173</u></b>

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2022 and 2021:

	<u>2022</u>		
	<u>Level 1</u>	<u>Reported at NAV</u>	<u>Total</u>
Mutual funds			
Equity funds	\$ 28,371,660	\$ -	\$ 28,371,660
Fixed income funds	<u>1,347,927</u>	<u>-</u>	<u>1,347,927</u>
<b>Total mutual funds</b>	29,719,587	-	29,719,587
Equity - U.S. small cap	18,884,039	-	18,884,039
Fixed income securities	12,988,894	-	12,988,894
Collective trust *	-	1,882,851	1,882,851
Alternative investments *	<u>-</u>	<u>22,481,155</u>	<u>22,481,155</u>
<b>Total investments, at fair value</b>	<b><u>\$ 31,872,993</u></b>	<b><u>\$ 24,364,006</u></b>	56,236,939
Cash and cash equivalents			<u>6,493,537</u>
<b>Total investments</b>			<b><u>\$ 92,450,063</u></b>

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

	Level 1	2021 Reported at NAV	Total
Mutual funds:			
Equity funds	\$ 29,916,501	\$ -	\$ 29,916,501
Fixed income funds	4,475,217	-	4,475,217
Total mutual funds	34,391,718	-	34,391,718
Equity - U.S. small cap	11,422,036	-	11,422,036
Fixed income securities	20,211,218	-	20,211,218
Collective trust *	-	2,268,681	2,268,681
Alternative investments *	-	15,725,873	15,725,873
Total investments, at fair value	<u>\$ 66,024,972</u>	<u>\$ 17,994,554</u>	84,019,526
Cash and cash equivalents			<u>4,720,228</u>
Total investments			<u>\$ 88,739,754</u>

\* 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.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The following tables detail certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2022 and 2021.

		2022		
Type	Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Redemption Terms
Collective trust	Emerging Market Small Cap Equity benchmarked to the MSCI EM SC Index	\$ 1,882,851	\$ -	Monthly, as of the first day of any month upon notification by the 15th day of the prior month
Alternative investment	Multi-Strategy Event Driven Fund designed to generate absolute returns with limited correlation to equity and fixed income markets	3,358,323	-	Full Liquidity annually or partial liquidity up to 25% quarterly with no lock-up period
Alternative Investment	Absolute Return focused on structured credit strategies including mortgages, asset-backed and other securitized securities	2,208,600	-	Quarterly liquidity following an initial one-year lock-up.
Alternative investment	Absolute Return Fund that invest in municipal bond markets seeking returns through capital appreciation, income, relative value, event-driven and distressed opportunities	2,022,279	-	Monthly investments with allowance for quarterly withdrawals, upon 65 days' notice, subject to 25% gate if withdrawals exceed 25% of the Master Fund during a calendar quarter
Alternative investment	Absolute Return Fund invests primarily in Industry Loss Warranties seeking absolute returns associated with differences associated with policy premiums and weather-related peril risk	2,096,645	-	Partial liquidity available on a quarterly basis with full liquidity available annually
Alternative investment	Private fund that invests substantially all of its assets through a "master-feeder" fund structure in Radcliffe Ultra Short Duration Master Fund, L.P.	4,833,313	-	A shareholder may redeem all or a portion of its shares as of the last business day of each month pursuant to written notice 40 days prior to the redemption date.
Alternative investment	Private market fund focused on secondary strategies through direct acquisition of original investments within LP Fund Structures	2,162,261	1,282,698	4-year investment period and a 10-year fund term
Alternative investment	Private market fund focused on lower-mid market opportunities within Multi-unit, Consumer, Healthcare and related services	1,407,773	364,221	10 years from final closing subject to two one-year extensions
Alternative investment	Private credit fund manager that provides collateralized loans to small and mid-sized, non-sponsored businesses.	2,125,571	-	5 years subject to four one-year extensions
Alternative investments	Private equity funds focused on large buyouts and growth stage investments in technology companies	2,266,390	2,724,446	10 years from final closing subject to three one-year extensions
Total		<u>\$ 24,364,006</u>	<u>\$ 4,371,365</u>	

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

		2021		
Type	Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Redemption Terms
Collective trust	Emerging Market Small Cap Equity benchmarked to the MSCI EM SC Index	\$ 2,268,681	\$ -	Monthly, as of the first day of any month upon notification by the 15th day of the prior month
Alternative investment	Multi-Strategy Event Driven Fund designed to generate absolute returns with limited correlation to equity and fixed income markets	3,403,880	-	Full Liquidity annually or partial liquidity up to 25% quarterly with no lock-up period
Alternative Investment	Absolute Return focused on structured credit strategies including mortgages, asset-backed and other securitized securities	2,105,510	-	Quarterly liquidity following an initial one-year lock-up.
Alternative investment	Absolute Return Fund that invest in municipal bond markets seeking returns through capital appreciation, income, relative value, event-driven and distressed opportunities	2,003,411	-	Monthly investments with allowance for quarterly withdrawals, upon 65 days' notice, subject to 25% gate if withdrawals exceed 25% of the Master Fund during a calendar quarter
Alternative investment	Absolute Return Fund invests primarily in Industry Loss Warranties seeking absolute returns associated with differences associated with policy premiums and weather-related peril risk	2,053,472	-	Partial liquidity available on a quarterly basis with full liquidity available annually
Alternative investment	Private fund that invests substantially all of its assets through a "master-feeder" fund structure in Radcliffe Ultra Short Duration Master Fund, L.P.	2,218,695	-	A shareholder may redeem all or a portion of its shares as of the last business day of each month pursuant to written notice 40 days prior to the redemption date.
Alternative investment	Private market fund focused on secondary strategies through direct acquisition of original investments within LP Fund Structures	798,815	2,252,785	4-year investment period and a 10-year fund term
Alternative investment	Private market fund focused on lower-mid market opportunities within Multi-unit, Consumer, Healthcare and related services	1,086,842	1,241,745	10 years from final closing subject to two one-year extensions
Alternative investment	Private credit fund manager that provides collateralized loans to small and mid-sized, non-sponsored businesses.	1,048,696	1,000,000	5 years subject to four one-year extensions
Alternative investments	Private equity funds focused on large buyouts and growth stage investments in technology companies	1,006,552	2,110,895	10 years from final closing subject to three one-year extensions
Total		<u>\$ 17,994,554</u>	<u>\$ 6,605,425</u>	

**HIAS, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

**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.

The discount rates ranged from 2.7% to 21.4% at December 31, 2022 and 2021. In fiscal years 2022 and 2021, the assumptions used in the valuation of the liability include mortality data in accordance with the Annuity 2012 mortality table.

The following tables show the changes in the annuity obligations:

	2022	2021
Annuity obligations, beginning of year	\$ 1,882,760	\$ 1,485,165
New agreements	1,313,945	467,357
Payments to annuitants	(322,076)	(212,578)
Change in actuarial valuations	(19,534)	142,816
Annuity obligations, end of year	\$ 2,855,095	\$ 1,882,760

**NOTE 6 - PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consists of the following at December 31, 2022 and 2021:

	2022	2021
Furniture and equipment	\$ 442,769	\$ 455,474
Software development	792,845	792,845
Leasehold improvements	2,221,878	2,205,197
Motor vehicles	108,606	-
	3,566,098	3,453,516
Less: accumulated depreciation	(1,569,124)	(1,106,453)
Property and equipment, net	\$ 1,996,974	\$ 2,347,063

Depreciation expense amounted to \$469,334 and \$120,203 for the years ended December 31, 2022 and 2021.



HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Reconciliation of benefit obligation:		
Benefit obligation, beginning of year	\$ 18,368,781	\$ 19,322,419
Service cost	-	185,000
Interest cost	473,605	429,152
Assumption loss	(4,732,651)	(647,918)
Actuarial gain	43,944	119,953
Settlement	(575,323)	-
Benefits paid	<u>(588,790)</u>	<u>(1,039,825)</u>
Benefit obligation, end of year	<u>\$ 13,349,566</u>	<u>\$ 18,368,781</u>
	<u>2022</u>	<u>2021</u>
Reconciliation of fair value of plan assets		
Plan assets, beginning of year	\$ 13,425,574	\$ 12,587,856
Actual return on assets	(1,524,152)	1,394,643
Employer contributions	237,143	482,900
Settlement	(575,323)	-
Benefit payments and actual expenses	<u>(588,790)</u>	<u>(1,039,825)</u>
Plan assets, end of year	<u>\$ 10,974,452</u>	<u>\$ 13,425,574</u>
	<u>2022</u>	<u>2021</u>
Projected benefit obligation	\$ (13,349,566)	\$ (18,368,781)
Fair value of plan assets	<u>10,974,452</u>	<u>13,425,574</u>
Funded status	<u>\$ (2,375,114)</u>	<u>\$ (4,943,207)</u>
Amounts that have not been recognized as components of net periodic benefit cost but are included in unrestricted net assets		
Net actuarial loss	<u>\$ 2,483,102</u>	<u>\$ 5,241,487</u>
Components of net periodic benefit cost		
Service cost	\$ -	\$ 185,000
Interest cost	473,605	429,152
Expected return on plan assets	(770,073)	(878,263)
Settlement loss recognized	107,014	-
Amortization of net loss	<u>616,889</u>	<u>790,987</u>
Net periodic benefit cost	<u>\$ 427,435</u>	<u>\$ 526,876</u>

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Changes in pension obligation other than net periodic benefit cost		
Net loss	\$ (2,034,482)	\$ (1,044,345)
Settlement loss recognized	(107,014)	-
Amortization of net loss	(616,889)	(790,987)
	<u>                    </u>	<u>                    </u>
Total	\$ (2,758,385)	\$ (1,835,332)
	<u>                    </u>	<u>                    </u>
Estimated amounts expected to be recognized in net periodic benefit cost over the next fiscal year		
Amortization of net loss	\$ 248,947	\$ 455,421
	<u>                    </u>	<u>                    </u>

The weighted-average assumptions used to determine benefit obligations at December 31, 2022 and 2021, respectively, are as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	4.95%	2.63%
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, 2022 and 2021, respectively, are as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	2.63%	2.63%
Rate of compensation increase	N/A	N/A
Long-term rate of return	5.85%	5.86%

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.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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

	2022		
	Level 1	Reported at NAV	Total
Mutual funds			
Equity funds	\$ 3,627,114	\$ -	\$ 3,627,114
Fixed income funds	661,122	-	661,122
Total mutual funds	4,288,236	-	4,288,236
Equity - U.S. small cap	2,963,829	-	2,963,829
Alternative investments	-	3,625,282	3,625,282
Total investments, at fair value	<u>\$ 7,252,065</u>	<u>\$ 3,625,282</u>	10,877,347
Cash and cash equivalents			<u>97,105</u>
Total investments			<u>\$ 10,974,452</u>
	2021		
	Level 1	Reported at NAV	Total
Mutual funds			
Equity funds	\$ 6,190,314	\$ -	\$ 6,190,314
Fixed income funds	2,079,628	-	2,079,628
Total mutual funds	8,269,942	-	8,269,942
Equity - U.S. small cap	2,435,584	-	2,435,584
Alternative investments *	-	2,372,386	2,372,386
Total investments, at fair value	<u>\$ 10,705,526</u>	<u>\$ 2,372,386</u>	13,077,912
Cash and cash equivalents			<u>347,662</u>
Total investments			<u>\$ 13,425,574</u>

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

<u>Year Ending December 31,</u>	<u>Domestic</u>
2023	\$ 746,280
2024	818,193
2025	841,800
2026	851,968
2027	872,471
2028-2031	4,955,960

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

***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, 2022 and 2021, the accumulated benefit obligation was \$423,741 and \$449,159, 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 2022 or 2021.

The assumptions used included a discount rate of 4.88% and 2.42% for the years ended December 31, 2022 and 2021, respectively.

***401(k) Defined Contribution Plan***

HIAS sponsors a defined contribution plan covering all eligible employees. The defined contribution plan permits elective deferrals pursuant to IRC 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 2022 and 2021 were \$866,748 and \$667,890, respectively.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

***Lease Commitments***

On January 1, 2022, we adopted ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize most leases on the balance sheet as ROU assets with corresponding lease liabilities and recorded \$5,701,604 in operating lease ROU assets and \$6,254,086 in operating lease liabilities. The ROU assets and lease liabilities are recognized based on the present value of lease payments over the lease term, discounted using our incremental borrowing rate at the commencement date of the lease. HIAS has elected to use the risk-free rate as their discount rate. The risk-free rate is determined at lease commencement using US Treasury rates with a period similar to the term of the lease. The election has been made for all classes of underlying assets. The weighted-average remaining lease term and weighted-average discount rate as December 31, 2022 is 5.68 years and 2.21% respectively. We recognize operating lease expense on a straight-line basis over the lease term.

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, 2022. The lease commenced with base rent of \$70,507 and \$259,421 per annum, respectively, and escalates by 3% per year until expiry at December 31, 2022. Operating lease costs for the New York leases totaled \$341,096 for the year ended December 31, 2022.

In December 22, 2022, HIAS signed a new lease agreement in New York for a period of 10 years. The lease commenced with a base rent of \$394,834 per annum until the 5<sup>th</sup> year, and \$438,454 per annum after the 5<sup>th</sup> year.

Maryland

In June 2019, HIAS signed a new lease to add 9,860 square feet of the second floor at its corporate HQ 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 in addition to the \$849,070 allowance 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

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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. Operating lease costs for the Silver Spring lease totaled \$742,688 for the year ended December 31, 2022.

As of December 31, 2022, HIAS recognized operating ROU assets of \$4,860,124 and operating lease liabilities of \$5,403,198.

We have certain leases which have initial lease terms of twelve months or less ("Short-term leases"). We elected to exclude these leases from the recognition requirements under Topic 842, and these leases have not been included in our recognized ROU assets and lease liabilities.

The components of lease expense were as follows:

	<u>2022</u>
Operating lease cost	\$ 1,223,439
Short-term leases	1,516,932
Variable leases	<u>44,127</u>
Net lease cost	<u>\$ 2,784,498</u>

Other information related to leases was as follows:

<u>Supplemental information</u>	<u>2022</u>
Operating cash flow activity	
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,232,847
Non-cash activity	
ROU assets obtained in exchange for lease obligations	263,270

Future minimum lease payments under these operating leases as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 1,140,581
2024	967,775
2025	873,685
2026	831,349
2027	848,085
Thereafter	<u>1,015,087</u>
Total	5,676,560
Present value discount	<u>(273,363)</u>
December 31, 2022 lease liabilities	<u>\$ 5,403,198</u>

**HIAS, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

Rent expense for the New York leases was \$330,634 for the year ended December 31, 2021. Rent expense for the Silver Spring lease totaled \$729,463 for the year ended December 31, 2021. Rent expense related to lease agreements was recognized on a straight-line basis over the lease terms.

As of December 31, 2021, future base rentals due under all lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Rent Expense</u>
2022	\$ 3,801,656
2023	3,825,876
2024	4,055,985
2025	4,149,983
2026	4,176,340
Thereafter	<u>23,696,565</u>
	<u>\$ 43,706,405</u>

**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 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 2022, HIAS received \$ 59,508,348 and \$23,284,450 from the U.S. Department of State and U.S. Department of Health and Human Services, respectively, accounting for approximately 34% and 13%, respectively, of total revenues and other support.

**NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions released were:

	<u>2022</u>	<u>2021</u>
Scholarship awards	\$ 135,065	\$ 170,858
Refugee border crisis	-	91,154
Refugee program for artists, scholars and professionals	-	56,594
Michael B. Rukin refugee law fellowship program in Israel	140,317	160,000
Refugee crisis deployment	-	31,403
Afghan refugee crisis	692,068	74,318
Ukraine refugee crisis	1,867,430	-
Legal service program	20,174	110,135
Time restrictions	<u>1,230,374</u>	<u>640,956</u>
	<u>\$ 4,085,428</u>	<u>\$ 1,335,418</u>

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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

	2022	2021
Scholarship awards	\$ 1,076,782	\$ 1,173,748
Refugee border crisis	-	164,941
Resettlement of newly arrived immigrants within the U.S.	68,835	68,835
Rescue and resettlement of Russian Jewish children and other Russian Jews	200,000	100,000
Dire emergency use	15,633	15,632
Legal service program	823,405	158,674
Michael B. Rukin refugee law fellowship program in Israel	134,683	139,999
Afghan refugee crisis	1,243,977	1,552,645
Ukraine refugee crisis	23,206,711	-
Donor-restricted endowments (Note 11)	<u>6,197,476</u>	<u>6,705,262</u>
	32,967,502	10,079,736
Net assets with time restrictions	<u>1,096,231</u>	<u>1,746,653</u>
	<u>\$ 34,063,733</u>	<u>\$ 11,826,389</u>

**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

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

HIAS has a policy of appropriating for distribution a certain percentage (5% and 5% in 2022 and 2021, respectively) 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 2022 and 2021, this allocation amounted to \$2,335,769 and \$2,441,111, 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:

	2022	2021
Board-designated funds	\$ 74,413,392	\$ 56,391,154
Donor restricted endowment funds:		
The HIAS scholarship program	1,020,459	1,053,963
Special projects and activities of organization	4,911,107	5,360,043
Rescue and resettlement of Jewish immigrants	269,479	291,256
Total donor-restricted endowment funds	6,201,044	6,705,262
Total endowment funds	\$ 80,614,436	\$ 63,096,416

The following are the changes in endowment net assets for the years ended December 31, 2022 and 2021:

	2022		
	Board Designated	Donor Restricted	Total
Endowment net assets, beginning of year	\$ 56,391,154	\$ 6,705,262	\$ 63,096,416
Investment income and fees	(7,433,868)	(625,527)	(8,059,395)
Contributions	26,826,989	296,876	27,123,865
Actuarial gain on split-interest agreement	789,320	-	789,320
Appropriate for expenditure	(2,160,203)	(175,567)	(2,335,770)
Endowment net assets, end of year	\$ 74,413,392	\$ 6,201,044	\$ 80,614,436



**HIAS, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

	2021		Total
	Board Designated	Donor Restricted	
Endowment net assets, beginning of year	\$ 47,349,057	\$ 4,578,529	\$ 51,927,586
Investment income and fees	7,137,424	597,140	7,734,564
Contributions	3,902,622	1,691,141	5,593,763
Actuarial gain on split-interest agreement	281,615	-	281,615
Appropriate for expenditure	<u>(2,279,564)</u>	<u>(161,548)</u>	<u>(2,441,112)</u>
Endowment net assets, end of year	<u>\$ 56,391,154</u>	<u>\$ 6,705,262</u>	<u>\$ 63,096,416</u>

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, 2022 and 2021, there were no funds with deficiencies.

**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 \$74,413,392 and \$56,391,154 at December 2022 and 2021, respectively. The fund generated \$26,826,989 and \$3,902,622 of additional contributions for the years ended December 31, 2022 and 2021, 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 ended December 31, 2022 and 2021, totaling \$75,552 and \$98,420, respectively.

**NOTE 14 - FINANCING**

In November 2021, HIAS entered into a revolving line of credit note agreement with M&T Bank in the amount of \$11,000,000 that is available until November 17, 2023. There were no amounts drawn on the available line of credit as of December 31, 2022. Interest payments are due monthly, calculated at the London Inter-Bank Offered Rate (LIBOR) plus 1.30 percentage points on the outstanding principal.

**HIAS, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

**NOTE 15 - SUBSEQUENT EVENTS**

HIAS's Board of Directors approved a change in fiscal year end to September 30. The change in fiscal year will be effective September 30, 2023.

Also, on July 6, 2023 the HIAS Board of Directors executed an agreement to contribute \$20,000,000 in unrestricted funds to HIAS Foundation, Inc. a nonprofit, tax-exempt 501(c)(3) organization incorporated in New York. The contribution is intended to advance the mission, goals and objectives of HIAS Foundation, Inc. The contribution was made on September 1, 2023.

HIAS evaluated its December 31, 2022 consolidated financial statements for subsequent events through October 2, 2023, the date the consolidated financial statements were available to be issued and determined no additional disclosures are required.