

CONSOLIDATED FINANCIAL STATEMENTS

HIAS, INC. AND RELATED ENTITIES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

HIAS, INC. AND RELATED ENTITIES

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Hias, Inc. and Related Entities (together, "HIAS"), which comprise the consolidated statement of financial position as of September 30, 2023, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the nine months then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HIAS as of September 30, 2023, and the consolidated change in its net assets and its cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Consolidated 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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 generally accepted auditing standards, 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 consolidated 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' 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' 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, on our consideration of HIAS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HIAS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HIAS' internal control over financial reporting and compliance.



June 4, 2024

HIAS, INC. AND RELATED ENTITIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023**

ASSETS

Cash and cash equivalents	\$ 12,273,737
Investments	56,873,858
Investments held for charitable gift annuities and trusts	4,210,634
Grants receivable, net	12,743,189
Contributions receivable	1,520,811
Other receivables	560,233
Due from HIAS EAF	15,696
Due from Hias Foundation	128,411
Deposits and prepaid expenses	2,074,635
Property and equipment, net	216,781
Right-of-use assets, net	<u>7,719,268</u>
TOTAL ASSETS	\$ <u>98,337,253</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Line of credit	\$ 2,000,000
Accounts payable and accrued expenses	8,515,633
Due to HIAS Europe	854,116
Refundable advances	7,354,910
Client deposits	4,003,001
Severance obligations	4,742,879
Grants payable	7,506,624
Operating lease liabilities	8,368,276
Pension obligations	1,957,227
Annuity obligations	<u>2,739,973</u>
Total liabilities	<u>48,042,639</u>

NET ASSETS

Without donor restrictions:	
Undesignated	-
Board designated	<u>23,603,154</u>
Total net assets without donor restrictions	23,603,154
With donor restrictions	<u>26,691,460</u>
Total net assets	<u>50,294,614</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>98,337,253</u>

HIAS, INC. AND RELATED ENTITIES

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions of cash and other financial assets	\$ 7,764,593	\$ 7,032,636	\$ 14,797,229
Contributions of nonfinancial assets	8,090,337	-	8,090,337
Operating grants	32,563,080	-	32,563,080
Government grants	69,085,014	-	69,085,014
Migrant loan processing fees and repayments	199,481	-	199,481
Investment income designated for current operations	1,913,350	126,419	2,039,769
Service fee revenues and other revenues	251,755	-	251,755
Net assets released from donor restrictions	<u>14,741,581</u>	<u>(14,741,581)</u>	<u>-</u>
Total support and revenue	<u>134,609,191</u>	<u>(7,582,526)</u>	<u>127,026,665</u>
EXPENSES			
Program Services - Refugee and Immigration Assistance:			
U.S. Operations	55,019,806	-	55,019,806
International Operations	<u>69,357,636</u>	<u>-</u>	<u>69,357,636</u>
Total program services	<u>124,377,442</u>	<u>-</u>	<u>124,377,442</u>
Supporting Services:			
Management and General	18,927,221	-	18,927,221
Fundraising	<u>4,723,400</u>	<u>-</u>	<u>4,723,400</u>
Total supporting services	<u>23,650,621</u>	<u>-</u>	<u>23,650,621</u>
Total operating expenses	<u>148,028,063</u>	<u>-</u>	<u>148,028,063</u>
Change in net assets from operations	<u>(13,418,872)</u>	<u>(7,582,526)</u>	<u>(21,001,398)</u>
NON-OPERATING ACTIVITIES			
Non-operating investment income	3,229,974	310,253	3,540,227
Actuarial gain on split-interest agreements	369,292	-	369,292
Foreign currency adjustments	(3,278,837)	-	(3,278,837)
Change in pension obligations	831,039	-	831,039
Transfer to HIAS Foundation	(20,000,000)	(100,000)	(20,100,000)
Transfer to HIAS EAF	<u>(413,540)</u>	<u>-</u>	<u>(413,540)</u>
Total non-operating activities	<u>(19,262,072)</u>	<u>210,253</u>	<u>(19,051,819)</u>
Change in net assets	(32,680,944)	(7,372,273)	(40,053,217)
Net assets at beginning of period	<u>56,284,098</u>	<u>34,063,733</u>	<u>90,347,831</u>
NET ASSETS AT END OF PERIOD	<u>\$ 23,603,154</u>	<u>\$ 26,691,460</u>	<u>\$ 50,294,614</u>

HIAS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

	Program Services - Refugee and Immigration			Supporting Services			Total Expenses
	Assistance		Total Program Services	Management and General	Fundraising	Total Supporting Services	
	U.S. Operations	International Operations					
Payments to resettling communities	\$ 35,252,379	\$ 12,967,338	\$ 48,219,717	\$ 215,135	\$ -	\$ 215,135	\$ 48,434,852
Transportation and transient assistance	425,210	7,113,187	7,538,397	1,087	-	1,087	7,539,484
Total emigration and resettlement expenses	35,677,589	20,080,525	55,758,114	216,222	-	216,222	55,974,336
Personnel Expenses:							
Salaries	6,059,342	21,284,909	27,344,251	8,147,975	2,526,086	10,674,061	38,018,312
Payroll taxes and employee benefits (including pension cost of approximately \$259,312)	2,161,402	8,936,263	11,097,665	3,374,445	862,292	4,236,737	15,334,402
Total personnel expenses	8,220,744	30,221,172	38,441,916	11,522,420	3,388,378	14,910,798	53,352,714
Other Expenses:							
Occupancy, utilities, taxes, maintenance and insurance	283,330	3,726,130	4,009,460	334,011	17,157	351,168	4,360,628
Communications costs	111,844	635,817	747,661	49,011	9,536	58,547	806,208
Mailing costs	51	80,214	80,265	44,797	669,898	714,695	794,960
Computers, furniture and equipment	572,866	1,966,767	2,539,633	1,095,398	197,087	1,292,485	3,832,118
Professional and consulting fees	8,840,765	3,850,043	12,690,808	2,523,578	303,393	2,826,971	15,517,779
Project support	150	458,211	458,361	728	-	728	459,089
Program supplies	49,948	2,815,451	2,865,399	2,664	-	2,664	2,868,063
Memberships and subscriptions	83,776	520,507	604,283	433,109	23,594	456,703	1,060,986
Printing and office supplies	29,520	768,593	798,113	34,483	5,093	39,576	837,689
Publications and media	82,947	103,744	186,691	14,694	2,977	17,671	204,362
Travel, site visits, conferences and meetings	430,519	2,368,543	2,799,062	291,961	46,748	338,709	3,137,771
International travel	426,269	953,986	1,380,255	636,554	40,201	676,755	2,057,010
Advertising	147,717	199,790	347,507	64,645	12,582	77,227	424,734
Depreciation and amortization	51,950	145,994	197,944	21,871	4,460	26,331	224,275
Loss on disposal of fixed assets	-	44,197	44,197	1,511,721	-	1,511,721	1,555,918
Bank charges and miscellaneous	9,821	417,952	427,773	129,354	2,296	131,650	559,423
Total other expenses	11,121,473	19,055,939	30,177,412	7,188,579	1,335,022	8,523,601	38,701,013
TOTAL	\$ 55,019,806	\$ 69,357,636	\$ 124,377,442	\$ 18,927,221	\$ 4,723,400	\$ 23,650,621	\$ 148,028,063

See accompanying notes to consolidated financial statements.

HIAS, INC. AND RELATED ENTITIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (40,053,217)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	224,275
Unrealized gain on investments	(4,638,022)
Realized loss on sales of investments	498,561
Change in allowance for doubtful accounts	1,473,427
Contributions restricted for long-term endowment	(116,710)
Transfer of net assets to HIAS EAF, net of cash of \$199,073	214,467
Actuarial gain on split-interest agreements	(369,292)
Amortization of right-of-use asset	1,012,476
Loss on disposal of fixed assets	1,555,918
Gain on pension obligation	(831,039)
Decrease (increase) in:	
Other receivables	438,566
Grants receivable	6,076,153
Contributions receivable	1,193,707
Due from HIAS EAF	(15,696)
Due from Hias Foundation	(128,411)
Deposits and prepaid expenses	(39,636)
(Decrease) increase in:	
Accounts payable and accrued expenses	(8,013,588)
Refundable advances	(6,204,322)
Due to HIAS Europe	583,535
Client deposits	(220,740)
Severance obligations	1,446,807
Grants payable	6,715,679
Operating lease liabilities	(906,541)
Pension obligations	(36,613)
Net cash used by operating activities	<u>(40,140,256)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(51,547,871)
Proceeds from sale of investments	<u>87,515,895</u>
Net cash provided by investing activities	<u>35,968,024</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted for long-term endowment	116,710
Payments of annuity obligations	(208,822)
Proceeds from line of credit	5,000,000
Payments on line of credit	<u>(3,000,000)</u>
Net cash provided by financing activities	<u>1,907,888</u>

Net decrease in cash and cash equivalents (2,264,344)

Cash and cash equivalents at beginning of period 14,538,081

CASH AND CASH EQUIVALENTS AT END OF PERIOD **\$ 12,273,737**

SUPPLEMENTAL INFORMATION:

Interest Paid \$ 75,156

A total of \$199,073 of cash and cash equivalents were transferred to HIAS EAF in connection with the initial contribution and net assets transfer, which has been netted from the transfer amount reported above.

SCHEDULE OF NONCASH TRANSACTIONS:

Right-of-Use Assets \$ 3,871,619

Operating Lease Liabilities for Right-of-Use Assets \$ 3,871,619

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Drawing on our Jewish values and history, HIAS, Inc. and Related Entities (collectively, HIAS) provides vital services to refugees and asylum seekers around the world and advocates for their fundamental rights so they can rebuild their lives. HIAS is the international Jewish nonprofit that stands for a world in which refugees find welcome, safety, and opportunity. The consolidated financial statements of HIAS includes its U.S. and branch office activities as well as the activities of its various controlled related entities in the aforementioned geographical locations. During 2023, HIAS changed its fiscal year from December 31 to September 30. Accordingly, the accompanying consolidated financial statements include the activities of HIAS as of and for the nine-months ended September 30, 2023.”

Program Services -

U.S. Operations

In the United States, also known as US Program, HIAS resettles refugees in collaboration with affiliates across the country. Most refugees HIAS resettles in the United States come from the following countries: Afghanistan, Ukraine, and Haiti, which has recently been added to the list through HIAS's Preferred Community Program.

International Operations

Internationally, HIAS works primarily in two regions, namely Latin America and Africa-Eurasia. In Latin America, HIAS has established offices in eleven countries with its primary focus being the support of cross-border refugees on the continent. In this region, HIAS implements programs to support refugees and displaced people around economic empowerment, gender equality, protection, MHPSS, child protection and food security. Likewise, in Africa-Eurasia, HIAS has established offices in ten countries and implements similar programming including refugee resettlement, legal support and protection, economic inclusion, and empowerment, gender based violence (GBV) and gender equality, mental health and psycho social support (MHPSS) as well as Emergency Response programs for Ukraine, Israel and Chad.

Principles of consolidation -

The accounts of HIAS, Inc. have been consolidated with its Related Entities pursuant to the criterion established by FASB ASC 958-810, *Not-for-Profit Entities Consolidation*. Under FASB ASC 958-810, consolidation is required if a not-for-profit organization exercises significant influence and maintains control (i.e., the ability to appoint a majority voting interest), or has a significant economic interest in that other organization. All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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

Basis of presentation (continued) -

- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncement adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by HIAS that are subject to the guidance in FASB ASC 326 are trade accounts receivable (list other in-scope financial assets, if applicable). HIAS implemented the ASU on January 1, 2023, using a modified retrospective approach.

Cash and cash equivalents -

HIAS considers all highly liquid investments with maturities of three months or less, which are not part of the investment portfolio, to be cash and cash equivalents. Money market funds held by investment managers totaled \$4,387,521 as of September 30, 2023. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the period, HIAS maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

HIAS had approximately \$9,328,000 of cash and cash equivalents held at financial institutions in foreign countries as of September 30, 2023. The majority of cash and cash equivalents held in foreign countries are uninsured.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income designated for current operations and non-operating investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Consolidated Statement of Activities and Change in Net Assets.

Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift. HIAS' policy is to liquidate all gifts of investments as soon as possible after the gift.

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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

Grants and contributions receivable -

Grants and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term grants and contributions receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions. Non-current grants and contributions total \$100,000 as of September 30, 2023. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor. The allowance for doubtful accounts totaled \$1,955,432 as of September 30, 2023.

Other receivables -

Other receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectable. Other receivables are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. As a result of the aforementioned analysis, the allowance was deemed immaterial and resulted in enhanced disclosure only. There was no allowance for credit losses recorded as of September 30, 2023.

Property and equipment -

Property and equipment acquisition greater than \$5,000 are capitalized and stated at cost. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses when incurred. Depreciation and amortization expense totaled \$224,275 for the nine months ended September 30, 2023.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is compared to its current value, and a loss is reported in the Consolidated Statement of Activities and Change in Net Assets, in order to adjust the carrying value to the asset's current fair value.

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 Statement 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.

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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

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 on split-interest agreements in the accompanying Consolidated Statement of Activities and Change in Net Assets. There were six new charitable gift annuity agreements formalized during the nine months ended September 30, 2023 totaling \$260,000.

Severance obligation -

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

Grants payable -

Grants payable represent amounts owed to subrecipients under reimbursement basis subaward agreements. Grant expense and grants payable are recorded as subrecipients incur qualifying expenditures.

Income taxes -

HIAS, Inc. is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. HIAS, Inc. is not a private foundation.

HIAS' Related Entities are registered in several countries primarily as not-for-profit (and tax-exempt) organizations.

Revenue from contracts with customers -

HIAS's Migrant loan processing fees and repayments, as well as Service fees revenues and other revenues are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. HIAS has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. HIAS's contracts with customers generally have initial terms of one year or less.

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 Statement of Activities and Change in Net Assets.

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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

Revenue from contracts with customers (continued) -

The revenue is reported at the amount that reflects the consideration to which 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 through the HIAS' livelihoods team to create assist in developing financial independence for the clients HIAS resettles and serves.

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 assists clients in the long run with their economic transition into the U.S.

Support from grants and contributions, including Federal awards -

HIAS receives grants and contributions, including Federal awards from the U.S. Government. Contributions are recognized in the appropriate category of net assets in the period received. HIAS performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions "with donor restrictions" either in excess of expenses incurred or with unexpired time restrictions are shown as net assets with donor restrictions in the accompanying consolidated financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for allowable direct and indirect program cost, and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. HIAS' refundable advances totaled \$7,354,910 as of September 30, 2023.

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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

Support from grants and contributions, including Federal awards (continued) -

In addition, HIAS has obtained funding source agreements related to conditional contributions, such as Federal awards from the U.S. Government, which will be received in future years. HIAS' unrecognized conditional contributions to be received in future years totaled \$57,329,143 as of September 30, 2023.

Contributions of nonfinancial assets -

Contributions of nonfinancial assets are recorded at their fair value as of the date of the gift and consist of contributed legal services and program supplies. Donated legal services are valued based on current rates for similar services in the U.S. Donated program supplies are based on the price of similar products sold by third parties. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HIAS. None of the contributed nonfinancial assets were restricted by donors and none of the donated goods were monetized through sale.

Foreign currency translation -

The U.S. Dollar is the functional currency for HIAS' worldwide operations. Transactions in currencies other than U.S. Dollars are converted into U.S. Dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into U.S. Dollars at the exchange rate in effect at the date of the Consolidated Statement of Financial Position.

Use of estimates -

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

Functional allocation of expenses -

The costs of providing HIAS' programs and supporting services have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, were allocated based on estimated time and effort.

Investment risks and uncertainties -

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

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are presented in the Consolidated Statement of Financial Position as follows:

Investments (money market, mutual funds, equities/securities)	\$ 56,873,858
Investments held for charitable gift annuities and trusts	<u>4,210,634</u>
TOTAL INVESTMENTS	<u>\$ 61,084,492</u>

Net investment return consisted of the following for the nine months ended September 30, 2023:

Interest and dividends	\$ 1,816,674
Unrealized gain on investments	4,638,022
Realized loss on sales of investments	(498,561)
Investment expenses	<u>(376,139)</u>
NET INVESTMENT RETURN	<u>\$ 5,579,996</u>

Net investment return is presented in the accompanying Consolidated Statement of Activities and Change in Net Assets as Investment income designated for current operations and Non-operating investment income totaling \$2,039,769 and \$3,540,227, respectively.

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

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market HIAS has the ability to access.

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the nine months ended September 30, 2023. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are an open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Equities and Fixed Income Securities* - Valued at the closing price reported on the active market in which the individual securities are traded.

HIAS, INC. AND RELATED ENTITIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by HIAS are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by HIAS are deemed to be actively traded.

US GAAP permits, as a practical expedient, the fair value of investments within scope to be estimated using the net asset value (NAV) or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose consolidated financial statements are prepared in a manner consistent with measurement principles of an investment company or that have the attributes of an investment company. In many instances, NAV will not equal fair value that would be calculated pursuant to the Fair Value Measurement Topic.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of September 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 4,387,521	\$ -	\$ -	\$ 4,387,521
Mutual funds	19,326,727	-	-	19,326,727
Equities - U.S. small cap	5,120,132	-	-	5,120,132
Fixed income securities	<u>8,493,873</u>	<u>-</u>	<u>-</u>	<u>8,493,873</u>
Sub total investments using fair value hierarchy	37,328,253	-	-	37,328,253
Investments measured at NAV per practical expedient	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,756,239</u>
TOTAL INVESTMENTS	<u>\$ 37,328,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,084,492</u>

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with each major asset category as of September 30, 2023:

<u>Type</u>	<u>Strategy</u>	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>
Alternative investment	Multi-Strategy Event Driven Fund designed to generate absolute returns with limited correlation to equity and fixed income markets	\$ 2,201,241	\$ -	Full Liquidity annually or partial liquidity up to 25% quarterly with no lock-up period.
Alternative investment	Absolute Return Fund focused on structured credit strategies including mortgages, asset-backed and other securitized securities	1,893,871	-	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.	844,786	-	Monthly investments with allowance for quarterly withdrawals, upon 65 days' notice, subject to 25% gate if withdrawals exceeded 25% of the Master Fund during a calendar quarter.

HIAS, INC. AND RELATED ENTITIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

<u>Type</u>	<u>Strategy</u>	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>
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 risks.	\$ 1,281,203	\$ -	Partial liquidity available on a quarterly basis with full liquidity available annually.
Alternative investment	Private market fund focused on secondary strategies through direct acquisition of original investments within LP Fund Structures.	3,389,087	458,921	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	1,588,675	397,548	10 Years from final closing subject to tow one-year extensions
Alternative investment	Private credit fund manager that provides collateralized loans to small and mid-sized, non-sponsored businesses.	2,114,012	-	5 years subject to four one year extensions.
Alternative investment	Private market fund focused on early stage investments in technology companies.	358,213	913,334	10 years from final closing with three one-year extensions.
Alternative investment	Private market fund focused on growth stage investments in technology companies.	218,698	420,001	10 years from final closing with three one-year extensions.
Alternative investment	Private equity fund focused on large buyouts.	1,999,499	894,863	10 years from final closing subject to three one year extensions.
Alternative investment	Private equity fund focused on large buyouts.	222,770	-	10 years from final closing subject to three one year extensions.
Alternative investment	Private equity fund focused on large buyouts.	29,913	-	10-year term with potential additional years if the fund is not fully exited at that time.
Alternative investment	Private equity fund focused on large buyouts.	1,855,131	-	Redemptions on a quarterly basis with 65 days' notice; 12.5% quarterly investor level gate.
Alternative investment	Private equity fund focused on large buyouts.	698,788	-	Quarterly redemptions with 45 days' notice after a one-year lock; 25% investor level gate in any calendar quarter.
Alternative investment	A fundamental, bottoms-up, long only credit/fixed income strategy.	<u>5,060,352</u>	<u>-</u>	Monthly liquidity with 40 days' notice prior to the respective month end.
TOTAL		<u>\$ 23,756,239</u>	<u>\$ 3,084,66</u>	

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2023:

Furniture and equipment	\$ 252,196
Software development costs	792,845
Vehicles	<u>108,606</u>
Subtotal	1,153,647
Less: Accumulated depreciation and amortization	<u>(936,866)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 216,781</u>

4. 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 nonoperating activities within the Consolidated Statement of Activities and Change in Net Assets. The discount rates ranged from 5.3% to 11.3% at September 30, 2023. During the nine months ended September 30, 2023, 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 that have been recorded in the Consolidated Statement of Financial Position as of September 30, 2023:

Annuity obligations as of January 1, 2023	\$ 2,855,095
New agreements	260,000
Payments to annuitants	(208,822)
Change in actuarial valuations	<u>(166,300)</u>
ANNUITY OBLIGATIONS AS OF SEPTEMBER 30, 2023	<u>\$ 2,739,973</u>

5. LINE OF CREDIT

HIAS maintains a \$11,000,000 bank line of credit with M&T Bank, which matures November 17, 2025. Variable rate interest is calculated monthly on the outstanding balance using SOFR rate plus 1.30%, which was 6.75% as of September 30, 2023. The terms of the line of credit agreement require that HIAS comply with certain covenants. The balance due on the line of credit totaled \$2,000,000 as of September 30, 2023.

6. BOARD DESIGNATED ENDOWMENT

HIAS's net assets without donor restrictions include certain amounts that have been designated by the Board of Directors. 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 \$23,603,154 at September 30, 2023.

HIAS, INC. AND RELATED ENTITIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of September 30, 2023:

Subject to expenditure for specified purpose:	
Scholarship awards	\$ 1,119,669
Resettlement of newly arrived immigrants within the U.S.	2,464,844
Rescue and resettlement of Russian Jewish children and other Russian Jews	200,000
Dire emergency use	25,633
Legal Service Program	1,173,245
Michael B. Rukin Refugee Law Fellows Program in Israel	34,199
Afghan Refugee Crisis	917,206
Ukraine Refugee Crisis	13,136,018
Accumulated investment earnings from endowed funds	16,217
Subject to passage of time:	
Endowment to be invested in perpetuity	<u>1,092,639</u>
	<u>6,511,790</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 26,691,460</u>

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the nine months ended September 30, 2023:

Purpose restrictions accomplished:	
Scholarship awards	\$ 188
Resettlement of newly arrived immigrants within the U.S.	1,933,817
Legal Service Program	272,905
Michael B. Rukin Refugee Law Fellows Program in Israel	100,484
Afghan Refugee Crisis	386,771
Ukraine Refugee Crisis	11,618,988
Accumulated investment earnings from endowed funds	126,419
Expiration of time restrictions	<u>302,009</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 14,741,581</u>

8. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following as of September 30, 2023:

Cash and cash equivalents	\$ 12,273,737
Investments	56,873,858
Grants receivable	12,743,189
Contributions receivable	1,520,811
Other receivables	<u>560,233</u>
Subtotal financial assets available within one year	83,971,828
Less: Donor restricted funds (excluding time restrictions)	(25,598,821)
Less: Board designated funds	<u>(23,603,154)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 34,769,853</u>

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

8. LIQUIDITY AND AVAILABILITY (Continued)

HIAS has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, HIAS has Board designated net assets without donor restrictions that were established by the Board of Directors that may be drawn upon in the event of financial distress or an immediate liquidity need. In addition, HIAS has a line of credit agreement (as further discussed in Note 5) which allows for additional access to resources.

9. CONTRIBUTIONS OF NONFINANCIAL ASSETS

HIAS was the beneficiary of certain contributed nonfinancial assets which allowed HIAS to provide greater resources towards its various programs. No donor-imposed restrictions were associated with the contributed nonfinancial assets, which are recorded at their estimated fair market value as of the date of the gift. In addition, none of the donated goods were monetized through sale. The contributed nonfinancial assets consisted of the following for the nine months ended September 30, 2023:

Legal Services	\$ 7,904,970
Family Emergency Kits	156,490
Relief Blanket	<u>28,877</u>
TOTAL	<u>\$ 8,090,337</u>

The contributed nonfinancial assets have been recorded in support and in the following functional expense categories for the nine months ended September 30, 2023:

U.S. Operations	\$ 7,904,970
International Operations	<u>185,367</u>
TOTAL	<u>\$ 8,090,337</u>

10. LEASE COMMITMENTS

During 2015, HIAS entered into an operating lease for office space in Silver Spring, Maryland. The lease was amended in 2019 to extend the lease term through February 28, 2029. The amended lease agreement includes annual rent escalations of 3%. The office lease includes an escalation of base rentals which is being amortized on a basis to achieve straight-line rent expense over the life of the lease.

In June 2023, HIAS entered into a ten-year operating lease for office space in New York, New York that expires in May 2033. The lease agreement requires a fixed annual rent of \$394,834 for the first five years of the agreement and \$438,454 for the second five years of the agreement. The lease allows for rent abatement for the twelve months following the commencement date.

HIAS also leases office space in numerous foreign countries under both short and long-term lease agreements.

HIAS follows FASB ASC 842 for leases. HIAS has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. HIAS has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

HIAS, INC. AND RELATED ENTITIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

10. LEASE COMMITMENTS (Continued)

During the nine months ended September 30, 2023, HIAS recorded right-of-use assets in the amount of \$3,871,619. During the nine months ended September 30, 2023, HIAS recorded operating lease liabilities in the amount of \$3,871,619.

As of September 30, 2023, the operating lease right-of-use assets totaled \$7,719,268 and the operating lease liabilities totaled \$8,368,276. As of September 30, 2023, the weighted-average remaining lease term and rate for the financing on the leases is 6.48 years and 2.18%, respectively. The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of September 30, 2023:

<u>Period Ending September 30,</u>	
2024	\$ 1,327,253
2025	1,438,459
2026	1,273,437
2027	1,238,918
2028	1,257,718
Thereafter	2,418,942
Less: Imputed interest	<u>(586,451)</u>
TOTAL OPERATING LEASE LIABILITIES	<u>\$ 8,368,276</u>

Lease expense related to all long-term operating leases totaled approximately \$1,082,000 for the nine months ended September 30, 2023. Cash paid for long term capitalized lease agreements totaled approximately \$965,000 for the nine months ended September 30, 2023. Lease expense related to all short-term leases totaled approximately \$794,000 for the nine months ended September 30, 2023.

11. RETIREMENT PLAN

HIAS provides retirement benefits to its employees through a 401(k) defined contribution plan. In accordance with the provisions of the Plan, HIAS makes matching contributions up to 5% of a participant's total compensation to the Plan. HIAS's contributions to the Plan totaled \$784,594 for the nine months ended September 30, 2023, and have been included payroll taxes and employee benefits in the accompanying Consolidated Statement of Functional Expenses.

12. PENSION PLANS

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 components of net periodic pension cost for the nine months ended September 30, 2023 are presented below:

Interest cost on projected benefit obligations	\$ 481,750
Expected return on Plan assets	(471,385)
Amount of loss recognized	<u>248,947</u>
NET PERIODIC PENSION COST	<u>\$ 259,312</u>

HIAS, INC. AND RELATED ENTITIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

12. PENSION PLANS (Continued)

Domestic Pension Plan (continued)

Amounts recognized in unrestricted net assets (not yet recognized as a component of net periodic pension cost) and applied to prepaid pension costs or accrued pension costs due to the effect of FASB ASC 715, *Compensation-Retirement Benefits*:

Net gain recognized	\$ (582,092)
New actuarial gain occurring	<u>(248,947)</u>
(GAIN)/LOSS RECOGNIZED AS NON-OPERATING ACTIVITY IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ <u>(831,039)</u>

The following table presents the funded status at September 30, 2023:

Projected benefit obligations	\$ (12,443,001)
Plan assets at fair value	<u>10,879,614</u>
FUNDED STATUS	\$ <u>(1,563,387)</u>

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.

Weighted-average assumptions as of September 30, 2023:

	Benefit Obligation	Net Benefit Cost
Discount rate	5.61	4.95
Expected return on Plan assets	N/A	5.9
Rate of compensation increase	N/A	N/A

The expected return on Plan assets was determined by HIAS and the Board of Directors of HIAS together with its investment advisors. The rate is based primarily on expectations regarding future returns for the Plan's investment portfolio, with consideration given to the distribution of investments by class and historical rates of return for each individual asset class.

The fair values of HIAS' Pension Plan assets at September 30, 2023, by asset class, are as follows:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Investments:				
Money market funds	\$ 22,454	\$ -	\$ -	\$ 22,454
Equity mutual funds	3,778,380	-	-	3,778,380
Equities - U.S. Small Caps	3,249,431	-	-	3,249,431
Investments measured at NAV per practical expedient	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,829,349</u>
TOTAL PLAN ASSET FAIR VALUE	\$ <u>7,050,265</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,879,614</u>

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

12. PENSION PLANS (Continued)

Domestic Pension Plan (continued)

The following is a schedule of benefits expected to be paid in each of the next five years, and in the aggregate for the five fiscal years thereafter as of September 30, 2023.

The expected benefit payments below are based on the same assumptions used to determine the Projected Benefit Obligation as of September 30, 2023, and includes benefits attributable to estimated future employee service.

<u>Period Ending September 30,</u>	
2024	\$ 756,370
2025	828,564
2026	824,096
2027	833,375
2028	897,803
2029 - 2033	<u>4,860,678</u>
	<u>\$ 9,000,886</u>

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 September 30, 2023, the accumulated benefit obligation was \$393,840, 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 2023.

The assumptions used included a discount rate of 4.88% for the nine months ended September 30, 2023.

13. CONCENTRATION OF REVENUE

Awards from the U.S. Federal Government or pass-through entities comprise approximately 54% of HIAS's revenue and support for the nine months ended September 30, 2023. HIAS has no reason to believe that its relationship with the U.S Federal Government will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect HIAS' ability to finance ongoing operations.

14. CONTINGENCY

HIAS receives grants from the U.S. Department of State. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the Federal awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits. Audits in accordance with the applicable provisions of Subpart F of the Uniform Guidance have been completed for all required fiscal years through 2023.

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

15. RELATED PARTY TRANSACTIONS

HIAS Europe -

HIAS partners with HIAS Europe, located in Brussels, Belgium. HIAS and HIAS Europe collaborate to accomplish a worldwide shared mission. HIAS and HIAS Europe provide inter-organizational program, human resources and logistic support on behalf of their related overseas programs. Both organizations have aligned missions, but no common Board members. HIAS does not exercise control over HIAS Europe, nor does it have voting power. Accordingly, HIAS Europe's financials have not been included in the accompanying consolidated financial statements.

During the nine months ended September 30, 2023, HIAS provided assistance to HIAS Europe totaling \$3,519,167 and provided payments totaling \$2,935,632 for the different agreements indicated below. During the nine months ended September 30, 2023, HIAS Europe supported HIAS' country offices (Israel, Ukraine, Chad, Kenya and Greece) for a total of \$1,383,092. As of September 30, 2023, HIAS has recorded a net balance due to HIAS Europe totaling \$854,116.

HIAS, Inc. and HIAS Europe collaborate on the following initiatives:

a) Country Offices Support: HIAS Europe grants support the operating costs of HIAS' field offices (Israel, Ukraine, Chad, Kenya and Greece) as well HIAS' partner Right to Protection, to support the implementation of protection and inclusion programs for refugees and other forcibly displaced populations, especially the most vulnerable among them. Priority is given to services reflecting HIAS' four core programming areas (Legal Protection, Gender/GBV, Mental Health and Psychosocial Support, Economic Inclusion), supplemented by humanitarian programs that address the most immediate needs of HIAS beneficiaries. Populations of concern include refugees, asylum seekers, stateless populations, IDPs, undocumented migrants with protection needs and host communities. These populations may be located in camps, outside of camps, in urban as well as in rural environments. European Jewish Communities support the ongoing Ukraine Crisis; HIAS Europe supports European Jewish Communities as they respond to the Ukraine refugee crisis by building capacity to effectively relocate, host, and integrate Ukrainian refugees.

On February 7, 2024, HIAS' branch office in Greece was dissolved, and a newly formed NGO registered under the laws of Greece was established, and that entity permanently is controlled by HIAS Europe (the financial activities in Greece will be deconsolidated in the upcoming fiscal year).

b) HIAS Europe has proposed a pilot relocation and welcome initiative to address these urgent gaps and reduce pressure on exhausted Eastern European Jewish communities. In parallel to capacity building and networking activities, HIAS will, perhaps in partnership with JDC, issue a Request for Proposals to choose small grass-roots projects to support (approximately \$10-\$20K per project). All projects will have the objective of facilitating local integration of Ukrainian refugees. Grantees will receive guidance from HIAS Europe Integration Officer to promote their projects' success.

c) Welcome Circles: The Welcome Circle Program for Ukrainians was developed using principles from community sponsorship programs to integrate refugees holistically and effectively into local communities. In the first year of this program, HIAS established 12 Welcome Circles in 11 European countries (Ireland, Portugal, Belgium, Poland, Hungary, Czech Republic, Moldova, Italy, Greece, Austria and Germany) supporting over 600 refugees. Each circle integrates an average of 40 individuals and is supported by a paid-staff coordinator and community volunteers.

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

15. RELATED PARTY TRANSACTIONS (Continued)

HIAS Europe (continued) -

HIAS, Inc. and HIAS Europe collaborate on the following initiatives (continued):

d) Organizational Capacity: Funds allocated within this Agreement are to be used to enhance HIAS' organizational capacity, covering some personnel positions plus fringe benefits.

HIAS Economic Advancement Fund (EAF) -

HIAS Economic Advancement Fund (EAF) was founded by HIAS and filed its articles of incorporation in Maryland on March 3, 2022 and began operations on February 14, 2023. EAF is a nonprofit organization and emerging Community Development Financial Institution (CDFI) Loan Fund that provides refugees and other forcibly displaced entrepreneurs access to capital so they can launch and grow their businesses. EAF works alongside HIAS resettlement partners that are working on the ground in communities across the country to help refugees resettle and integrate into their new communities. EAF partners are the local presence in each community they serve, providing entrepreneurial refugees business technical assistance, financial and credit education and assistance accessing capital to launch or grow their businesses through EAF. EAF business loans are tailored for refugee entrepreneurs who are low-income, have little or no credit history, are unable to access credit from mainstream financial institutions, or are precluded from paying interest because of religious beliefs. EAF has three loan products that are designed for entrepreneurs who are just starting out in business or established businesses that are looking to stabilize operations or expand. During the period February 14, 2023 through September 30, 2023, there were several significant transactions between EAF and HIAS. In connection with the creation of EAF, HIAS transferred \$413,540 in total net assets to EAF; \$214,467 of these net assets included the loans receivable portfolio originally maintained in HIAS, Inc.'s financial statements (the balance of \$199,073 included cash). Additionally, during the period February 14, 2023 through September 30, 2023, HIAS provided support totaling \$126,246 to EAF. As of September 30, 2023, EAF owed a net of \$15,696 to HIAS, and is presented as a receivable in the accompanying Consolidated Statement of Financial Position. HIAS and EAF do not maintain common Board Members. Additionally, HIAS does not exercise control or influence over EAF, nor does it have voting power. Accordingly, the financial statements of both organizations are not consolidated.

HIAS Foundation -

In 2023, HIAS established the HIAS Foundation to manage and steward a permanent endowment, intended to provide support to HIAS in perpetuity. HIAS Foundation is a separate tax exempt 501(c)(3) nonprofit organization. During the nine months ended September 30, 2023, HIAS transferred assets to HIAS Foundation totaling \$20,100,000. HIAS does not exercise control over HIAS Foundation, nor does it have voting power. Accordingly, HIAS Foundation's financial statements have not been included in the accompanying consolidated financial statements. As of September 30, 2023, a balance of \$128,411 was due to HIAS from HIAS Foundation.

Board of Directors Giving -

HIAS received contributions from Board Members and other related organizations during the nine months ended September 30, 2023, totaling \$115,344.

16. ENDOWMENT FUNDS

HIAS' endowment funds consist of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments).

HIAS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023

16. ENDOWMENT FUNDS (Continued)

Interpretation of relevant law -

HIAS has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift made to 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 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. Additionally, in accordance with UPMIFA, HIAS considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose/mission of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and recession;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Return Objectives and Risk Parameters -

The return objective of HIAS is to generate investment income while maintaining the principal endowment funds at the original amount designated by its donors. 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 based upon HIAS Inc.'s Board spend policy, absent any donor restrictions stipulating to the contrary.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, HIAS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HIAS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

HIAS has a policy, through action of HIAS Inc.'s Board of Directors of appropriating for distribution 5% of its endowment fund's average fair value over the prior 12 quarters ("Board spend policy"). In establishing this policy, HIAS considered the long-term expected return on its endowment. For the nine months ended September 30, 2023, this allocation amounted to \$2,039,769.

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires HIAS to maintain as a fund of perpetual duration ("underwater endowment"). Deficiencies of this nature exist in 6 donor-restricted endowment funds, which together have an original gift value of \$3,023,836, and a deficiency of \$136,970 as of September 30, 2023. Given that HIAS has an investment policy in place, and HIAS' goals regarding the return objectives and risk parameters outlined in the above section, management's plan to "cure" the underwater endowments are to await market recovery. Management feels that this is a reasonable position given the normal "ebbs and flows" of the markets and views any decline in fair value of the endowments to be temporary in nature.

HIAS, INC. AND RELATED ENTITIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

16. ENDOWMENT FUNDS (Continued)

Endowment funds consisted of the following as of September 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Available for Appropriation</u>	<u>Held in Perpetuity</u>	
Board designated funds	\$ 23,603,154	\$ -	\$ -	\$ -
Donor restricted funds	<u>-</u>	<u>16,217</u>	<u>6,511,790</u>	<u>6,528,007</u>
ENDOWMENT FUNDS	<u>\$ 23,603,154</u>	<u>\$ 16,217</u>	<u>\$ 6,511,790</u>	<u>\$ 6,528,007</u>

Changes in endowment funds consisted of the following as of and for the nine months ended September 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Available for Appropriation</u>	<u>Held in Perpetuity</u>	
Endowment funds, beginning of period	\$ 53,549,079	\$ (294,036)	\$ 6,495,080	\$ 6,201,044
Contributions	-	-	116,710	116,710
Net investment return	5,143,324	436,672	-	436,672
Board spend policy	(1,913,350)	(126,419)	-	(126,419)
Undesignation of Board designated net assets for operations	(13,545,191)	-	-	-
Actuarial gain on split - interest agreement	369,292	-	-	-
Transfer to HIAS Foundation	<u>(20,000,000)</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
ENDOWMENT FUNDS, END OF PERIOD	<u>\$ 23,603,154</u>	<u>\$ 16,217</u>	<u>\$ 6,511,790</u>	<u>\$ 6,528,007</u>

17. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, HIAS has evaluated events and transactions for potential recognition or disclosure through June 4, 2024, the date the consolidated financial statements were issued.