

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

HIAS, Inc.

December 31, 2018 and 2017

	Page
Contents	
Report of Independent Certified Public Accountants	3-4
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities	6-7
Consolidated Statements of Functional Expenses	8-9
Consolidated Statement of Cash Flows	10
Notes to Consolidated Financial Statements	11-31

GRANT THORNTON LLP

1000 Wilson Boulevard
Suite 1400
Arlington, VA 22209

D +1 703 847 7500
F +1 703 848 9580
S linkd.in/grantthorntonus
twitter.com/grantthorntonus

Report of Independent Certified Public Accountants

To the Board of Directors of
HIAS, Inc.

We have audited the accompanying consolidated financial statements of HIAS, Inc. ("HIAS") which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to HIAS's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HIAS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HIAS, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Arlington, Virginia
June 28, 2019

HIAS, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	2018	2017
ASSETS		
Cash	\$ 6,461,992	\$ 2,563,350
Investments - allocated, client deposits, non-American pension plan (Note 4)	55,472,457	56,058,932
Investments held for charitable gift annuities and trusts (Note 4)	1,946,750	2,323,108
Grants receivables (net of allowances of \$68,262 for 2018 and \$72,518 for 2017)	3,094,764	4,268,260
Contribution receivables	1,825,922	2,331,964
Other receivables	66,426	517,659
Deposits and prepaid expenses	428,381	660,294
Beneficial interest in annuity trust	-	128,495
Property and equipment, net (Note 6)	958,532	1,121,305
Total assets	\$ 70,255,224	\$ 69,973,367
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,974,903	\$ 3,617,126
Deferred revenue	2,177,243	397,448
Client deposits	5,318,426	6,315,606
Deferred rent	878,052	956,574
Severance obligations	1,563,874	1,160,451
Grants payable	189,977	190,642
Pension obligations (Note 7)	5,724,148	6,097,083
Annuity obligations (Note 5)	1,258,427	1,403,347
Total liabilities	21,085,050	20,138,277
NET ASSETS		
Without donor restrictions	43,485,474	43,421,717
With donor restrictions	5,684,700	6,413,373
Total net assets	49,170,174	49,835,090
Total liabilities and net assets	\$ 70,255,224	\$ 69,973,367

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

HIAS, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended December 31,

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:						
Contributions	\$ 16,008,175	\$ 1,338,650	\$ 17,346,825	\$ 6,531,276	\$ 864,562	\$ 7,395,838
Operating grants	10,270,483	-	10,270,483	9,717,882	-	9,717,882
Bequests	61,421	-	61,421	90,127	-	90,127
Governmental and intergovernmental agencies:						
U.S. Department of Health and Human Services	3,560,036	-	3,560,036	3,609,315	-	3,609,315
U.S. Department of State	15,578,701	-	15,578,701	17,128,553	-	17,128,553
Migrant loan processing fees and repayments	675,862	-	675,862	741,803	-	741,803
Investment income designated for current operations (Note 4)	2,477,145	-	2,477,145	2,486,876	-	2,486,876
Service fee revenues and other revenues	196,560	-	196,560	741,694	-	741,694
Net assets released from restriction	1,761,278	(1,761,278)	-	1,962,497	(1,962,497)	-
Total revenues and other support	<u>\$ 50,589,661</u>	<u>\$ (422,628)</u>	<u>\$ 50,167,033</u>	<u>\$ 43,010,023</u>	<u>\$ (1,097,935)</u>	<u>\$ 41,912,088</u>

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

HIAS, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

For the years ended December 31.

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:						
Program services - refugee and immigration assistance:						
U.S. operations	\$ 11,851,127	\$ -	\$ 11,851,127	\$ 15,501,760	\$ -	\$ 15,501,760
International operations	21,918,939	-	21,918,939	22,315,841	-	22,315,841
Total program services	<u>33,770,066</u>	<u>-</u>	<u>33,770,066</u>	<u>37,817,601</u>	<u>-</u>	<u>37,817,601</u>
Supporting services:						
Management and general	8,683,088	-	8,683,088	6,839,884	-	6,839,884
Fundraising	2,530,224	-	2,530,224	2,664,186	-	2,664,186
Total supporting services	<u>11,213,312</u>	<u>-</u>	<u>11,213,312</u>	<u>9,504,070</u>	<u>-</u>	<u>9,504,070</u>
Total operating expenses	<u>44,983,378</u>	<u>-</u>	<u>44,983,378</u>	<u>47,321,671</u>	<u>-</u>	<u>47,321,671</u>
Changes in net assets from operations	5,606,283	(422,628)	5,183,655	(4,311,648)	(1,097,935)	(5,409,583)
Non-operating activities:						
Non-operating investment (loss) income (Note 4)	(5,959,489)	(155,629)	(6,115,118)	5,802,260	424,641	6,226,901
Bequest income	777,078	-	777,078	3,298,658	-	3,298,658
Actuarial loss on split-interest agreements	(80,860)	(150,416)	(231,276)	(120,252)	(27,054)	(147,306)
Changes in pension obligations other than net periodic benefit cost	(279,255)	-	(279,255)	(43,701)	-	(43,701)
Total non-operating activities	<u>(5,542,526)</u>	<u>(306,045)</u>	<u>(5,848,571)</u>	<u>8,936,965</u>	<u>397,587</u>	<u>9,334,552</u>
Change in net assets before reclassification of net assets	63,757	(728,673)	(664,916)	4,625,317	(700,348)	3,924,969
Reclassification of net assets as a result of clarification of donor intent (Note 14)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(583,501)</u>	<u>583,501</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>63,757</u>	<u>(728,673)</u>	<u>(664,916)</u>	<u>4,041,816</u>	<u>(116,847)</u>	<u>3,924,969</u>
Net assets - beginning of year	<u>43,421,717</u>	<u>6,413,373</u>	<u>49,835,090</u>	<u>39,379,901</u>	<u>6,530,220</u>	<u>45,910,121</u>
Net assets - end of year	<u>\$ 43,485,474</u>	<u>\$ 5,684,700</u>	<u>\$ 49,170,174</u>	<u>\$ 43,421,717</u>	<u>\$ 6,413,373</u>	<u>\$ 49,835,090</u>

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, 2018

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

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

HIAS, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	Program Services - Refugee and Immigration Assistance			Supporting Services			2017 Total
	U.S. Operations	International Operations	Total	Management and General	Fundraising	Total	
Payments to resettling communities	\$ 8,975,711	\$ -	\$ 8,975,711	\$ -	\$ -	\$ -	\$ 8,975,711
Resettlement documentation	-	181,557	181,557	-	-	-	181,557
Transportation and transient assistance	384,643	3,019,970	3,404,613	-	-	-	3,404,613
Total emigration and resettlement expenses	9,360,354	3,201,527	12,561,881	-	-	-	12,561,881
Personnel expenses:							
Salaries	3,043,393	8,713,872	11,757,265	4,195,180	1,312,054	5,507,234	17,264,499
Payroll taxes and employee benefits (including pension cost of approximately \$330,878) (Note 7)	957,001	2,798,891	3,755,892	1,806,493	433,676	2,240,169	5,996,061
Total personnel expenses	4,000,394	11,512,763	15,513,157	6,001,673	1,745,730	7,747,403	23,260,560
Other expenses:							
Rent, utilities, taxes, maintenance and insurance (Note 8)	13,029	1,561,799	1,574,828	970,698	130	970,828	2,545,656
Communications costs	17,205	182,376	199,581	219,145	2,402	221,547	421,128
Mailing costs	53,159	20,840	73,999	27,844	580,817	608,661	682,660
Computers, furniture and equipment	72,220	508,200	580,420	251,926	62,950	314,876	895,296
Professional and consulting fees	524,624	1,163,965	1,688,589	586,437	102,269	688,706	2,377,295
Local transportation	29,687	198,959	228,646	5,333	7,945	13,278	241,924
Project support	208,591	36,477	245,068	14,563	7,459	22,022	267,090
Program supplies	13,507	839,598	853,105	1,000	-	1,000	854,105
Memberships and subscriptions	96,189	3,378	99,567	53,272	34,799	88,071	187,638
Printing and office supplies	8,866	204,030	212,896	62,328	2,683	65,011	277,907
Publications and media	2,563	356	2,919	184,969	7,020	191,989	194,908
Travel, site visits, conferences and meetings	268,339	419,230	687,569	294,224	59,989	354,213	1,041,782
International travel	85,940	88,794	174,734	83,361	1,252	84,613	259,347
Advertising	1,400	5,535	6,935	260,291	-	260,291	267,226
Depreciation and amortization	-	69,611	69,611	192,926	41,569	234,495	304,106
Bank charges and miscellaneous	68,885	423,949	492,834	181,156	7,172	188,328	681,162
Indirect costs	676,808	1,874,454	2,551,262	(2,551,262)	-	(2,551,262)	-
Total other expenses	2,141,012	7,601,551	9,742,563	838,211	918,456	1,756,667	11,499,230
Total functional expenses	\$ 15,501,760	\$ 22,315,841	\$ 37,817,601	\$ 6,839,884	\$ 2,664,186	\$ 9,504,070	\$ 47,321,671

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

HIAS, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (664,916)	\$ 3,924,969
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	162,216	304,106
Donor-restricted endowment	(54,699)	(28,300)
Investment income restricted for long-term investment	-	(152)
Realized gain on investments	(1,950,387)	(5,459,705)
Unrealized loss (gain) on investments	6,069,230	(2,799,768)
Loss on split-interest agreements	231,276	147,306
Changes in operating assets and liabilities:		
Grants receivables	1,173,496	2,634,796
Contribution receivables	506,042	(407,343)
Other receivables	451,233	(12,196)
Deposits and prepaid expenses	231,913	(102,941)
Accounts payable and accrued expenses	357,776	(814,428)
Deferred revenue	1,779,795	(397,448)
Client deposits	(997,180)	(901,398)
Deferred rent	(78,522)	(68,034)
Severance obligations	403,423	925,854
Grants payable	(665)	(245,039)
Pension obligations	(372,935)	186,956
Net cash provided by (used in) operating activities	<u>7,247,096</u>	<u>(3,112,765)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	15,154,251	35,282,712
Purchase of investments	(18,090,671)	(32,416,538)
Purchase of equipment	-	(1,064)
Net cash (used in) provided by investing activities	<u>(2,936,420)</u>	<u>2,865,110</u>
Cash flows from financing activities:		
Donor-restricted endowment	54,699	28,300
Payments of annuity obligations	(401,461)	(267,854)
Investment income subject to annuity obligations	(65,272)	272,024
Investment income restricted for reinvestment	-	152
Net cash (used in) provided by financing activities	<u>(412,034)</u>	<u>32,622</u>
NET INCREASE (DECREASE) IN CASH	3,898,642	(215,033)
Cash - beginning of year	<u>2,563,350</u>	<u>2,778,383</u>
Cash - end of year	<u>\$ 6,461,992</u>	<u>\$ 2,563,350</u>

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

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 – ORGANIZATION

HIAS rescues people whose lives are in danger for being who they are. HIAS protects the most vulnerable refugees, helping them build new lives and reuniting them with their families in safety and freedom. HIAS advocates for the protection of refugees and assure that displaced people are treated with the dignity they deserve. Guided by its Jewish values and history, HIAS brings more than 130 years of expertise to our work with refugees.

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

HIAS is a nonprofit organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The consolidated financial statements include the accounts of HIAS' domestic and international operations offices. All material interoffice balances and transactions have been eliminated. Assets and liabilities of the foreign offices, whose functional currency is their local currency, are translated into U.S. dollars at exchange rates in effect at the statement of financial position date and their revenues and expenses are reflected at the monthly average exchange rates. Net translation adjustments are not material to the consolidated financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 ("US 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.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 limit, and investments. 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 US 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. 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, 2018 and 2017, HIAS had no investments which were deemed to be Level 2.
- Level 3 -** Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. As of December 31, 2018 and 2017, HIAS had no investments which were deemed to be Level 3.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2018 and 2017.

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

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

Collective trust and alternative investments: The collective trust and alternative investments consist of investments in funds of funds based on their underlying investments. The fair value of such investments are determined using the net asset value ("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, 2018 and 2017, 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 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:

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

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Client Deposits (Care and Maintenance Funds)

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

Annuity Agreements

The contribution portion of a charitable gift annuity agreement is recognized as a contribution without donor restrictions if the donor does not restrict the use of the assets contributed to the organization. Adjustments to annuity liabilities to reflect the amortization of the discount and revaluation of expected future payment to beneficiaries based on changes in actuarial assumptions are made annually and recognized in revenue as non-operating actuarial gain (loss) on split-interest agreements in the accompanying consolidated statements of activities. There were nine new charitable gift annuity agreements signed in 2018 for a total of \$111,621. There was one new charitable gift agreements signed in 2017 for \$10,000.

Beneficial Interest in Annuity Trust

The trust has been recorded at its fair value at the date of the contribution, and is adjusted for subsequent changes in fair value based on changes to the underlying assets.

Severance Obligation

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

Contributions and Receivables

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. 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, 2018 and 2017. 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.

Contributed Services

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, 2018 totaled \$81,395 and is included in contribution revenue, and professional and consulting fees within other expenses, on the accompanying consolidated statements of activities. There were no contributed legal services for the year ended December 31, 2017.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental and Operating Grants

Government and operating grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors.

Service Fee Revenues

Revenues from program service fees are recognized when earned.

Migrant Loan Processing Fees and Repayments

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

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.

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

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

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

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.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 statement 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 statement of activities.

Venezuela – Foreign Currency and Inflation

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

For the year ended December 31, 2018, there was no official foreign currency exchanges in Venezuela and the available exchange information available did not account for inflation. The exchange rate used in translating the local currency to U.S. dollars are the actual rates HIAS received on the exchanges.

Income Taxes

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

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

Use of Estimates

The preparation of consolidated financial statements in conformity with US 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.

Risk of Operating Outside the United States

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

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14 to Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends several requirements for financial statements and notes, including net asset classifications in the statements of financial position and statements of activities and enhanced disclosures in numerous areas. This ASU is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. HIAS adopted this ASU during 2018.

As a result of HIAS's adoption of ASU 2016-14, the net assets as of December 31, 2017 were reclassified as follows:

	ASU 2016-14 Classifications			Total Net Assets
	Without Donor Restrictions	With Donor Restrictions		
Net assets classification, as previously presented:				
Unrestricted	\$ 43,421,717	\$ 43,421,717	\$ -	\$ 43,421,717
Temporarily restricted	3,450,193	-	3,450,193	3,450,193
Permanently restricted	2,963,180	-	2,963,180	2,963,180
Total net assets, as classified	<u>\$ 49,835,090</u>	<u>\$ 43,421,717</u>	<u>\$ 6,413,373</u>	<u>\$ 49,835,090</u>

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02 "Leases (Topic 842)," which supersedes the guidance in former ASC Topic 840 "Leases." The most significant change will result in the recognition of lease assets for the right to use the underlying asset, and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. This standard is effective for the fiscal year ending December 31, 2020, with early adoption permitted. Upon adoption of ASU 2016-02, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. HIAS is evaluating the impact this ASU will have on the consolidated financial statement presentation.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

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

Financial assets and liquid resources:	
Cash	\$ 6,461,992
Working capital investment	6,122,230
Grants, contribution and other receivables, net	4,987,112
Endowment funds available for operations	<u>2,176,956</u>
 Total financial and liquidation resources available within one year	 <u>\$ 19,748,290</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 2018, there was \$6,010,638 in United States Treasury bills.

NOTE 4 – INVESTMENTS

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

	<u>2018</u>		<u>2017</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 11,812,227	\$ 11,812,229	\$ 1,997,763	\$ 1,997,763
Mutual funds:				
Equity funds	11,276,196	11,053,781	14,057,326	12,827,206
Fixed-income funds	3,139,038	3,173,055	3,770,895	3,629,479
All asset funds	<u>4,227,796</u>	<u>4,681,674</u>	<u>6,489,817</u>	<u>6,503,121</u>
Total mutual funds	<u>18,643,030</u>	<u>18,908,510</u>	<u>24,318,038</u>	<u>22,959,806</u>
Equities - U.S. small cap	1,288,146	1,184,969	1,847,752	1,357,015
Fixed income securities	103,735	103,639	102,461	102,440
Collective trust	9,421,862	9,747,317	10,135,643	9,570,693
Alternative investments	<u>16,150,207</u>	<u>6,185,762</u>	<u>19,980,383</u>	<u>6,683,628</u>
Total investments	<u>\$ 57,419,207</u>	<u>\$ 47,942,426</u>	<u>\$ 58,382,040</u>	<u>\$ 42,671,345</u>

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 4 – INVESTMENTS - Continued

Investment (loss) income consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 873,038	\$ 746,697
Realized gain	1,950,387	5,459,705
Unrealized (loss) gain	<u>(6,069,230)</u>	<u>2,799,768</u>
	(3,245,805)	9,006,170
Less:		
Investment fees	(392,168)	(292,393)
Investment return designated for current operations	<u>(2,477,145)</u>	<u>(2,486,876)</u>
Non-operating investment (loss) income	<u>\$ (6,115,118)</u>	<u>\$ 6,226,901</u>

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2018 and 2017:

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

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 4 – INVESTMENTS - Continued

	Level 1	<u>2017 Reported at NAV</u>	<u>Total</u>
Mutual funds:			
Equity funds	\$ 14,057,326	\$ -	\$ 14,057,326
Fixed - income funds	3,770,895	-	3,770,895
All asset funds	<u>6,489,817</u>	<u>-</u>	<u>6,489,817</u>
Total mutual funds	<u>24,318,038</u>	<u>-</u>	<u>24,318,038</u>
Equity - U.S. small cap	1,847,752	-	1,847,752
Fixed income securities	102,461	-	102,461
Collective trust *	-	10,135,643	10,135,643
Alternative investments *	<u>-</u>	<u>19,980,383</u>	<u>19,980,383</u>
Total investments, at fair value	<u>\$ 26,268,251</u>	<u>\$ 30,116,026</u>	<u>\$ 56,384,277</u>
Cash and cash equivalents			<u>\$ 1,997,763</u>
Total investments			<u>\$ 58,382,040</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

December 31, 2018 and 2017

NOTE 4 – INVESTMENTS - Continued

The following tables detail certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2018 and 2017.

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

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 4 – INVESTMENTS - Continued

2017				
Type	Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Redemption Terms
Collective trust	Global equity, bond and currency markets, and fixed-income securities	\$ 8,384,516	\$ -	Monthly, as of the last day of any month upon 2 days' prior notice
Collective trust	Outperform the Russell 1000 Growth Index by varying portfolio weights based on the volatilities and correlation of stocks	1,751,127	-	Monthly, as of the last day of any month upon 15 days' prior notice
Alternative investment	Diversified portfolio of equity securities of companies ordinarily incorporated in any county other than the U.S.	11,698,478	-	Monthly, as of the last day of any month upon 10 days' prior notice
Alternative investment	Global developed and emerging stocks, developed and emerging government bonds and emerging currencies, global inflation-protected bonds, U.S. high-yield and investment grade credit mortgages, global swap spreads and commodities	5,612,647	-	Monthly, as of the last day of any month upon 15 days' prior notice
Alternative investment	Investment grade, credit, high yield credit, bank loan, and securitized markets	2,669,258	-	1 st or 15 th day of month, with 30 days' written notice
Total		<u>\$ 30,116,026</u>	<u>\$ -</u>	

NOTE 5 – SPLIT-INTEREST AGREEMENTS

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

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

The discount rates ranged between 1.2% and 6.2% for each of the years ended December 31, 2018 and 2017, respectively.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5 – SPLIT-INTEREST AGREEMENTS - Continued

The following tables show the changes in the annuity obligations:

	2018	2017
Annuity obligations, beginning of year	\$ 1,403,347	\$ 1,260,514
New agreements	111,621	10,000
Payments to annuitants	(401,460)	(267,854)
Change in actuarial valuations	144,919	400,687
Annuity obligations, end of year	\$ 1,258,427	\$ 1,403,347

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2018 and 2017:

	2018	2017
Furniture and equipment	\$ 798,436	\$ 798,436
Leasehold improvements	1,267,179	1,267,179
	2,065,615	2,065,615
Less: Accumulated depreciation	(1,107,083)	(944,310)
Property and equipment, net	\$ 958,532	\$ 1,121,305

Depreciation expense amounted to \$162,216 and \$304,106 for the years ended December 31, 2018 and 2017.

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, 2018 and 2017:

	2018	2017
Reconciliation of benefit obligation:		
Benefit obligation, beginning of year	\$ 17,025,958	\$ 15,996,720
Service cost	160,000	187,470
Interest cost	592,455	643,495
Assumption gain	(1,354,755)	1,366,830
Actuarial loss	190,857	297,267
Expected expenses	(160,000)	(180,000)
Benefits paid	(1,228,937)	(1,285,824)
Benefit obligation, end of year	\$ 15,225,577	\$ 17,025,958

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 7 – PENSIONS - Continued

Domestic Pension Plan - Continued

	<u>2018</u>	<u>2017</u>
Reconciliation of fair value of plan assets:		
Plan assets, beginning of year	\$ 11,486,113	\$ 10,646,650
Actual return on assets	(766,316)	2,007,250
Employer contributions	700,594	279,820
Benefit payments and actual expenses	<u>(1,385,653)</u>	<u>(1,447,607)</u>
Plan assets, end of year	<u>\$ 10,034,738</u>	<u>\$ 11,486,113</u>
Projected benefit obligation	\$ (15,225,577)	\$ (17,025,958)
Accrued expenses	(288,097)	(535,964)
Fair value of plan assets	<u>10,322,835</u>	<u>12,022,077</u>
Funded status	<u>\$ (5,190,839)</u>	<u>\$ (5,539,845)</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>\$ 5,081,093</u>	<u>\$ 5,360,348</u>
Components of net periodic benefit cost :		
Service cost	\$ 160,000	\$ 187,470
Interest cost	592,455	643,495
Expected return on plan assets	(520,720)	(720,250)
Amortization of net loss	<u>402,393</u>	<u>402,580</u>
Net periodic benefit cost	<u>\$ 634,128</u>	<u>\$ 513,295</u>
Changes in pension obligation other than net periodic benefit cost:		
Net loss	\$ 123,138	\$ 358,879
Amortization of net loss	<u>(402,393)</u>	<u>(402,580)</u>
Total	<u>\$ 279,255</u>	<u>\$ (43,701)</u>
Estimated amounts expected to be recognized in net periodic benefit cost over the next fiscal year:		
Amortization of net loss	<u>\$ 354,873</u>	<u>\$ 469,594</u>

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 7 – PENSIONS - Continued

Domestic Pension Plan - Continued

The weighted-average assumptions used to determine benefit obligations at December 31, 2018 and 2017, respectively, are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	4.11%	3.61%
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, 2018 and 2017, respectively, are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	3.61	3.61%
Rate of compensation increase	N/A	N/A
Long-term rate of return	7.00%	7.00%

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

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

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

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 7 – PENSIONS - Continued

Domestic Pension Plan - Continued

	December 31, 2017			Total Fair Value
	Level 1	Level 2	Reported at NAV	
Mutual funds:				
Equity funds	\$ 803,384	\$ -	\$ -	\$ 803,384
Fixed - income funds	453,997	-	-	453,997
All asset funds	<u>4,074,015</u>	<u>-</u>	<u>-</u>	<u>4,074,015</u>
Total mutual funds	<u>\$ 5,331,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,331,396</u>
Equity - U.S. small cap	873,517	-	-	873,517
Fixed income securities	-	40,000	-	40,000
Collective trust	-	-	1,659,742	1,659,742
Alternative investments	<u>-</u>	<u>-</u>	<u>3,767,649</u>	<u>3,767,649</u>
Total investments, at fair value	<u>\$ 6,204,913</u>	<u>\$ 40,000</u>	<u>\$ 5,427,391</u>	<u>\$ 11,672,304</u>
Cash and cash equivalents				<u>\$ 349,773</u>
Total investments				<u>\$ 12,022,077</u>

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

Year ending December 31	Domestic
2019	\$ 622,143
2020	\$ 619,162
2021	\$ 640,017
2022	\$ 689,723
2023	\$ 779,725
2024-2027	\$ 4,541,897

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, 2018 and 2017, the accumulated benefit obligation was \$533,309 and \$557,238, 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 2018 or 2017.

The assumptions used included a discount rate of 3.93% and 3.40% for the years ended December 31, 2018 and 2017, 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 Internal Revenue Code Section 401(k), up to the maximum amount by law of pre-tax annual compensation, as defined in the Plan. HIAS makes matching contributions up to 5% of the employee's total compensation. Total contributions to the Plan by HIAS during 2018 and 2017 were \$314,674 and \$330,878, respectively.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Lease Commitments

New York

HIAS signed a lease for other office space in New York in August 2015. That lease commenced with base rent of \$235,074 per annum, and increases over the life of the lease, which expires in December 2019. Rent expense for the New York leases totaled \$251,884 and \$244,547 for the years ended December 31, 2018 and 2017, respectively.

Maryland

In March 2015, HIAS signed a new lease for the purpose of relocating its corporate headquarters to Silver Spring, Maryland. The lease provides for a tenant improvement allowance of \$849,070, which is being amortized over the term of the lease, and provides for base rent of approximately \$401,000 per year after a six month rent abatement. Rent escalates by 2.75% per year until the lease expires in July 2025. Rent expense for the Silver Spring lease totaled \$427,205 and \$415,772 for the years ended December 31, 2018 and 2017, respectively.

Washington D.C.

On August 2, 2007, HIAS signed a lease for office space in Washington, D.C. The lease commenced with an annual payment of \$129,836, with subsequent rent increases of 2.5% per year. HIAS subleased a portion of this space to another not-for-profit organization for the entirety of the lease, which expired in August 2017. On July 26, 2017, HIAS extended the Washington, D.C. lease through December 2018. Rent expense for the Washington, D.C. lease totaled \$33,000 and \$122,942 for the years ended December 31, 2018 and 2017, respectively.

Lease commitments are as follows:

Year ending December 31	Rent Expense
2019	\$ 698,394
2020	451,025
2021	463,428
2022	476,172
2023	489,267
Thereafter	1,106,923
	<u>\$ 3,685,209</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 consolidated financial position or changes in net assets of HIAS.

NOTE 9 – CONCENTRATION RISK

The most significant source of HIAS's revenue are grants from the U.S. Government. In 2018, HIAS received \$15,578,701 and \$3,560,036 from the U.S. Department of State and U.S. Department of Health and Human Services, respectively, accounting for approximately 31% and 7%, respectively, of total revenues and other support. In 2017, HIAS received \$17,128,553 and \$3,609,315 from the U.S. Department of State and U.S. Department of Health and Human Services, respectively, accounting for approximately 41% and 9%, respectively, of total revenues and other support.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions released were:

	2018	2017
Scholarship awards	\$ 406,057	\$ 169,389
Dire emergency use	-	20,543
Internship Program	-	10,645
The Linking Communities	-	15,830
Legal Service Program in Greece	129,210	362,045
Syrian/Europe Emergency Relief	73,328	134,052
Refugee Program for Artists, Scholars and Professionals	332,037	365,150
Michael B. Rukin Refugee Law Fellows Program In Israel	213,844	133,652
LGBT Refugees, Asylum Seekers and Migrants in East Africa	-	50,242
Refugee Crisis Deployment	50,945	36,503
New York Resettlement	39,893	259,853
Time restrictions	515,964	404,593
	\$ 1,761,278	\$ 1,962,497

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

	2018	2017
Scholarship awards	\$ 948,370	\$ 1,510,983
Refugee Border Crisis	39,919	-
Resettlement of newly arrived immigrants within the U.S.	68,835	68,835
Rescue and resettlement of Russian Jewish children and other Russian Jews	100,000	100,000
Dire emergency use	15,633	15,633
Syrian/Europe Emergency Relief	5,001	78,328
Legal Service Program	10,000	10,124
Refugee Crisis Deployment	31,632	81,577
Refugee Program for Artists, Scholars and Professionals	423,386	804,378
Michael B. Rukin Refugee Law Fellows Program in Israel	-	13,844
New York Resettlement	3,578	27,707
Archive Project	-	80,000
Donor-restricted endowments (Note 11)	3,017,879	2,963,179
	4,664,233	5,754,588
Net assets with time restrictions	1,020,467	658,785
	\$ 5,684,700	\$ 6,413,373

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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 has a policy of appropriating for distribution a certain percentage (5% in 2018 and 2017) of its endowment fund's average fair value over the prior twelve quarters. In establishing this policy, HIAS considered the long-term expected return on its endowment. For 2018 and 2017, this allocation amounted to \$2,477,145 and \$2,486,876, 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:

	2018	2017
Board-designated funds	\$ 37,043,174	\$ 41,969,795
Donor restricted endowment funds:		
The HIAS scholarship program	722,922	718,623
Special projects and activities of organization	2,053,701	2,028,301
Rescue and resettlement of Jewish immigrants	241,256	216,256
Total donor-restricted endowment funds	3,017,879	2,963,180
Total endowment funds	\$ 40,061,053	\$ 44,932,975

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 11 – ENDOWMENT FUNDS - Continued

The following are the changes in endowment net assets for the years ended December 31, 2018 and 2017:

	2018		
	Board Designated	Donor Restricted	Total
Endowment net assets, beginning of year	\$ 41,969,795	\$ 2,963,180	\$ 44,932,975
Investment loss	(2,734,694)	-	(2,734,694)
Contributions	777,078	54,699	831,778
Actuarial loss on split-interest agreement	(80,860)	-	(80,860)
Appropriation for relocation	(64,356)	-	(64,356)
Appropriation for archival project	(346,644)	-	(346,644)
Appropriation for expenditure	(2,477,145)	-	(2,477,145)
Endowment net assets, end of year	<u>\$ 37,043,174</u>	<u>\$ 3,017,879</u>	<u>\$ 40,061,053</u>
	2017		
	Board Designated	Donor Restricted	Total
Endowment net assets, beginning of year	\$ 39,586,567	\$ 2,316,430	\$ 41,902,997
Investment income and fees	6,674,460	-	6,674,460
Contributions	3,298,658	28,300	3,326,958
Adjustment for prior year deficits	(3,917,491)	-	(3,917,491)
Actuarial loss on split-interest agreement	(120,252)	-	(120,252)
Appropriation for relocation	(90,571)	-	(90,571)
Appropriation for archival project	(288,997)	-	(288,997)
Appropriate for expenditure	(2,486,876)	-	(2,486,876)
Reclassification as a result of clarification of donor intent (Note 14)	(685,703)	618,450	(67,253)
Endowment net assets, end of year	<u>\$ 41,969,795</u>	<u>\$ 2,963,180</u>	<u>\$ 44,932,975</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, 2018 and 2017, there were no funds underwater.

NOTE 12 – BOARD DESIGNATED ENDOWMENT

HIAS’ board has designated funds to be set aside to establish and maintain a board endowment fund for the purpose of securing the organization’s long-term financial viability and continuing to meet the needs of the organization. The funds totaled \$37,043,174 and \$41,969,795 at December 2018 and 2017, respectively. The fund generated \$777,078 and \$3,298,658 of additional contributions for the years ended December 31, 2018 and 2017, respectively.

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

NOTE 13 – RELATED PARTY TRANSACTIONS

HIAS received contributions from board members and other related organizations during the years ending December 31, 2018 and 2017, totaling \$435,369 and \$291,000, respectively.

HIAS, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 14 – NET ASSET RECLASSIFICATION

HIAS received notice during 2017 from three donors clarifying the intent of restrictions on certain gifts received in prior years. HIAS had classified these gifts as contributions without donor restriction, rather as contributions with donor restrictions based on an interpretation of the donors' intent. These donors intent clarifications resulted in reclassification of \$685,703 of net assets without donor restrictions to net assets with donor restrictions within the endowment, \$67,253 net assets with donor restrictions to net assets without donor restrictions.

NOTE 15 – SUBSEQUENT EVENTS

HIAS evaluated its December 31, 2018 consolidated financial statements for subsequent events through June 28, 2019, the date the consolidated financial statements were available to be issued. HIAS is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.