

Consolidated Financial Statements and Report of
Independent Certified Public Accountants

HIAS, INC.

December 31, 2014

HIAS, INC.

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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 statement of financial position as of December 31, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s responsibility for the consolidated 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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’ 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 the entity’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 consolidated financial position of HIAS, Inc. as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
October 29, 2015

HIAS, INC.
Consolidated Statement of Financial Position
December 31, 2014

ASSETS

Cash	\$ 4,264,026
Investments - allocated, client deposits, non-American pension plan (Note 3)	55,864,292
Investments held for charitable gift annuities and trusts (Notes 3 and 4)	2,677,108
Grants receivables (net of allowances of \$119,812 for 2014)	4,390,273
Contribution receivables	214,967
Other receivables	767,009
Allocations receivable - federations and welfare funds	96,300
Deposits and prepaid expenses	381,164
Beneficial interest in annuity trust	138,263
Property and equipment, net (Note 5)	<u>512,336</u>
Total assets	<u>\$ 69,305,738</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 2,899,447
Client deposits	3,563,611
Deferred rent	188,807
Severance obligations	660,756
Pension obligations (Note 6)	5,224,404
Annuity obligations	<u>1,374,707</u>
Total liabilities	<u>13,911,732</u>

NET ASSETS

Unrestricted	48,851,423
Temporarily restricted (Note 9)	4,259,849
Permanently restricted (Note 10)	<u>2,282,734</u>
Total net assets	<u>55,394,006</u>
Total liabilities and net assets	<u>\$ 69,305,738</u>

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

HIAS, INC.
Consolidated Statement of Activities
Year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Contributions	\$ 2,676,204	\$ 152,644	\$ 7,750	\$ 2,836,598
Operating grants	6,970,592	450,889	-	7,421,481
Bequests	65,789	-	12,500	78,289
Governmental and intergovernmental agencies				
U.S. Department of Health and Human Services	2,546,469	-	-	2,546,469
U.S. Department of State	16,959,850	-	-	16,959,850
Other domestic government grants	25,454	-	-	25,454
Migrant loan processing fees and repayments	581,763	-	-	581,763
Service fee revenues and other revenues	797,445	-	-	797,445
Investment return designated for current operations	2,296,143	-	-	2,296,143
Net assets released from restriction	<u>2,419,538</u>	<u>(2,419,538)</u>	<u>-</u>	<u>-</u>
 Total revenues and other support	 <u>\$ 35,339,247</u>	 <u>\$ (1,816,005)</u>	 <u>\$ 20,250</u>	 <u>\$ 33,543,492</u>

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

HIAS, INC.
Consolidated Statement of Activities
Year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>
EXPENSES				
Program services - refugee and immigration assistance:				
U.S. operations	\$ 12,700,729	\$ -	\$ -	\$ 12,700,729
Matching grant	1,689,077	-	-	1,689,077
Non-U.S. operations	<u>18,053,321</u>	<u>-</u>	<u>-</u>	<u>18,053,321</u>
Total program services	<u>32,443,127</u>	<u>-</u>	<u>-</u>	<u>32,443,127</u>
Supporting services				
Management and general	2,423,754	-	-	2,423,754
Fundraising	<u>1,752,574</u>	<u>-</u>	<u>-</u>	<u>1,752,574</u>
Total supporting services	<u>4,176,328</u>	<u>-</u>	<u>-</u>	<u>4,176,328</u>
Total operating expenses	<u>36,619,455</u>	<u>-</u>	<u>-</u>	<u>36,619,455</u>
Changes in net assets from operations	(1,280,208)	(1,816,005)	20,250	(3,075,963)
NON-OPERATING ACTIVITIES				
Non-operating investment income (loss) (Note 3)	(666,114)	195,760	94	(470,260)
Bequest income (non-operating)	3,088,441	-	-	3,088,441
Actuarial gain (loss) on split-interest agreements	(80,635)	(9,361)	-	(89,996)
Adjustment to minimum pension liability	<u>(3,010,933)</u>	<u>-</u>	<u>-</u>	<u>(3,010,933)</u>
Total non-operating activities	<u>(669,241)</u>	<u>186,399</u>	<u>94</u>	<u>(482,748)</u>
Change in net assets	<u>(1,949,449)</u>	<u>(1,629,606)</u>	<u>20,344</u>	<u>(3,558,711)</u>
Net assets - beginning of year, as previously stated	48,649,116	7,006,274	2,262,390	57,917,780
Restatement (Note 11)	<u>2,151,756</u>	<u>(1,116,819)</u>	<u>-</u>	<u>1,034,937</u>
Net assets - beginning of year	<u>50,800,872</u>	<u>5,889,455</u>	<u>2,262,390</u>	<u>58,952,717</u>
Net assets - end of year	<u>\$ 48,851,423</u>	<u>\$ 4,259,849</u>	<u>\$ 2,282,734</u>	<u>\$ 55,394,006</u>

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

HIAS, INC.
Consolidated Statement of Functional Expenses
Year ended December 31, 2014

	<u>Program Services - Refugee and Immigration Assistance</u>				<u>Supporting Services</u>			<u>Total 2014</u>
	<u>U.S. Operations</u>	<u>Matching Grant</u>	<u>Non-U.S. Operations</u>	<u>Total</u>	<u>Management and General</u>	<u>Membership Services and Solicitation</u>	<u>Total</u>	
Payments to resettling communities	\$ 7,421,953	\$ 1,328,210	\$ -	\$ 8,750,163	\$ -	\$ -	\$ -	\$ 8,750,163
Resettlement documentation	-	-	439,910	439,910	-	-	-	439,910
Transportation and transient assistance	104,601	-	3,048,542	3,153,143	-	-	-	3,153,143
Total emigration and resettlement expenses	<u>7,526,554</u>	<u>1,328,210</u>	<u>3,488,452</u>	<u>12,343,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,343,216</u>
PERSONNEL EXPENSES								
Salaries	2,179,626	192,708	7,074,688	9,447,022	980,729	677,537	1,658,266	11,105,288
Payroll taxes and employee benefits (including pension costs of approximately \$269,744) (Note 6)	710,251	58,606	1,579,261	2,348,118	273,833	193,994	467,827	2,815,945
Total personnel expenses	<u>2,889,877</u>	<u>251,314</u>	<u>8,653,949</u>	<u>11,795,140</u>	<u>1,254,562</u>	<u>871,531</u>	<u>2,126,093</u>	<u>13,921,233</u>
OTHER EXPENSES								
Rent, utilities, taxes, maintenance and insurance (net of rental income of \$47,688) (Note 7)	517,333	48,467	1,475,469	2,041,269	163,110	133,210	296,320	2,337,589
Communications costs	64,511	2,562	153,304	220,377	22,047	13,037	35,084	255,461
Mailing costs	56,922	2,030	26,071	85,023	9,000	358,937	367,937	452,960
Computers, furniture and equipment	183,397	25,842	467,559	676,798	63,098	86,813	149,911	826,709
Professional and consulting fees	266,627	5,926	1,784,172	2,056,725	678,137	156,613	834,750	2,891,475
Local transportation	9,248	-	232,878	242,126	1,393	1,378	2,771	244,897
Project support	260,177	-	187,201	447,378	-	-	-	447,378
Memberships and subscriptions	119,812	30	18,745	138,587	5,164	2,440	7,604	146,191
Printing and office supplies	38,593	3,074	280,387	322,054	19,842	11,032	30,874	352,928
Publications and media	1,609	-	456,135	457,744	2,263	21,093	23,356	481,100
Travel, site visits, conferences and meetings	221,848	17,182	285,502	524,532	37,118	32,276	69,394	593,926
International travel	82,000	-	184,468	266,468	60,633	217	60,850	327,318
Scholarships	406,230	-	132,818	539,048	-	-	-	539,048
Advertising	1,290	-	2,074	3,364	5,469	496	5,965	9,329
Business relocation	-	-	-	-	56,030	-	56,030	56,030
Depreciation and amortization	24,051	3,885	124,124	152,060	13,096	34,007	47,103	199,163
Bank charges and miscellaneous	30,650	555	100,013	131,218	32,792	29,494	62,286	193,504
Total other expenses	<u>2,284,298</u>	<u>109,553</u>	<u>5,910,920</u>	<u>8,304,771</u>	<u>1,169,192</u>	<u>881,043</u>	<u>2,050,235</u>	<u>10,355,006</u>
Total functional expenses	<u>\$ 12,700,729</u>	<u>\$ 1,689,077</u>	<u>\$ 18,053,321</u>	<u>\$ 32,443,127</u>	<u>\$ 2,423,754</u>	<u>\$ 1,752,574</u>	<u>\$ 4,176,328</u>	<u>\$ 36,619,455</u>

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

HIAS, INC.
Consolidated Statement of Cash Flows
Year ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (3,558,711)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	199,163
Permanently restricted contributions	(20,250)
Investment income restricted for long-term investment	(94)
Realized and unrealized gains on investments	(640,596)
Loss on split-interest agreements	89,996
Loss on disposal of fixed assets	89,606
Changes in operating assets and liabilities	
Grants receivables	1,907,260
Contribution receivables	735,446
Other receivables	(86,001)
Deposits and prepaid expenses	(1,967)
Accounts payable and accrued expenses	118,208
Client deposits	(680,120)
Deferred rent	(97,486)
Severance obligations	280,361
Beneficial interest in trust	1,112,000
Pension obligations	<u>3,022,701</u>
Net cash provided by operating activities	<u>2,469,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	20,324,829
Purchase of investments	(20,275,941)
Fixed asset additions	<u>(254,482)</u>
Net cash used in investing activities	<u>(205,594)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Permanently restricted contributions	20,250
Payments of annuity obligations	(287,908)
Investment income subject to annuity obligations	9,234
Investment income restricted for reinvestment	<u>94</u>
Net cash used in financing activities	<u>(258,330)</u>
Net increase in cash	2,005,592
Cash - beginning of year	<u>2,258,434</u>
Cash - end of year	<u>\$ 4,264,026</u>

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

HIAS, INC.
Notes to Consolidated Financial Statements
December 31, 2014

1. ORGANIZATION STATEMENT

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

The primary sources of revenue are: federal funding through U.S. Government Grants (see Note 8), operating grants, contributions and investment income, derived mainly from endowments.

HIAS is a nonprofit organization exempt from federal income tax under Internal Revenue Service 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 balance sheet date and their revenues and expenses are reflected at the monthly average exchange rates. Net translation adjustments are not material.

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 three classes of net assets, permanently restricted, temporarily restricted and unrestricted, are displayed in the consolidated statement of financial position and the changes in each of those classes of net assets are displayed in the consolidated statement of activities.

Net assets consist of the following:

Unrestricted - net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations and, therefore, are available to carry out HIAS' operations.

Temporarily Restricted - 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 temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted - 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 the HIAS. Permanently 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, 2014

Concentration of Credit Risk

Financial instruments that potentially subject HIAS to concentrations of credit and market risk consist principally of cash and cash equivalents 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 statement of activities. 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. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the consolidated statement of financial position or in the near term, which HIAS has generally considered to be within 90 days.

HIAS, INC.
Notes to Consolidated Financial Statements
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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. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions. As of December 31, 2014, HIAS had no investments which were deemed to be Level 3.

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

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include cash and cash equivalents, mutual funds, and equities.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include collective trusts, and alternative investments that can be redeemed within 90 days.

Fixed Assets

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

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

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

Asset Type	Estimated Useful Life
Leasehold property improvements	Shorter of 10 years and 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

HIAS, INC.
Notes to Consolidated Financial Statements
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Client Deposits

HIAS receives deposits from clients in advance of their travel to the United States, which are recorded as a liability. All travel is expected to be completed in the next fiscal year, although in some cases travel might be delayed due to various different factors. The current HIAS liability represents client deposits 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 an unrestricted contribution 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 changes in split-interest agreements. There were no new charitable gift annuity agreements signed in 2014.

Beneficial Interest in Annuity Trust

The trust has been recorded at its fair value at the date of the contribution.

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. 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 statement of activities in the period received. Contributed legal services for the year ended December 31, 2014 were \$114,966, and are included in contribution revenue on the accompanying consolidated statement of activities.

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.

HIAS, INC.
Notes to Consolidated Financial Statements
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Migrant Loan Processing Fees and Repayments

HIAS has an agreement under which it collects on loans given out by the International Office of Migration (“IOM”) to refugees. 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.

Rent

Rent is recognized on the straight-line basis over the term of the lease.

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.

Income Taxes

HIAS follows guidance that clarifies the accounting for uncertainty in income tax positions taken or expected to be taken in a tax return, including issues relating to consolidated financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. Management believes there are no uncertain tax positions that would have an impact on the accompanying consolidated financial statements. The tax years ended 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes.

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. The most significant estimates pertain to the determination of the allowance for doubtful accounts, the valuation of non-exchanged traded alternative investments, benefit obligations, and the useful lives assigned to fixed assets, amongst others. 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.

New Accounting Pronouncements

In May 2015, FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2015-07 exempts investments measured using the NAV practical expedient in ASC 820, Fair Value Measurement, from categorization within the fair value hierarchy and related disclosures. Instead, entities are required to separately disclose the information required under ASC 820 for assets measured using the NAV practical expedient. Entities are also required to show the carrying amount of investments measured using the NAV practical expedient as a reconciling

HIAS, INC.
Notes to Consolidated Financial Statements
December 31, 2014

item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the consolidated financial statements. The guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted.

HIAS did not early adopt the new accounting pronouncement and does not believe it will have a material effect on the disclosures in the consolidated financial statements.

Subsequent Events

HIAS evaluated its December 31, 2014 consolidated financial statements for subsequent events through October 29, 2015, the date the consolidated financial statements were available to be issued. Except as disclosed in Note 8, HIAS is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.

3. INVESTMENTS

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

	2014	
	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 1,183,822	\$ 1,183,822
Mutual funds:		
Equity funds	6,271,659	5,438,983
Fixed-income funds	6,270,936	5,999,107
All asset funds	<u>8,136,467</u>	<u>8,621,447</u>
Total mutual funds	<u>20,679,062</u>	<u>20,059,537</u>
Equities - U.S. small cap	2,331,240	1,843,745
Collective trust	8,406,674	7,944,161
Alternative investments	25,730,602	12,199,548
State of Israel bonds	<u>210,000</u>	<u>210,000</u>
Total investments	<u>\$ 58,541,400</u>	<u>\$ 43,440,813</u>

HIAS, INC.
Notes to Consolidated Financial Statements
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Investment income consists of the following:

Interest and dividends	\$ 1,526,475
Realized gains	4,175,961
Unrealized loss	<u>(3,535,365)</u>
	2,167,071
Less: investment fees	(341,188)
Less: investment return designated for current operations	<u>(2,296,143)</u>
	<u>\$ (470,260)</u>

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 1,183,822</u>	<u>\$ -</u>	<u>\$ 1,183,822</u>
Mutual funds			
Equity funds	6,271,659	-	6,271,659
Fixed-income funds	6,270,936	-	6,270,936
All asset funds	<u>8,136,467</u>	<u>-</u>	<u>8,136,467</u>
Total mutual funds	<u>20,679,062</u>	<u>-</u>	<u>20,679,062</u>
Equities - U.S. small cap	2,331,240	-	2,331,240
Collective trust	-	8,406,674	8,406,674
Alternative investments	<u>-</u>	<u>25,730,602</u>	<u>25,730,602</u>
Total investments, at fair value	<u>\$ 24,194,124</u>	<u>\$ 34,137,276</u>	58,331,400
State of Israel bonds			<u>210,000</u>
Total investments			<u>\$ 58,541,400</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.

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The following table details certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2014.

2014				
Type	Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Redemption Terms
Collective trust	Global equity, bond and currency markets, and fixed-income securities	\$ 8,406,674	\$ -	Monthly, as of the last day of any month upon 2 days' prior notice
Alternative investment	Diversified portfolio of equity securities of companies ordinarily incorporated in any country other than the U.S.	9,622,230	-	Monthly, as of the last day of any month upon 10 days' prior written 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	5,486,506	-	Monthly, as of the last day of any month upon 15 days' prior notice
Alternative investment	Outperform the Russell 1000 Growth Index by varying portfolio weights based on the volatilities and correlations of stocks	5,512,788	-	Daily
Alternative investment	Investment grade credit, high yield credit, bank loan, and securitized markets	2,695,103	-	1st or 15th day of month, with 30 days' written notice.
Alternative investment	Investment grade credit, high yield credit, bank loan, and securitized markets	<u>2,413,975</u>	<u>-</u>	Monthly, as of the last day of any month upon 30 days' prior written notice
Total		<u>\$ 34,137,276</u>	<u>\$ -</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 in revenue as changes in split-interest agreements.

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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 temporarily 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%.

The following table shows the changes in the split interest agreements:

	Charitable Gift Annuities Unrestricted	Trusts Temporarily Restricted	Total
Investments, beginning of year	\$ 2,707,729	\$ 231,434	\$ 2,939,163
Net purchases (sales)	(172,726)	667	(172,059)
Change in value of split-interest agreements	<u>(80,635)</u>	<u>(9,361)</u>	<u>(89,996)</u>
Investments, end of year	<u>\$ 2,454,368</u>	<u>\$ 222,740</u>	<u>\$ 2,677,108</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2014:

	2014
Furniture and equipment	\$ 2,446,901
Leasehold improvements	<u>619,243</u>
	3,066,144
Less: Accumulated depreciation	<u>(2,553,808)</u>
Property and equipment, net	<u>\$ 512,336</u>

Depreciation expense amounted to \$199,163 for the year ended December 31, 2014.

6. PENSIONS

Domestic Pension Plan

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

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The following table sets forth the plan's funded status and the components of net periodic benefit cost at December 31, 2014:

	<u>2014</u>
Reconciliation of benefit obligation	
Benefit obligation, beginning of year	\$ 14,062,573
Service cost	94,401
Interest cost	682,024
Actuarial loss	2,672,275
Benefits paid	<u>(656,982)</u>
Benefit obligation, end of year	<u>\$ 16,854,291</u>
Reconciliation of fair value of plan assets:	
Plan assets, beginning of year	\$ 12,366,216
Actual return on assets	429,304
Employer contributions	59,480
Benefit payments and actual expenses	<u>(674,902)</u>
Plan assets, end of year	<u>\$ 12,180,098</u>
Projected benefit obligation	\$ (16,854,291)
Fair value of plan assets	<u>12,180,098</u>
Funded status	<u>\$ (4,674,193)</u>
Amounts recognized on the statement of financial position consist of:	
Prepaid benefit cost	\$ 708,058
Unrestricted net assets	<u>(5,382,251)</u>
Total accrued benefit liability	<u>\$ (4,674,193)</u>
Service cost	\$ 94,401
Interest cost	682,024
Expected return on plan assets	(843,738)
Amortization of net loss	<u>93,696</u>
Net periodic pension (income) expense	<u>\$ 26,383</u>

The estimated service cost, interest cost, expected return on assets, and amortization of net loss in the next fiscal year total (\$104,000), (\$649,000), \$826,000, and (\$293,000), respectively.

Amounts recognized in unrestricted net assets as of December 31, 2014 consist of an actuarial loss of (\$5,382,251).

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The weighted-average assumptions used to determine benefit obligations at December 31, 2014 are as follows:

	<u>2014</u>
Discount rate	3.94%
Rate of compensation increase	N/A

The weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31, 2014 are as follows:

	<u>2014</u>
Discount rate	3.94%
Rate of compensation increase	N/A
Long-term rate of return	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 net periodic pension costs includes the following components:

	<u>2014</u>
Benefit (income) cost	\$ 26,383
Employer contribution	59,480
Benefits paid and actual expenses paid	(674,902)

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

	2014		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 295,433	\$ -	\$ 295,433
Mutual funds			
Equity funds	\$ 1,204,714	\$ -	\$ 1,204,714
Fixed-income funds	1,092,141	-	1,092,141
All asset funds	<u>1,680,131</u>	<u>-</u>	<u>1,680,131</u>
Total mutual funds	3,976,986	-	3,976,986
Equities - U.S. small cap	652,821	-	652,821
Collective trust	-	3,384,208	3,384,208
Alternative investments	<u>-</u>	<u>4,138,232</u>	<u>4,138,232</u>
Total investments, at fair value	<u>\$ 4,629,807</u>	<u>\$ 7,522,440</u>	12,152,247
State of Israel bonds			<u>40,000</u>
Total investments			<u>\$ 12,192,247</u>

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

<u>Year Ending December 31,</u>	<u>Domestic</u>
2015	\$ 571,351
2016	577,563
2017	657,743
2018	653,513
2019	676,397
2020-2024	3,924,234

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, 2014, the projected benefit obligation was \$550,211, which is the present value of the benefits earned as of the date that the plan froze benefit accruals. HIAS has segregated its investments to cover the pension obligation. Pension cost for 2014 amounted to \$80,537.

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The assumptions used included a discount rate of 3.94%, RP 2000 annuitant/nonannuitant Mortality Tables with fully generational projection of Scale AA and the withdrawal rates based on Table 5 of the Actuary's Pension Handouts.

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 2014 were \$162,854.

7. COMMITMENTS AND CONTINGENCIES

Lease Commitments

HIAS renewed its lease agreement on October 13, 2004 for its space in New York. The lease renewal commenced on March 1, 2005 and expires on August 31, 2016.

On August 2, 2007, HIAS signed a ten-year lease for space in Washington, D.C. The lease requires yearly payments of \$129,836 with yearly rent increases of 2.5%. HIAS subleased a portion of this space to another not-for-profit organization for ten years. The New York and Washington leases require future rent payments as follows:

	<u>Rent Expense</u>	<u>Less: Sublease Income</u>	<u>Net Rent Expense</u>
2015	\$ 847,665	\$ (36,549)	\$ 811,116
2016	620,990	(37,463)	583,527
2017	<u>94,586</u>	<u>(22,168)</u>	<u>72,418</u>
	<u>\$ 1,563,241</u>	<u>\$ (96,180)</u>	<u>\$ 1,467,061</u>

Rent expense for 2014 was \$1,585,741.

Subsequent to year end, HIAS relocated its headquarters from New York, New York to Silver Spring, Maryland. Two leases were signed, as follows:

1. Silver Spring, Maryland – signed March 27, 2015. The lease commences with base rent of approximately \$401,000, and increases by 2.75% per annum until the lease expires in July 2025.
2. New York, New York – signed August 14, 2015. The lease commences with base rent of \$235,074 per annum, and increases over the life of the lease, which expires in December 2019.

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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.

8. CONCENTRATIONS AND INTERNATIONAL RISKS

The most significant source of HIAS's revenue are grants from the U.S. Government. In 2014, HIAS received \$16,959,850 and \$2,546,469 from the U.S. Department of State, and the U.S. Department of Health and Human Services and other government agencies, respectively, accounting for approximately 51% and 8% respectively, of total revenues and other support. Receivables from these agencies totaled \$2,756,368 and \$1,633,905, respectively, at December 31, 2014, accounting for approximately 51% and 30% of total receivables.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from restrictions were:

Scholarship awards	\$ 610,755
Schoolhouse in Israel	2,762
Internship Program	1,148
The Linking Communities	80,255
Child Safe Space in Chad	2,805
Legal Service Program	12,500
Refugee Program for Artists, Scholars and Professionals	346,751
Michael B. Rukin Refugee Law Fellows Program in Israel	43,894
LGBT Refugees, Asylum Seekers and Migrants in East Africa	116,692
Unaccompanied Children Project	38,068
Syrian Refugees Project in Jordan	51,500
Time restriction	<u>1,112,408</u>
	<u>\$ 2,419,538</u>

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Temporarily restricted net assets are available for the following purposes or periods:

Scholarship awards	\$ 1,770,565
Advocacy and legal assistance for Ethiopian Jews in Israel	6,933
Resettlement of newly arrived immigrants within the U.S.	68,835
Rescue and resettlement of Russian Jewish children and other Russian Jews	100,000
Dire emergency use	50,000
Internship Program	8,977
The Linking Communities	63,459
Child Safe Space in Chad	7,194
Legal Service Program	37,500
Ministry of Interior-refugee status determination	13,880
On-line Art Gallery	54,906
Refugee Program for Artists, Scholars and Professionals	1,558,561
Michael B. Rukin Refugee Law Fellows Program in Israel	86,995
LGBT Refugees, Asylum Seekers and Migrants in East Africa	69,675
Unaccompanied Children Project	2,560
Archive Project	55,000
	<u>3,955,040</u>
For periods after December 31, 2014	<u>304,809</u>
	<u>\$ 4,259,849</u>

10. ENDOWMENT FUNDS

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 permanently restricted net assets (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by HIAS in a manner consistent with the standard of prudence prescribed by NYPMIFA. 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

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- 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 2014) 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 2014, this allocation amounted to \$2,296,143.

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 temporarily restricted income and released from restriction upon expenditure for the program for which the endowment fund was established.

The endowment net assets consist of:

Board-designated endowment funds	<u>\$ 60,356,413</u>
Donor-restricted endowment funds:	
The HIAS scholarship program	1,084,250
Special projects and activities of the organization	1,342,598
Rescue and resettlement of Jewish immigrants (Gossels Fund - half of the income is reinvested in perpetuity)	<u>161,061</u>
Total donor-restricted endowment funds	<u>2,587,909</u>
Total endowment funds	<u>\$ 62,944,322</u>

The following are the changes in endowment net assets for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 58,175,962	\$ 283,271	\$ 2,262,390	\$ 60,721,623
Investment income	1,970,421	43,304	94	2,013,819
Contributions	3,088,441	-	20,250	3,108,691
Actuarial loss on split-interest agreement	(80,635)	-	-	(80,635)
Appropriation of endowment assets for expenditure	<u>(2,797,776)</u>	<u>(21,400)</u>	<u>-</u>	<u>(2,819,176)</u>
Endowment net assets, end of year	<u>\$ 60,356,413</u>	<u>\$ 305,175</u>	<u>\$ 2,282,734</u>	<u>\$ 62,944,322</u>

Subsequent to year end, the Board appropriated \$11,504,990 from the board-designated endowment to cover prior years' deficits.

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11. RESTATEMENT

During the year HIAS determined that certain transactions related to prior years had not been properly reflected in previously issued financial statements. Accordingly, adjustments were recorded to net assets as of January 1, 2014 to properly account for these transactions.

The adjustments are summarized below:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets - beginning of year as previously stated	\$ 48,649,116	\$ 7,006,274	\$ 2,262,390	\$ 57,917,780
To adjust opening net assets, related to revenue that should have been recorded in the year ended December 31, 2013	800,000	-	-	800,000
To adjust opening net assets, related to deferred rent that should have been recorded as of December 31, 2013	(286,293)	-	-	(286,293)
To adjust opening net assets, related to severance to remove the liability from the year ended December 31, 2013	521,230	-	-	521,230
To reclassify opening net assets from temporarily restricted to unrestricted	<u>1,116,819</u>	<u>(1,116,819)</u>	<u>-</u>	<u>-</u>
Net assets - beginning of year as restated	<u>\$ 50,800,872</u>	<u>\$ 5,889,455</u>	<u>\$ 2,262,390</u>	<u>\$ 58,952,717</u>