

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

HIAS, Inc.

December 31, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
HIAS, Inc.

Report on the financial statements**Opinion**

We have audited the consolidated financial statements of HIAS, Inc. and related entities (collectively, "HIAS"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of HIAS as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HIAS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HIAS's ability to continue as a going concern for a reasonable period of time.

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



Arlington, Virginia
July 14, 2022

HIAS, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 7,111,755	\$ 10,499,481
Investments - (including client deposits) (Note 4)	85,322,915	57,897,740
Investments held for charitable gift annuities and trusts (Note 4)	3,416,839	2,737,636
Grants receivables (net of allowances of \$547,193 for 2021 and \$398,711 for 2020)	13,082,339	5,561,858
Contribution receivables	2,162,401	1,946,283
Other receivables, net	154,715	499,199
Deposits and prepaid expenses	1,360,585	1,078,168
Property and equipment, net (Note 6)	<u>2,347,063</u>	<u>2,142,238</u>
Total assets	<u>\$ 114,958,612</u>	<u>\$ 82,362,603</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 6,875,042	\$ 5,946,650
Deferred revenue	7,708,809	3,996,807
Client deposits	4,383,641	4,499,666
Deferred rent	1,378,094	1,282,165
Severance obligations	4,280,312	3,960,760
Grants payable	-	106,959
Pension obligations (Note 7)	5,392,367	7,235,071
Annuity obligations (Note 5)	<u>1,882,760</u>	<u>1,485,165</u>
Total liabilities	<u>31,901,025</u>	<u>28,513,243</u>
Net assets		
Without donor restrictions	71,231,198	46,716,908
With donor restrictions	<u>11,826,389</u>	<u>7,132,452</u>
Total net assets	<u>83,057,587</u>	<u>53,849,360</u>
Total liabilities and net assets	<u>\$ 114,958,612</u>	<u>\$ 82,362,603</u>

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

HIAS, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended December 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Contributions	\$ 40,480,812	\$ 5,593,763	\$ 46,074,575	\$ 10,964,854	\$ 1,369,583	\$ 12,334,437
Operating grants	32,949,400	-	32,949,400	32,679,344	-	32,679,344
Bequests	67,030	-	67,030	51,312	-	51,312
Governmental agencies:						
U.S. Department of Health and Human Services	3,921,471	-	3,921,471	4,656,058	-	4,656,058
U.S. Department of State	36,935,679	-	36,935,679	23,070,820	-	23,070,820
US Department of Homeland Security	64,586	-	64,586	-	-	-
Migrant loan processing fees and repayments	325,216	-	325,216	475,661	-	475,661
Investment income designated for current operations (Note 4)	2,441,112	-	2,441,112	4,287,735	-	4,287,735
Service fee revenues and other revenues	(6,361)	-	(6,361)	(21,383)	-	(21,383)
Net assets released from restriction	1,335,418	(1,335,418)	-	1,200,990	(1,200,990)	-
TOTAL REVENUES AND OTHER SUPPORT	\$ 118,514,363	\$ 4,258,345	\$ 122,772,708	\$ 77,365,391	\$ 168,593	\$ 77,533,984

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,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services - refugee and immigration assistance						
U.S. operations	\$ 16,756,033	\$ -	\$ 16,756,033	\$ 12,634,150	\$ -	\$ 12,634,150
International operations	69,858,142	-	69,858,142	55,032,786	-	55,032,786
Total program services	86,614,175	-	86,614,175	67,666,936	-	67,666,936
Supporting services						
Management and general	11,174,518	-	11,174,518	9,992,773	-	9,992,773
Fundraising	4,869,040	-	4,869,040	3,211,681	-	3,211,681
Total supporting services	16,043,558	-	16,043,558	13,204,454	-	13,204,454
Total operating expenses	102,657,733	-	102,657,733	80,871,390	-	80,871,390
Changes in net assets from operations	15,856,630	4,258,345	20,114,975	(3,505,999)	168,593	(3,337,406)
Non-operating activities						
Non-operating investment income (Note 4)	4,988,581	435,592	5,424,173	16,400	118,825	135,225
Bequests	1,552,132	-	1,552,132	2,967,242	-	2,967,242
Actuarial gain on split-interest agreements	281,615	-	281,615	244,723	-	244,723
Changes in pension obligations other than net periodic benefit cost	1,835,332	-	1,835,332	(1,178,885)	-	(1,178,885)
Total non-operating activities	8,657,660	435,592	9,093,252	2,049,480	118,825	2,168,305
CHANGE IN NET ASSETS	24,514,290	4,693,937	29,208,227	(1,456,519)	287,418	(1,169,101)
Net assets - beginning of year	46,716,908	7,132,452	53,849,360	48,173,427	6,845,034	55,018,461
Net assets - end of year	\$ 71,231,198	\$ 11,826,389	\$ 83,057,587	\$ 46,716,908	\$ 7,132,452	\$ 53,849,360

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, 2021

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

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, 2020

	Program Services - Refugee and Immigration Assistance			Supporting Services			2020 Total
	U.S. Operations	International Operations	Total	Management and General	Fundraising	Total	
Payments to resettling communities	\$ 7,145,454	\$ 432,865	\$ 7,578,319	\$ -	\$ -	\$ -	\$ 7,578,319
Transportation and transient assistance	629,386	14,977,199	15,606,585	-	-	-	15,606,585
Total emigration and resettlement expenses	7,774,840	15,410,064	23,184,904	-	-	-	23,184,904
Personnel expenses							
Salaries	2,817,820	17,673,574	20,491,394	6,343,936	1,709,619	8,053,555	28,544,949
Payroll taxes and employee benefits (including pension cost of approximately \$ 522,033) (Note 7)	832,263	5,611,683	6,443,946	2,788,535	644,738	3,433,273	9,877,219
Total personnel expenses	3,650,083	23,285,257	26,935,340	9,132,471	2,354,357	11,486,828	38,422,168
Other expenses							
Rent, utilities, taxes, maintenance and insurance (Note 8)	24,268	3,059,740	3,084,008	1,496,586	-	1,496,586	4,580,594
Communications costs	7,456	663,745	671,201	150,817	558	151,375	822,576
Mailing costs	33,904	48,797	82,701	27,528	538,524	566,052	648,753
Computers, furniture and equipment	105,548	1,737,344	1,842,892	699,081	68,260	767,341	2,610,233
Professional and consulting fees	173,384	1,901,957	2,075,341	2,510,721	85,773	2,596,494	4,671,835
Project support	19,716	261,411	281,127	563,106	136,470	699,576	980,703
Program supplies	-	1,659,072	1,659,072	-	-	-	1,659,072
Memberships and subscriptions	29,877	477,909	507,786	33,000	9,318	42,318	550,104
Printing and office supplies	2,524	505,614	508,138	201,958	9,908	211,866	720,004
Publications and media	18,348	24,513	42,861	144,330	-	144,330	187,191
Travel, site visits, conferences and meetings	25,265	377,483	402,748	71,641	7,004	78,645	481,393
International travel	13,252	118,091	131,343	44,694	-	44,694	176,037
Advertising	2,027	6,899	8,926	10,004	381	10,385	19,311
Depreciation and amortization	-	80,635	80,635	31,680	-	31,680	112,315
Bank charges and miscellaneous	28,571	503,633	532,204	510,865	1,128	511,993	1,044,197
Indirect costs	725,087	4,910,622	5,635,709	(5,635,709)	-	(5,635,709)	-
Total other expenses	1,209,227	16,337,465	17,546,692	860,302	857,324	1,717,626	19,264,318
TOTAL FUNCTIONAL EXPENSES	\$ 12,634,150	\$ 55,032,786	\$ 67,666,936	\$ 9,992,773	\$ 3,211,681	\$ 13,204,454	\$ 80,871,390

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>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 29,208,227	\$ (1,169,101)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	120,203	112,315
Donor-restricted endowment	(1,691,141)	(431,886)
Realized gain on investments	(5,967,839)	(10,474,980)
Unrealized loss on investments	279,639	8,102,800
Gain on split-interest agreements	(281,615)	(244,723)
Loss on disposal of fixed assets	346,878	-
Changes in operating assets and liabilities:		
Grants receivables	(7,520,481)	(1,902,156)
Contribution receivables	(216,118)	203,943
Other receivables	344,484	(260,580)
Deposits and prepaid expenses	(282,417)	(469,677)
Accounts payable and accrued expenses	928,393	554,952
Deferred revenue	3,712,002	28,788
Client deposits	(116,025)	(235,065)
Deferred rent	95,929	281,144
Severance obligations	319,552	1,106,239
Grants payable	(106,959)	(219,036)
Pension obligations	(2,096,063)	1,050,224
	<u>17,076,649</u>	<u>(3,966,799)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	3,234,357	49,021,104
Purchase of investments	(24,904,779)	(41,674,942)
Purchase of equipment	(671,906)	(883,276)
	<u>(22,342,328)</u>	<u>6,462,886</u>
Net cash (used in) provided by investing activities		
Cash flows from financing activities:		
Donor-restricted endowment	1,691,141	431,886
Payments of annuity obligations	(212,578)	(185,785)
Investment income subject to annuity obligations	399,390	244,533
	<u>1,877,953</u>	<u>490,634</u>
Net cash provided by financing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(3,387,726)</u>	<u>2,986,721</u>
Cash and cash equivalents - beginning of year	<u>10,499,481</u>	<u>7,512,760</u>
Cash and cash equivalents - end of year	<u>\$ 7,111,755</u>	<u>\$ 10,499,481</u>

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

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1 - ORGANIZATION

HIAS, Inc. and related entities (collectively, HIAS) rescue people whose lives are in danger for being who they are. HIAS protects the most vulnerable refugees, helping them build new lives and reuniting them with their families in safety and freedom. HIAS advocates for the protection of refugees and assures that displaced people are treated with the dignity they deserve. Guided by its Jewish values and history, HIAS brings more than 140 years of expertise to its work with refugees. HIAS operates in the United States, Asia, Caribbean, Latin America, Africa and Europe. The consolidated financial statements of HIAS included certain related entities in these geographical locations.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Basis of Presentation

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

Net assets consist of the following:

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

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

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

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

Concentration of Credit Risk

Financial instruments that potentially subject HIAS to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation (FDIC) limit, and investments. At December 31, 2021, HIAS had \$6,861,755 in excess of the FDIC insured limit. Management does not believe that a significant risk of loss is likely due to the failure of a financial institution HIAS utilizes. Management also believes that its market risk is mitigated by an adequate diversification of its investments amongst a variety of asset classes.

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Investments

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

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. GAAP for fair value measurement, HIAS uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

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

- Level 1 -** Quoted prices are available in active markets for identical assets or liabilities as of the measurement date that HIAS has the ability to access. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 -** Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. As of December 31, 2021 and 2020, 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, 2021 and 2020, HIAS had no investments which were deemed to be Level 3.

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

Cash and Cash Equivalents

HIAS considers all highly liquid investments with original maturities of less than three months from the date of purchase to be cash and cash equivalents, except for those cash equivalents which are included in HIAS' investment portfolio which are considered to be for long-term investment purposes. HIAS' foreign deposits were monitored in accordance with HIAS' cash policy. HIAS had cash in foreign accounts totaling \$3,410,723 and \$5,411,053 as of December 31, 2021 and 2020, respectively.

Valuation of Investments

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Equity Securities and Mutual Funds - Valued at the closing share price reported on the active market on which the individual securities are traded.

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

Collective Trust and Alternative Investments - The collective trust and alternative investments consist of investments in funds of funds based on their underlying investments. The fair value of such investments are determined using the NAV per share as a practical expedient to estimate the fair value, unless it is probable that all or portion of the investment will be sold for an amount different from

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NAV. As of December 31, 2021 and 2020, 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	Three years, unless the context determines that a shorter life would be more appropriate
Furniture and office equipment	Five years
Computer hardware	Three years
Computer software	Three years

Client Deposits (Care and Maintenance Funds)

HIAS receives care and maintenance funds from U.S. based sponsors on behalf of clients. A list of deposits is maintained by both HIAS Headquarters (HQ) and HIAS' office in Vienna. These funds are recorded as a liability upon receipt and presented as Client deposits in the consolidated statements of financial position. All travel is expected to be completed in the next fiscal year, although in some cases, travel might be delayed due to various factors. The current HIAS liability represents care and maintenance funds that HIAS is carrying on behalf of the beneficiaries' expenses to resettle in the 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 2021 for a total of \$466,000. There were eight new charitable gift annuity agreements signed in 2020 for a total of \$315,000.

Severance Obligation

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

Governmental and Operating Grants and Contributions

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

An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. No allowance was recorded at December 31, 2021 and 2020. All contributions are expected to be collected in the next year, therefore no discount has been recorded. Contributions receivable are written-off in the period deemed uncollectible.

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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, 2021 and 2020 totaled \$590,876 and \$877,345, respectively, and are included in contribution revenue, and professional and consulting fees within other expenses, on the accompanying consolidated statements of activities.

Government and operating grants are treated as conditional contributions and revenue is recognized when a contribution becomes unconditional in accordance with ASU 2018-08. Typically, contract and grant agreements contain a right of return or right of release from obligation provision and HIAS has limited discretion over how funds transferred should be spent. As such, HIAS recognizes revenue for these conditional contributions when the related barrier(s) has been overcome which is to the extent that expenses have been incurred for the purposes specified by the grantors.

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

HIAS had approximately \$41,913,885 in unrecognized conditional contributions as of December 31, 2021. The revenue related to these awards is conditioned on HIAS incurring allowable expenditures under the terms of the agreements.

Grants Expense

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

HIAS' travel loan services operate in accordance with its Reception and Placement Cooperative Agreement with the State Department and the Memorandum of Understanding with the International Organization for Migration (IOM). Under these agreements, HIAS is responsible for the maintenance of transportation loans funded by the State Department and granted by IOM to HIAS' refugee clients for the cost of their transportation to the 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. The revenue is reported at the amount that reflects the consideration to which the HIAS expects the loan to be recovered. Revenue is recognized based on the loan amount recovered.

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

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

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

HIAS adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers (ASC 606)*, effective January 1, 2019. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five steps of the model include: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when (or as) the Association satisfies a performance obligation. Service fee revenues are direct program service fees recognized as revenues as services are rendered. Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to the total expected or actual charges. Because all of its performance obligations relate to contracts within a duration of less than one year, HIAS has elected to apply the optional exemption provided in ASC 606 and not disclose the information about remaining performance obligation associated with those contracts.

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

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Contract Balances

HIAS' contract balances are comprised of receivable and client deposits. HIAS' receivables from contracts amounting to \$154,710 and \$499,199 for the years ended December 31, 2021 and 2020, respectively, is disclosed as part of other receivables on the consolidated statements of financial position. Client deposits are separately disclosed on the consolidated statements of financial position.

Rent

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

Functional Allocation of Expenses

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

Foreign Currency Translation

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

Venezuela - Foreign Currency and Inflation

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

For the years ended December 31, 2021 and 2020, there was no official foreign currency exchanges in Venezuela and the available exchange information available did not account for inflation. The exchange rate used in translating the local currency to U.S. dollars are the actual rates HIAS received on the exchanges.

Income Taxes

HIAS has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. No material taxable unrelated business income was generated and, accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

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

Risk of Operating Outside the United States

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

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the guidance in former ASC Topic 840, *Leases*. The most significant change will result in the recognition of lease assets for the right to use the underlying asset, and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. This standard is effective for the fiscal year ending December 31, 2022, with early adoption permitted. Upon adoption of

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Topic 842, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. HIAS is evaluating the impact this ASU will have on the consolidated financial statement presentation.

Use of Estimates

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

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2021	2020
Financial assets and liquid resources:		
Cash and cash equivalents	\$ 7,111,755	\$ 10,499,481
Contribution receivable within a year	2,162,401	1,946,283
Grants and other receivables, net	13,237,054	6,061,057
Endowment funds available for operations	2,335,769	2,441,112
Total financial assets available within one year	24,846,979	20,947,933
Less: net assets with donor restrictions	(11,826,389)	(7,312,452)
Total financial and liquidation resources available within one year	\$ 13,020,590	\$ 13,635,481

The cash flows for HIAS have seasonal variations during the year. During year end holidays, special occasions and anniversaries like the World Refugee Day and Passover, HIAS experiences a high inflow of donations. To manage liquidity, HIAS keeps funds in the money market to manage cash flows. As of December 31, 2021 and 2020, there was \$3,429,972 and \$3,028,108, respectively, in United States Treasury bills.

NOTE 4 - INVESTMENTS

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

	2021 Fair Value	2020 Fair Value
Cash and cash equivalents	\$ 4,720,228	\$ 5,667,873
Mutual funds:		
Equity funds	29,916,501	24,647,067
Fixed-income funds	4,475,217	2,140,859
Total mutual funds	34,391,718	26,787,926
Equities - U.S. small cap	11,422,036	14,929,793
Fixed income securities	20,211,218	929,781
Collective trust	2,268,681	1,940,870
Alternative investments	15,725,873	10,379,133
Total investments	\$ 88,739,754	\$ 65,635,376

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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

	2021	2020
Investments (including client deposits)	\$ 85,322,915	\$ 57,897,740
Investments held for charitable gift annuities and trusts	3,416,839	2,737,636
Total investments	\$ 88,739,754	\$ 60,635,376

Investment income consists of the following:

	2021	2020
Interest and dividends	\$ 2,647,171	\$ 2,431,434
Realized gain	5,967,839	10,474,980
Unrealized loss	(279,639)	(8,102,800)
	8,335,371	4,803,614
Less:		
Investment fees	(470,086)	(380,654)
Investment return designated for current operations	(2,441,112)	(4,287,735)
Non-operating investment income	\$ 5,424,173	\$ 135,225

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2021 and 2020:

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

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

	2020		
	Level 1	Reported at NAV	Total
Mutual funds:			
Equity funds	\$ 24,647,067	\$ -	\$ 24,647,067
Fixed - income funds	2,140,859	-	2,140,859
Total mutual funds	26,787,926	-	26,787,926
Equity - U.S. small cap	14,929,793	-	14,929,793
Fixed income securities	929,781	-	929,781
Collective trust *	-	1,940,870	1,940,870
Alternative investments *	-	10,379,133	10,379,133
Total investments, at fair value	\$ 42,647,500	\$ 12,320,003	54,967,503
Cash and cash equivalents			5,667,873
Total investments			\$ 60,635,376

* 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. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The following tables detail certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2021 and 2020.

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

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

		2020		
Type	Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Redemption Terms
Collective trust	Emerging Market Small Cap Equity benchmarked to the MSCI EM SC Index	\$ 1,940,870	\$ -	Monthly, as of the first day of any month upon notification by the 15th day of the prior month
Alternative investment	Multi-Strategy Event Driven Fund designed to generate absolute returns with limited correlation to equity and fixed income markets	3,187,149	-	Full Liquidity annually or partial liquidity up to 25% quarterly with no lock-up period
Alternative Investment	Absolute Return focused on structured credit strategies including mortgages, asset-backed and other securitized securities	1,906,904	-	Quarterly liquidity following an initial one-year lock-up.
Alternative investment	Absolute Return Fund that invest in municipal bond markets seeking returns through capital appreciation, income, relative value, event-driven and distressed opportunities	1,841,634	-	Monthly investments with allowance for quarterly withdrawals, upon 65 days' notice, subject to 25% gate if withdrawals exceed 25% of the Master Fund during a calendar quarter
Alternative investment	Absolute Return Fund invests primarily in Industry Loss Warranties seeking absolute returns associated with differences associated with policy premiums and weather-related peril risk	1,922,690	-	Partial liquidity available on a quarterly basis with full liquidity available annually
Alternative investment	Private market fund focused on secondary strategies through direct acquisition of original investments within LP Fund Structures	193,333	2,819,166	four-year investment period and a 10-year fund term
Alternative investment	Private market fund focused on lower-mid market opportunities within Multi-unit, Consumer, Healthcare and related services	1,327,423	1,111,207	10 years from final closing subject to tow one-year extensions
Total		<u>\$ 12,320,003</u>	<u>\$ 3,930,373</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.

The discount rate was 1.2 % for each of the years ended December 31, 2021 and 2020.

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The following tables show the changes in the annuity obligations:

	2021	2020
Annuity obligations, beginning of year	\$ 1,485,165	\$ 1,355,950
New agreements	467,357	315,000
Payments to annuitants	(212,578)	(194,140)
Change in actuarial valuations	142,816	8,355
	\$ 1,882,760	\$ 1,485,165
Annuity obligations, end of year	\$ 1,882,760	\$ 1,485,165

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 455,474	\$ 1,033,765
Software development	792,845	383,316
Leasehold improvements	2,205,197	2,150,374
	3,453,516	3,567,455
Less: accumulated depreciation	(1,106,453)	(1,425,217)
Property and equipment, net	\$ 2,347,063	\$ 2,142,238

Depreciation expense amounted to \$120,203 and \$112,315 for the years ended December 31, 2021 and 2020.

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, 2021 and 2020:

	2021	2020
Reconciliation of benefit obligation:		
Benefit obligation, beginning of year	\$ 19,322,419	\$ 17,623,649
Service cost	185,000	160,000
Interest cost	429,152	530,475
Assumption (loss) gain	(647,918)	1,755,748
Actuarial gain (loss)	119,953	(11,725)
Benefits paid	(1,039,825)	(735,728)
Benefit obligation, end of year	\$ 18,368,781	\$ 19,322,419

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

	2021	2020
Reconciliation of fair value of plan assets:		
Plan assets, beginning of year	\$ 12,587,856	\$ 11,999,996
Actual return on assets	1,394,643	748,577
Employer contributions	482,900	714,208
Benefit payments and actual expenses	(1,039,825)	(874,925)
Plan assets, end of year	\$ 13,425,574	\$ 12,587,856
Projected benefit obligation	\$ (18,368,781)	\$ (19,322,419)
Accrued expenses	-	-
Fair value of plan assets	13,425,574	12,587,856
Funded status	\$ (4,943,207)	\$ (6,734,563)
Amounts that have not been recognized as components of net periodic benefit cost but are included in unrestricted net assets:		
Net actuarial loss	\$ 5,241,487	\$ 6,777,049
Components of net periodic benefit cost:		
Service cost	\$ 185,000	\$ 160,000
Interest cost	429,152	530,475
Expected return on plan assets	(878,263)	(855,452)
Amortization of net loss	790,987	511,440
Net periodic benefit cost	\$ 526,876	\$ 346,463
Changes in pension obligation other than net periodic benefit cost:		
Net loss	\$ (1,044,345)	\$ 1,690,325
Amortization of net loss	(790,987)	(511,440)
Total	\$ (1,835,332)	\$ 1,178,885
Estimated amounts expected to be recognized in net periodic benefit cost over the next fiscal year:		
Amortization of net loss	\$ 455,421	\$ 744,897

The weighted-average assumptions used to determine benefit obligations at December 31, 2021 and 2020, respectively, are as follows:

	2021	2020
Discount rate	2.63%	2.26%
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, 2020 and 2019, respectively, are as follows:

	2021	2020
Discount rate	2.63%	3.06%
Rate of compensation increase	N/A	N/A
Long-term rate of return	5.86%	7.15%

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

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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

	December 31, 2021		
	<u>Level 1</u>	<u>Reported at NAV</u>	<u>Total Fair Value</u>
Mutual funds:			
Equity funds	\$ 6,190,314	\$ -	\$ 6,190,314
Fixed - income funds	2,079,628	-	2,079,628
Total mutual funds	8,269,942	-	8,269,942
Equity - U.S. small cap	2,435,584	-	2,435,584
Alternative investments	-	2,372,386	2,372,386
Total investments, at fair value	<u>\$ 10,705,526</u>	<u>\$ 2,372,386</u>	\$ 13,077,912
Cash and cash equivalents			347,662
Total investments			<u>\$ 13,425,574</u>

	December 31, 2020		
	<u>Level 1</u>	<u>Reported at NAV</u>	<u>Total Fair Value</u>
Mutual funds:			
Equity funds	\$ 5,266,615	\$ -	\$ 5,266,615
Fixed - income funds	756,649	-	756,649
Total mutual funds	6,023,264	-	6,023,264
Equity - U.S. small cap	4,333,924	-	4,333,924
Alternative investments	-	1,249,355	1,249,355
Total investments, at fair value	<u>\$ 10,357,188</u>	<u>\$ 1,249,355</u>	\$ 11,606,543
Cash and cash equivalents			981,313
Total investments			<u>\$ 12,587,856</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>
2022	\$ 721,982
2023	798,972
2024	869,296
2025	883,738
2026	888,872
2027-2031	4,963,628

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, 2021 and 2020, the accumulated benefit obligation was \$449,159 and \$500,508, 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 2021 or 2020.

The assumptions used included a discount rate of 2.42% and 1.98% for the years ended December 31, 2021 and 2020, respectively.

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

401(k) Defined Contribution Plan

HIAS sponsors a defined contribution plan covering all eligible employees. The defined contribution plan permits elective deferrals pursuant to IRC Section 401(k), up to the maximum amount by law of pre-tax annual compensation, as defined in the Plan. HIAS makes matching contributions up to 5% of the employee's total compensation. Total contributions to the Plan by HIAS during 2021 and 2020 were \$667,890 and \$522,033, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

New York

HIAS signed leases for two office spaces in New York in June 2019. The first lease covers the space occupied since 2015 for three years starting January 1, 2020 and ending December 31, 2022. The second lease covers additional space for the New York office for a three-and-a-half-year period starting July 1, 2019 to December 31, 2022. The lease commenced with base rent of \$70,507 and \$259,421 per annum, respectively, and escalates by 3% per until expiry at December 31, 2022. Rent expense for the New York leases totaled \$330,634 and \$330,634 for the years ended December 31, 2021 and 2020, respectively.

Maryland

In June 2019, HIAS signed a new lease to add 9,860 square feet of the second floor at its corporate HQ in Silver Spring, Maryland. The lease signed in March 2015 was amended to extend the lease term from February 2026 to February 2029. The new lease provides for the tenant an additional improvement allowance of \$345,000 in addition to the \$849,070 allowance which was provided in the first lease. The total allowance of \$1,194,740 is being amortized over the term of the lease. The new lease provides for base rent of approximately \$123,250 per year after a six-month rent abatement. This brings the total rent abatement at the Silver Spring office to \$524,250. Rent escalates by 2.75% per year until the lease expires in February 2029. Rent expense for the Silver Spring lease totaled \$729,463 and \$729,463 for the years ended December 31, 2021 and 2020, 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 2020. Rent expense for the Washington, D.C. lease totaled \$0 and \$30,640 for the years ended December 31, 2021 and 2020, respectively.

Lease commitments are as follows:

<u>Year ending December 31</u>	<u>Rent Expense</u>
2022	\$ 1,081,868
2023	761,991
2024	783,628
2025	805,879
2026	823,944
Thereafter	1,860,023
	<hr/>
	\$ 6,117,333

Contingencies

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

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 9 - CONCENTRATION RISK

The most significant source of HIAS's revenue are grants from the U.S. Government. In 2021, HIAS received \$36,935,679 and \$3,921,471 from the U.S. Department of State and U.S. Department of Health and Human Services, respectively, accounting for approximately 30% and 3%, respectively, of total revenues and other support.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions released were:

	2021	2020
Scholarship awards	\$ 170,858	\$ 227,651
Refugee Border Crisis	91,154	88,600
Refugee Program for Artists, Scholars and Professionals	56,594	236,754
Michael B. Rukin Refugee Law Fellows Program in Israel	160,000	175,000
Refugee Crisis Deployment	31,403	-
New York Resettlement	-	3,578
Afghan Refugee Crisis	74,318	-
Legal Service Program	110,135	-
Time restrictions	640,956	469,407
	\$ 1,335,418	\$ 1,200,990

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

	2021	2020
Scholarship awards	\$ 1,173,748	\$ 975,770
Refugee Border Crisis	164,941	179,935
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	15,632	15,633
Legal Service Program	158,674	29,873
Refugee Crisis Deployment	-	31,403
Refugee Program for Artists, Scholars and Professionals	-	52,845
Michael B. Rukin Refugee Law Fellows Program in Israel	139,999	159,999
Afghan Refugee Crisis	1,552,645	-
Donor-restricted endowments (Note 11)	6,705,262	4,578,529
	10,079,736	6,192,822
Net assets with time restrictions	1,746,653	939,630
	\$ 11,826,389	\$ 7,132,452

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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% and 7% in 2021 and 2020, respectively) of its endowment fund's average fair value over the prior 12 quarters. In establishing this policy, HIAS considered the long-term expected return on its endowment. For 2021 and 2020, this allocation amounted to \$2,441,111 and \$4,287,735, 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:

	2021	2020
Board-designated funds	\$ 56,391,154	\$ 47,349,057
Donor restricted endowment funds:		
The HIAS scholarship program	1,053,963	923,845
Special projects and activities of organization	5,360,043	3,378,427
Rescue and resettlement of Jewish immigrants	291,256	276,257
Total donor-restricted endowment funds	6,705,262	4,578,529
Total endowment funds	\$ 63,096,416	\$ 51,927,586

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The following are the changes in endowment net assets for the years ended December 31, 2021 and 2020:

	2021		
	Board Designated	Donor Restricted	Total
Endowment net assets, beginning of year	\$ 47,349,057	\$ 4,578,529	\$ 51,927,586
Investment income and fees	7,137,424	597,140	7,734,564
Contributions	3,902,622	1,691,141	5,593,763
Actuarial gain on split-interest agreement	281,615	-	281,615
Appropriation for archival project	-	-	-
Appropriate for expenditure	(2,279,564)	(161,548)	(2,441,112)
	\$ 56,391,154	\$ 6,705,262	\$ 63,096,416
2020			
	Board Designated	Donor Restricted	Total
Endowment net assets, beginning of year	\$ 44,037,160	\$ 4,120,355	\$ 48,157,515
Investment income and fees	4,156,566	266,393	4,422,959
Contributions	2,967,242	431,886	3,399,128
Actuarial gain on split-interest agreement	244,723	-	244,723
Appropriation for archival project	(9,004)	-	(9,004)
Appropriate for expenditure	(4,047,630)	(240,105)	(4,287,735)
	\$ 47,349,057	\$ 4,578,529	\$ 51,927,586

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, 2021 and 2020, there were no funds with deficiencies.

NOTE 12 - BOARD DESIGNATED ENDOWMENT

HIAS' board has designated funds to be set aside to establish and maintain a board endowment fund for the purpose of securing the organization's long-term financial viability and continuing to meet the needs of the organization. The funds totaled \$56,391,154 and \$47,349,057 at December 2021 and 2020, respectively. The fund generated \$3,902,622 and \$2,967,242 of additional contributions for the years ended December 31, 2021 and 2020, respectively.

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

NOTE 13 - RELATED-PARTY TRANSACTIONS

HIAS received contributions from board members and other related organizations during the years ended December 31, 2021 and 2020, totaling \$98,420 and \$219,802, respectively.

NOTE 14 - FINANCING

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

HIAS, Inc. and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 15 - RISKS AND UNCERTAINTIES

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on HIAS's financial condition, liquidity, and delivery of operations. Management is actively monitoring the effect of this pandemic on its operations globally and its effects on refugees, financial condition, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the extent to which COVID-19 may impact the Organization's future consolidated financial position and changes in net assets and cash flows is uncertain.

NOTE 16 - RECLASSIFICATION

Certain amounts from the prior year have been reclassified to conform to the current year presentation. Specifically, HIAS reclassified payroll taxes and employee benefits expense totaling \$1,546,630 from management and general expenses to changes in pension obligations other than net periodic benefit cost on the statement of activities for the year ended December 31, 2020. There were no changes to total revenues, expenses, or changes in net assets as previously reported in the 2020 financial statements.

NOTE 17 - SUBSEQUENT EVENTS

HIAS evaluated its December 31, 2021 consolidated financial statements for subsequent events through July 14, 2022, the date the consolidated financial statements were available to be issued. HIAS is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.