



Consolidated Financial Statements and Report
of Independent Certified Public Accountants

HIAS, Inc.

December 31, 2016 and 2015

HIAS, Inc.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors of
HIAS, Inc.

We have audited the accompanying consolidated financial statements of HIAS, Inc. (“HIAS”), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s responsibility for the 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, 2016 and 2015, 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.



Baltimore, Maryland
August 14, 2017

HIAS, Inc.

Consolidated Statements of Financial Position

<i>December 31,</i>	2016	2015
ASSETS		
Cash	\$ 2,778,383	\$ 4,852,728
Investments - allocated, client deposits, non-American pension plan (Note 3)	50,669,642	52,733,103
Investments held for charitable gift annuities and trusts (Note 3)	2,294,387	2,441,824
Grants receivables (net of allowances of \$142,000 for 2016 and \$102,297 for 2015)	6,903,056	5,783,098
Contribution receivables	1,924,621	936,176
Other receivables	505,463	434,017
Deposits and prepaid expenses	557,353	394,708
Beneficial interest in annuity trust	161,850	123,993
Property and equipment, net (Note 5)	1,424,347	1,924,428
Total Assets	\$ 67,219,102	\$ 69,624,075
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 5,226,450	\$ 4,531,367
Client deposits	7,217,004	6,681,089
Deferred rent	1,024,608	1,096,021
Severance obligations	234,597	324,367
Grants Payable	435,681	-
Pension obligations (Note 6)	5,910,127	5,782,263
Annuity obligations (Note 4)	1,260,514	1,381,356
Total Liabilities	21,308,981	19,796,463
NET ASSETS		
Unrestricted	39,379,901	43,444,930
Temporarily restricted (Note 9)	4,213,790	4,093,867
Permanently restricted (Note 10)	2,316,430	2,288,815
Total Net Assets	45,910,121	49,827,612
Total Liabilities and Net Assets	\$ 67,219,102	\$ 69,624,075

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

HIAS, Inc.

Consolidated Statements of Activities

<i>For the Years Ended</i>	December 31, 2016				December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Revenues and Other Support:								
Contributions	\$ 4,769,624	\$ 2,116,187	\$ 27,500	\$ 6,913,311	\$ 3,907,591	\$ 989,172	\$ 6,000	\$ 4,902,763
Operating grants	8,233,298	-	-	8,233,298	7,858,818	-	-	7,858,818
Bequests	55,898	-	-	55,898	52,776	-	-	52,776
Governmental and intergovernmental agencies:								
U.S. Department of Health and Human Services	3,250,069	-	-	3,250,069	2,765,195	-	-	2,765,195
U.S. Department of State	21,243,694	-	-	21,243,694	17,663,704	-	-	17,663,704
Migrant loan processing fees and repayments	666,208	-	-	666,208	657,445	-	-	657,445
Investment income (Note 3)	2,456,531	-	-	2,456,531	2,353,872	-	-	2,353,872
Service fee revenues and other revenues	895,803	-	-	895,803	1,248,115	-	-	1,248,115
Net assets released from restriction	2,213,066	(2,213,066)	-	-	1,034,741	(1,034,741)	-	-
Total Revenues and Other Support	\$ 43,784,191	\$ (96,879)	\$ 27,500	\$ 43,714,812	\$ 37,542,257	\$ (45,569)	\$ 6,000	\$ 37,502,688

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

HIAS, Inc.

Consolidated Statements of Activities - Continued

<i>For the Years Ended</i>	December 31, 2016				December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
Expenses:								
Program services - refugee and immigration assistance:								
U.S. operations	\$ 17,644,723	\$ -	\$ -	\$ 17,644,723	\$ 12,791,491	\$ -	\$ -	\$ 12,791,491
Non-U.S. operations	21,489,862	-	-	21,489,862	20,369,316	-	-	20,369,316
Total Program Services	39,134,585	-	-	39,134,585	33,160,807	-	-	33,160,807
Supporting services								
Management and general	9,031,414	-	-	9,031,414	6,239,465	-	-	6,239,465
Fundraising	2,456,562	-	-	2,456,562	2,273,097	-	-	2,273,097
Total Supporting Services	11,487,976	-	-	11,487,976	8,512,562	-	-	8,512,562
Total Operating Expenses	50,622,561	-	-	50,622,561	41,673,369	-	-	41,673,369
Changes in net assets from operations	(6,838,370)	(96,879)	27,500	(6,907,749)	(4,131,112)	(45,569)	6,000	(4,170,681)
Non-Operating Activities:								
Non-operating investment income (loss) (Note 3)	451,229	183,625	115	634,969	(3,351,299)	(97,926)	81	(3,449,144)
Bequest income	2,177,957	-	-	2,177,957	2,514,432	-	-	2,514,432
Actuarial (loss) gain on split-interest agreements	(120,136)	33,177	-	(86,959)	(152,425)	(22,487)	-	(174,912)
Changes in pension obligations other than net periodic benefit cost	264,291	-	-	264,291	(286,089)	-	-	(286,089)
Total Non-Operating Activities	2,773,341	216,802	115	2,990,258	(1,275,381)	(120,413)	81	(1,395,713)
Change in Net Assets	(4,065,029)	119,923	27,615	(3,917,491)	(5,406,493)	(165,982)	6,081	(5,566,394)
Net Assets - Beginning of Year	43,444,930	4,093,867	2,288,815	49,827,612	48,851,423	4,259,849	2,282,734	55,394,006
Net Assets - End of Year	\$ 39,379,901	\$ 4,213,790	\$ 2,316,430	\$ 45,910,121	\$ 43,444,930	\$ 4,093,867	\$ 2,288,815	\$ 49,827,612

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, 2016

	Program Services - Refugee and Immigration Assistance			Supporting Services			
	U.S. Operations	International Operations	Total	Management and General	Fundraising	Total	2016 Total
Payments to resettling communities	\$ 12,045,369	\$ 110,815	\$ 12,156,184	\$ -	\$ -	\$ -	\$ 12,156,184
Resettlement documentation	-	665,065	665,065	-	-	-	665,065
Transportation and transient assistance	448,215	3,682,159	4,130,374	-	-	-	4,130,374
Total Emigration and Resettlement Expenses	12,493,584	4,458,039	16,951,623	-	-	-	16,951,623
Personnel expenses:							
Salaries	2,810,701	7,861,560	10,672,261	4,136,751	995,069	5,131,820	15,804,081
Payroll taxes and employee benefits (including pension cost of approximately \$220,732) (Note 6)	727,850	2,116,751	2,844,601	1,698,470	338,968	2,037,438	4,882,039
Total Personnel Expenses	3,538,551	9,978,311	13,516,862	5,835,221	1,334,037	7,169,258	20,686,120
Other Expenses:							
Rent, utilities, taxes, maintenance and insurance (net of rental income of \$36,630) (Note 7)	240	1,481,342	1,481,582	1,083,804	134,145	1,217,949	2,699,531
Communications costs	3,652	161,262	164,914	251,421	17,242	268,663	433,577
Mailing costs	47,948	11,706	59,654	22,802	540,433	563,235	622,889
Computers, furniture and equipment	44,833	475,012	519,845	808,681	152,158	960,839	1,480,684
Professional and consulting fees	545,632	1,560,945	2,106,577	1,125,711	93,061	1,218,772	3,325,349
Local transportation	22,767	258,145	280,912	8,565	7,450	16,015	296,927
Project support	115,398	11,372	126,770	210	12,780	12,990	139,760
Memberships and subscriptions	45,632	130,260	175,892	60,959	9,466	70,425	246,317
Printing and office supplies	2,120	225,918	228,038	79,559	1,992	81,551	309,589
Publications and media	-	521	521	87,177	649	87,826	88,347
Travel, site visits, conferences and meetings	222,202	543,451	765,653	297,547	70,482	368,029	1,133,682
International travel	72,731	158,290	231,021	80,377	11,044	91,421	322,442
Scholarships	-	130,422	130,422	-	-	-	130,422
Advertising	1,236	2,751	3,987	168,306	667	168,973	172,960
Depreciation and amortization	25,000	73,491	98,491	218,180	65,992	284,172	382,663
Bank charges and miscellaneous	31,904	134,722	166,626	1,028,089	4,964	1,033,053	1,199,679
Indirect costs	431,293	1,693,902	2,125,195	(2,125,195)	-	(2,125,195)	-
Total Other Expenses	1,612,588	7,053,512	8,666,100	3,196,193	1,122,525	4,318,718	12,984,818
Total Functional Expenses	\$ 17,644,723	\$ 21,489,862	\$ 39,134,585	\$ 9,031,414	\$ 2,456,562	\$ 11,487,976	\$ 50,622,561

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

HIAS, Inc.

Consolidated Statement of Functional Expenses - Continued

For the Year Ended December 31, 2015

	Program Services - Refugee and Immigration Assistance			Supporting Services			2015 Total
	U.S. Operations	International Operations	Total	Management and General	Fundraising	Total	
Payments to resettling communities	\$ 8,515,063	\$ -	\$ 8,515,063	\$ -	\$ -	\$ -	\$ 8,515,063
Resettlement documentation	-	549,166	549,166	-	-	-	549,166
Transportation and transient assistance	184,548	3,594,287	3,778,835	-	-	-	3,778,835
Total Emigration and Resettlement Expenses	8,699,611	4,143,453	12,843,064	-	-	-	12,843,064
Personnel expenses:							
Salaries	2,005,585	7,375,288	9,380,873	2,972,244	937,724	3,909,968	13,290,841
Payroll taxes and employee benefits (including pension cost of approximately \$196,751) (Note 6)	602,672	2,381,276	2,983,948	1,395,826	257,718	1,653,544	4,637,492
Total Personnel Expenses	2,608,257	9,756,564	12,364,821	4,368,070	1,195,442	5,563,512	17,928,333
Other Expenses:							
Rent, utilities, taxes, maintenance and insurance (net of rental income of \$43,930) (Note 7)	26,224	1,347,759	1,373,983	1,169,829	134,406	1,304,235	2,678,218
Communications costs	86,950	54,567	141,517	-	175,162	175,162	316,679
Mailing costs	59,698	23,991	83,689	-	447,935	447,935	531,624
Computers, furniture and equipment	64,861	801,105	865,966	220,522	57,122	277,644	1,143,610
Professional and consulting fees	509,992	1,456,762	1,966,754	942,448	100,277	1,042,725	3,009,479
Local transportation	8,656	223,496	232,152	3,062	6,317	9,379	241,531
Project support	118,361	251,573	369,934	-	207	207	370,141
Memberships and subscriptions	33,679	52,102	85,781	28,073	10,299	38,372	124,153
Printing and office supplies	14,104	318,637	332,741	36,636	10,604	47,240	379,981
Publications and media	-	711	711	49,841	7,799	57,640	58,351
Travel, site visits, conferences and meetings	164,560	453,641	618,201	301,582	40,325	341,907	960,108
International travel	98,295	210,331	308,626	69,673	17,752	87,425	396,051
Scholarships	-	153,301	153,301	-	-	-	153,301
Advertising	630	5,692	6,322	48,414	259	48,673	54,995
Depreciation and amortization	-	85,176	85,176	70,892	65,324	136,216	221,392
Bank charges and miscellaneous	41,622	84,648	126,270	132,221	3,867	136,088	262,358
Indirect costs	255,991	945,807	1,201,798	(1,201,798)	-	(1,201,798)	-
Total Other Expenses	1,483,623	6,469,299	7,952,922	1,871,395	1,077,655	2,949,050	10,901,972
Total Functional Expenses	\$ 12,791,491	\$ 20,369,316	\$ 33,160,807	\$ 6,239,465	\$ 2,273,097	\$ 8,512,562	\$ 41,673,369

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

HIAS, Inc.**Consolidated Statements of Cash Flows**

<i>For the years ended December 31,</i>	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (3,917,491)	\$ (5,566,394)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	382,663	221,392
Permanently restricted contributions	(27,500)	(6,000)
Investment income restricted for long-term investment	(115)	(81)
Realized and unrealized (gains) losses on investments	(2,709,480)	3,349,358
Loss on split-interest agreements	86,959	174,912
Loss on disposal of fixed assets	369,906	-
Changes in operating assets and liabilities:		
Grants receivables	(1,119,958)	(1,392,825)
Contribution receivables	(988,445)	(721,209)
Other receivables	(71,446)	429,292
Deposits and prepaid expenses	(162,645)	(13,544)
Accounts payable and accrued expenses	695,083	1,631,920
Client deposits	535,915	3,117,478
Deferred rent	(71,413)	907,214
Severance obligations	(89,770)	(336,389)
Grants payable	435,681	-
Pension obligations	127,864	557,860
Net Cash (Used in) Provided by Operating Activities	(6,524,192)	2,352,984
Cash Flows from Investing Activities		
Proceeds from sale of investments	7,806,470	5,427,584
Purchase of investments	(2,886,090)	(5,284,407)
Fixed asset additions	(252,488)	(1,633,483)
Net Cash Provided by (Used in) Operating Activities	4,667,892	(1,490,306)
Cash Flows from Financing Activities		
Permanently restricted contributions	27,500	6,000
Payments of annuity obligations	(252,481)	(282,748)
Investment income subject to annuity obligations	6,821	2,691
Investment income restricted for reinvestment	115	81
Net Cash Used in financing activities	(218,045)	(273,976)
Net (Decrease) Increase in Cash	(2,074,345)	588,702
Cash - Beginning of Year	4,852,728	4,264,026
Cash - End of Year	\$ 2,778,383	\$ 4,852,728

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

December 31, 2016 and 2015

NOTE 1—ORGANIZATION

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 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.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Accordingly, the classification of HIAS' net assets and its support, revenues and expenses are based on the existence or absence of donor-imposed restrictions. The amounts for each of the three classes of net assets, permanently restricted, temporarily restricted and unrestricted, 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:

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

December 31, 2016 and 2015

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Continued

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 statements 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 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.

Concentration of Credit Risk

Financial instruments that potentially subject HIAS to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation limit, and investments. Management does not believe that a significant risk of loss is likely due to the failure of a financial institution HIAS utilizes. Management also believes that its market risk is mitigated by an adequate diversification of its investments amongst a variety of asset classes.

Investments

Investments are stated at quoted market values or values provided by the respective fund manager or general partner as of the measurement date. Realized and unrealized gains or losses on investments pertaining to HIAS have been reflected on the accompanying consolidated statements of activities. 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.

December 31, 2016 and 2015

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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.
- 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, 2016 and 2015, HIAS had no investments which were deemed to be Level 3.

December 31, 2016 and 2015

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Cash and Cash Equivalents

HIAS considers all highly liquid investments with original maturities of less than three months from the date of purchase to be cash and cash equivalents, except for those cash equivalents which are included in HIAS' investment portfolio which are considered to be for long-term investment purposes.

Valuation of Investments

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

December 31, 2016 and 2015

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Fixed Assets—Continued

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

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

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 non-operating actuarial gain (loss) on split-interest agreements in the accompanying consolidated statements of activities. There were no new charitable gift annuity agreements signed in 2016 or 2015.

December 31, 2016 and 2015

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Beneficial Interest in Annuity Trust

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

Severance Obligation

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

Contributions and Receivables

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. HIAS received contributed computer software of \$148,254, which is included in contributions on the accompanying consolidated statements of activities. 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, 2016 and 2015. All contributions are expected to be collected in the next year, therefore no discount has been recorded. Contributions receivable are written-off in the period deemed uncollectible.

Contributed Services

Contributed services are recorded at their estimated fair value and are recognized as revenues and expenses on the consolidated statements of activities in the period received. Contributed legal services for the years ended December 31, 2016 and 2015 were \$18,762 and \$88,267, respectively, and are included in contribution revenue on the accompanying consolidated statements 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.

December 31, 2016 and 2015

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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 statements of activities.

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.

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 2013, 2014, 2015 and 2016 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.

December 31, 2016 and 2015

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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 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, 2016 and 2015 consolidated financial statements for subsequent events through August 14, 2017, the date the consolidated financial statements were available to be issued. HIAS is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.

Reclassification

Certain 2015 financial statement amounts have been reclassified to conform to the 2016 financial statement classification. As a result, program service expenses increased by \$755,743, management and general expenses decreased by \$448,303, fundraising expenses increased by \$2, and non-operating activities increased by \$307,442. In addition, contribution revenues increased by \$766,517 and operating grants revenue decreased by \$766,517. These reclassifications had no effect on total assets, liabilities, or net assets.

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 3—INVESTMENTS

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

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	<u>\$ 542,439</u>	<u>\$ 380,050</u>	<u>\$ 971,891</u>	<u>\$ 971,891</u>
Mutual funds:				
Equity funds	5,715,819	6,027,275	5,595,462	5,816,656
Fixed-income funds	4,876,756	4,756,329	5,518,142	5,381,732
All asset funds	<u>7,097,443</u>	<u>7,757,646</u>	<u>6,881,643</u>	<u>8,251,315</u>
Total mutual funds	<u>17,690,018</u>	<u>18,541,250</u>	<u>17,995,247</u>	<u>19,449,703</u>
Equities - U.S. small cap	2,028,428	1,794,424	2,082,208	2,054,377
Collective trust	7,712,977	7,916,807	8,666,806	8,973,015
Alternative investments	24,780,167	10,970,429	25,248,775	12,372,516
State of Israel bonds	<u>210,000</u>	<u>210,000</u>	<u>210,000</u>	<u>210,000</u>
Total investments	<u>\$52,964,029</u>	<u>\$39,812,960</u>	<u>\$55,174,927</u>	<u>\$44,031,502</u>

Investment income consists of the following:

	2016	2015
Interest and dividends	\$ 759,753	\$ 2,602,134
Realized gains	1,076,997	388,776
Unrealized gain (loss)	<u>1,632,483</u>	<u>(3,738,134)</u>
	3,469,233	(747,224)
Less:		
Investment fees	(377,733)	(348,048)
Investment return designated for current operations	<u>(2,456,531)</u>	<u>(2,353,872)</u>
Non-operating investment income (loss)	<u>\$ 634,969</u>	<u>\$ (3,449,144)</u>

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 3—INVESTMENTS—Continued

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2016 and 2015:

	2016		Total
	Level 1	Level 2	
Mutual funds:			
Equity funds	\$ 5,715,819	\$ —	\$ 5,715,819
Fixed –income funds	4,876,756	—	4,876,756
All asset funds	<u>7,097,443</u>	<u>—</u>	<u>7,097,443</u>
Total mutual funds	<u>17,690,018</u>	<u>—</u>	<u>17,690,018</u>
Equity - U.S. small cap	2,028,428	—	2,028,428
Collective trust	—	7,712,977	7,712,977
Alternative investments	<u>—</u>	<u>24,780,167</u>	<u>24,780,167</u>
Total investments, at fair value	<u>\$19,718,446</u>	<u>\$32,493,144</u>	<u>\$ 52,211,590</u>
Cash and cash equivalents			\$ 542,439
State of Israel bonds			<u>210,000</u>
Total investments			<u>\$ 52,964,029</u>

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 3—INVESTMENTS—Continued

	2015		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds:			
Equity funds	\$ 5,595,462	\$ —	\$ 5,595,462
Fixed-income funds	5,518,142	—	5,518,142
All asset funds	<u>6,881,643</u>	<u>—</u>	<u>6,881,643</u>
Total mutual funds	<u>17,995,247</u>	<u>—</u>	<u>17,995,247</u>
Equity – U.S. small cap	2,082,208	—	2,082,208
Collective trust	—	8,666,806	8,666,806
Alternative investments	<u>—</u>	<u>25,248,775</u>	<u>25,248,775</u>
Total investments, at fair value	<u>\$20,077,455</u>	<u>\$33,915,581</u>	<u>\$53,993,036</u>
Cash and cash equivalents			\$ 971,891
State of Israel bonds			<u>210,000</u>
Total investments			<u>\$55,174,927</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.

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 3—INVESTMENTS—Continued

The following tables detail certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2016 and 2015.

		2016		
Type	Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Redemption Terms
Collective trust	Global equity, bond and currency markets, and fixed-income securities	\$ 7,712,977	\$ —	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 county other than the U.S.	10,432,676	—	Monthly, as of the last day of any month upon 10 days' prior notice
Alternative investment	Global developed and emerging stocks, developed and emerging government bonds and emerging currencies, global inflation-protected bonds, U.S. high-yield and investment grade credit mortgages, global swap spreads and commodities	4,835,820	—	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 correlation of stocks	4,581,040	—	Daily
Alternative investment	Investment grade, credit, high yield credit, bank loan, and securitized markets	2,918,018	—	1 st or 15 th day of month, with 30 days' written notice
Alternative investment	Investment grade credit, high yield credit, bank loan, and securitized markets	2,012,613	—	Monthly, as of the last day of any month upon 30 days' prior written notice
Total		<u>\$32,493,144</u>	<u>\$ —</u>	

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 3—INVESTMENTS—Continued

		2015		
Type	Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Redemption Terms
Collective trust	Global equity, bond and currency markets, and fixed-income securities	\$ 8,666,806	\$ —	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.	9,741,242	—	Monthly, as of the last day of any month upon 10 days' prior notice
Alternative investment	Global developed and emerging stocks, developed and emerging government bonds and emerging currencies, global inflation-protected bonds, U.S. high-yield and investment grade credit mortgages, global swap spreads and commodities	4,972,320	—	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 correlation of stocks	5,751,357	—	Daily
Alternative investment	Investment grade credit, high yield credit, bank loan, and securitized markets	2,615,715	—	1 st or 15 th day of month, with 30 days' written notice
Alternative investment	Investment grade, credit, high yield credit, bank loan, and securitized markets	2,167,961	—	Monthly, as of the last day of any month upon 30 days' prior written notice
Total		<u>\$33,915,581</u>	<u>\$ —</u>	

December 31, 2016 and 2015

NOTE 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.

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% for each of the years ended December 31, 2016 and 2015, respectively.

The following tables show the changes in the annuity obligations:

	<u>2016</u>	<u>2015</u>
Annuity obligations, beginning of year	\$ 1,381,356	\$ 1,374,707
New agreements	—	126,065
Payments to annuitants	(252,481)	(275,245)
Change in actuarial valuations	<u>131,639</u>	<u>155,829</u>
Annuity obligations, end of year	<u>\$ 1,260,514</u>	<u>\$ 1,381,356</u>

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 5—PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 797,372	\$ 2,907,294
Leasehold improvements	<u>1,267,179</u>	<u>1,792,333</u>
	2,064,551	4,699,627
Less: Accumulated depreciation	<u>(640,204)</u>	<u>(2,775,199)</u>
Property and equipment, net	<u>\$ 1,424,347</u>	<u>\$ 1,924,428</u>

Depreciation expense amounted to \$382,663 and \$221,392 for the years ended December 31, 2016 and 2015.

NOTE 6—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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Reconciliation of benefit obligation:		
Benefit obligation, beginning of year	\$15,929,336	\$16,854,291
Service cost	146,132	103,940
Interest cost	684,957	654,467
Assumption gain	(16,178)	—
Actuarial loss/(gain)	27,109	(467,021)
Expected expenses	(140,000)	—
Benefits paid	<u>(634,636)</u>	<u>(1,216,341)</u>
Benefit obligation, end of year	<u>\$ 15,996,720</u>	<u>\$ 15,929,336</u>

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 6—PENSIONS—Continued

Domestic Pension Plan—Continued

	<u>2016</u>	<u>2015</u>
Reconciliation of fair value of plan assets:		
Plan assets, beginning of year	\$ 10,709,218	\$ 12,180,098
Actual return on assets	639,073	(213,451)
Employer contributions	111,554	—
Benefit payments and actual expenses	<u>(813,195)</u>	<u>(1,257,429)</u>
Plan assets, end of year	<u>\$ 10,646,650</u>	<u>\$ 10,705,218</u>
Projected benefit obligation	\$(15,996,720)	\$(15,929,336)
Fair value of plan assets	<u>10,646,650</u>	<u>10,709,218</u>
Funded status	<u>\$ (5,350,070)</u>	<u>\$ (5,220,118)</u>
Amounts that have not been recognized as components of net periodic benefit cost but are included in unrestricted net assets:		
Net actuarial loss	<u>\$ 5,404,049</u>	<u>\$ 5,668,340</u>
Components of net periodic benefit cost :		
Service cost	\$ 146,132	\$ 103,940
Interest cost	684,957	654,467
Expected return on plan assets	(732,833)	(835,565)
Amortization of net loss	<u>407,541</u>	<u>336,994</u>
Net periodic benefit cost	<u>\$ 505,797</u>	<u>\$ 259,836</u>
Changes in pension obligation other than net periodic benefit cost:		
Net loss	\$ 143,250	\$ 623,083
Amortization of net loss	<u>(407,541)</u>	<u>(336,994)</u>
Total	<u>\$ (264,291)</u>	<u>\$ 286,089</u>
Estimated amounts expected to be recognized in net periodic benefit cost over the next fiscal year:		
Amortization of net loss	<u>\$ 402,580</u>	<u>\$ 407,541</u>

December 31, 2016 and 2015

NOTE 6—PENSIONS—Continued

Domestic Pension Plan—Continued

The weighted-average assumptions used to determine benefit obligations at December 31, 2016 and 2015, respectively, are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	4.15%	4.38%
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, 2016 and 2015, respectively are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	4.15%	4.38%
Rate of compensation increase	N/A	N/A
Long-term rate of return	7.00%	7.00%

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

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 6—PENSIONS—Continued

Domestic Pension Plan—Continued

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

	2016		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds:			
Equity funds	\$ 1,146,074	\$ —	\$ 1,146,074
Fixed -income funds	751,212	—	751,212
All asset funds	<u>998,765</u>	<u>—</u>	<u>998,765</u>
Total mutual funds	<u>2,896,051</u>	<u>—</u>	<u>2,896,051</u>
Equity - U.S. small cap	689,621	—	689,621
Collective trust	—	3,030,260	3,030,260
Alternative investments	<u>—</u>	<u>4,271,471</u>	<u>4,271,471</u>
Total investments, at fair value	<u>\$ 3,585,672</u>	<u>\$ 7,301,731</u>	<u>\$10,887,403</u>
Cash and cash equivalents			<u>\$ 283,371</u>
Total investments			<u>\$11,170,774</u>

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 6—PENSIONS—Continued

Domestic Pension Plan—Continued

	2015		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds:			
Equity funds	\$ 1,087,537	\$ —	\$ 1,087,537
Fixed –income funds	956,812	—	956,812
All asset funds	<u>1,340,008</u>	<u>—</u>	<u>1,340,008</u>
Total mutual funds	<u>3,384,357</u>	<u>—</u>	<u>3,384,357</u>
Equity – U.S. small cap	580,257	—	580,257
Collective trust	—	2,949,922	2,949,922
Alternative investments	<u>—</u>	<u>4,015,581</u>	<u>4,015,581</u>
Total investments, at fair value	<u>\$ 3,964,614</u>	<u>\$ 6,965,503</u>	<u>\$10,930,117</u>
Cash and cash equivalents			\$ 148,393
State of Israel bonds			<u>40,000</u>
Total investments			<u>\$11,118,510</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>
2017	\$ 1,810,329
2018	\$ 705,918
2019	\$ 589,931
2020	\$ 712,455
2021	\$ 699,946
2022-2025	\$ 4,761,337

December 31, 2016 and 2015

NOTE 6—PENSIONS—Continued

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, 2016 and 2015, the accumulated benefit obligation was \$560,057 and \$562,145, 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 2016 or 2015.

The assumptions used included a discount rate of 4.15% and 4.38% for the years ended December 31, 2016 and 2015, respectively. The adjusted RP-2014 mortality table revised with the mortality improvement scale MP-2015 was used for the year ended December 31, 2015.

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 2016 and 2015 were \$220,732 and \$196,751, respectively.

NOTE 7—COMMITMENTS AND CONTINGENCIES

Lease Commitments

New York

HIAS renewed its lease agreement on October 13, 2004 for its headquarters space in New York. The lease renewal commenced on March 1, 2005 and was to expire on August 31, 2016; however, HIAS vacated the space early and terminated the lease in March 2016 by making a \$200,000 payment to the landlord. HIAS also signed a lease for other office space in New York in August 2015. That lease commenced with base rent of \$235,074 per annum, and increases over the life of the lease, which expires in December 2019. Rent expense for the New York leases totaled \$623,889 and \$657,860 for the years ended December 31, 2016 and 2015, respectively.

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 7—COMMITMENTS AND CONTINGENCIES—Continued

Lease Commitments—Continued

Maryland

In March 2015, HIAS signed a new lease for the purpose of relocating its corporate headquarters to Silver Spring, Maryland. The lease provides for a tenant improvement allowance of \$849,070, which is being amortized over the term of the lease, and provides for base rent of approximately \$401,000 per month after a six month rent abatement. Rent escalates by 2.75% per year until the lease expires in July 2025. Rent expense for the Silver Spring lease totaled \$438,929 and \$164,598 for the years ended December 31, 2016 and 2015, 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 expires in August 2017. Rent expense for the Washington, D.C. lease totaled \$170,775 and \$165,549 for the years ended December 31, 2016 and 2015, respectively.

Lease commitments are as follows:

<u>Years ending December 31,</u>	<u>Rent Expense</u>	<u>Less: Sublease Income</u>	<u>Net Rent Expense</u>
2017	\$ 754,905	\$ (22,168)	\$ 732,737
2018	679,089	—	679,089
2019	698,394	—	698,394
2020	451,025	—	451,025
2021	463,428	—	463,428
Thereafter	<u>2,072,362</u>	<u>—</u>	<u>2,072,362</u>
	<u>\$ 5,119,203</u>	<u>\$ (22,168)</u>	<u>\$ 5,097,035</u>

Contingencies

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

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 8—CONCENTRATIONS AND INTERNATIONAL RISKS

The most significant source of HIAS's revenue are grants from the U.S. Government. In 2016, HIAS received \$21,243,694 and \$3,250,069 from the U.S. Department of State and U.S. Department of Health and Human Services, respectively, accounting for approximately 49% and 7%, respectively, of total revenues and other support. In 2015, HIAS received \$17,663,704 and \$2,765,195 from the U.S. Department of State and U.S. Department of Health and Human Services, respectively, accounting for approximately 47% and 7%, respectively, of total revenues and other support.

NOTE 9—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from restrictions were:

	<u>2016</u>	<u>2015</u>
Scholarship awards	\$ 443,585	\$ 203,617
Schoolhouse in Israel	—	91,390
Dire emergency use	13,824	—
Internship Program	—	2,081
The Linking Communities	123,080	79,550
Child Safe Space in Chad	—	7,195
Legal Service Program in Greece	274,164	—
Syrian/Europe Emergency Relief	110,815	—
Legal Service Program	—	25,000
Refugee Program for Artists, Scholars and Professionals	300,000	300,926
Michael B. Rukin Refugee Law Fellows Program In Israel	156,889	113,499
LGBT Refugees, Asylum Seekers and Migrants in East Africa	29,077	140,356
Unaccompanied Children Project	—	15,060
Refugee Crisis Deployment	231,554	1,161
New York Resettlement	252,657	—
Time restrictions	277,421	54,906
	<u>\$ 2,213,066</u>	<u>\$ 1,034,741</u>

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 9—TEMPORARILY RESTRICTED NET ASSETS—Continued

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

	<u>2016</u>	<u>2015</u>
Scholarship awards	\$ 1,348,716	\$ 1,592,013
Advocacy and legal assistance for Ethiopian Jews in Israel	6,933	6,933
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	36,176	50,000
Internship Program	10,645	10,645
Legal Assistance - Greece	109,836	
The Linking Communities	15,830	83,909
Syrian/Europe Emergency Relief	203,223	211,818
Legal Service Program	20,000	—
Ministry of Interior-refugee status determination	—	13,880
Refugee Crisis Deployment	118,080	74,340
Refugee Program for Artists, Scholars and Professionals	999,664	1,221,857
Michael B. Rukin Refugee Law Fellows Program in Israel	147,496	104,385
LGBT Refugees, Asylum Seekers and Migrants in East Africa	50,242	79,319
New York Resettlement	114,560	113,610
Archive Project	80,000	80,000
	<u>3,430,236</u>	<u>3,811,544</u>
For periods after December 31, 2016 and 2015	<u>783,554</u>	<u>282,323</u>
	<u>\$ 4,213,790</u>	<u>\$ 4,093,867</u>

December 31, 2016 and 2015

NOTE 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
- 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 2016 and 2015) 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 2016 and 2015, this allocation amounted to \$2,456,531 and \$2,353,872, 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 temporarily restricted income and released from restriction upon expenditure for the program for which the endowment fund was established.

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 10—ENDOWMENT FUNDS—Continued

The endowment net assets consist of:

	2016	2015
Board-designated funds	<u>\$ 39,586,567</u>	<u>\$ 41,187,399</u>
Donor restricted endowment funds:		
The HIAS scholarship program	782,575	1,082,331
Special projects and activities of organization	1,342,598	1,345,519
Rescue and resettlement of Jewish immigrants (Gossels Fund – half of the income is reinvested in perpetuity)	<u>191,257</u>	<u>166,141</u>
Total donor-restricted endowment funds	<u>2,316,430</u>	<u>2,593,991</u>
Total endowment funds	<u>\$ 41,902,997</u>	<u>\$ 43,781,390</u>

The following are the changes in endowment net assets for the years ended December 31, 2016 and 2015:

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 41,187,400	\$ 305,175	\$ 2,288,815	\$43,781,390
Net assets released from restriction	—	(305,175)	—	(305,175)
Investment income & fees	2,307,707	—	115	2,307,822
Contributions	2,177,957	—	27,500	2,205,457
Adjustment for prior year deficits	(5,566,394)	—	—	(5,566,394)
Actuarial loss on split-interest agreement	(120,136)	—	—	(120,136)
Adjustment for unspent relocation	1,394,500	—	—	1,394,500
Adjustment for unspent archival project	662,064	—	—	662,064
Appropriation of endowment assets for expenditure	<u>(2,456,531)</u>	<u>—</u>	<u>—</u>	<u>(2,456,531)</u>
Endowment net assets, end of year	<u>\$ 39,586,567</u>	<u>\$ —</u>	<u>\$ 2,316,430</u>	<u>\$41,902,997</u>

HIAS, Inc.

Notes to Consolidated Financial Statements—Continued

December 31, 2016 and 2015

NOTE 10—ENDOWMENT FUNDS—Continued

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 60,356,413	\$ 305,175	\$ 2,282,734	\$ 62,944,322
Investment income & fees	(1,126,093)	—	81	(1,126,012)
Contributions	2,668,367	—	6,000	2,674,367
Adjustment for prior year deficits	(11,504,990)	—	—	(11,504,990)
Actuarial loss on split-interest agreement	(152,425)	—	—	(152,425)
Appropriation for relocation	(5,400,000)	—	—	(5,400,000)
Appropriation for archival project	(1,300,000)	—	—	(1,300,000)
Appropriation of endowment assets for expenditure	(2,353,872)	—	—	(2,353,872)
Endowment net assets, end of year	\$ 41,187,400	\$ 305,175	\$ 2,288,815	\$ 43,781,390