



**INTERNATIONAL RESCUE COMMITTEE, INC.**

Financial Statements

September 30, 2008

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154

## Independent Auditors' Report

The Board of Directors  
International Rescue Committee, Inc.:

We have audited the accompanying balance sheet of International Rescue Committee, Inc. (IRC) as of September 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of IRC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from IRC's 2007 financial statements and, in our report dated February 13, 2008, we expressed an unqualified opinion on those financial statements.

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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IRC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Rescue Committee, Inc. as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

February 12, 2009

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Balance Sheet

September 30, 2008

(With comparative financial information as of September 30, 2007)

(Amounts in thousands)

Assets	2008	2007
Cash and cash equivalents (notes 7 and 13)	\$ 11,657	11,786
Short-term investments	17,615	16,387
Grants and contracts receivable (notes 7, 8, and 14)	22,653	22,838
Inventory (note 13)	4,435	3,102
Contributions receivable, net (notes 9 and 13)	16,599	20,000
Loan program receivables	305	261
Other assets, net (note 14)	5,265	6,327
Investments (notes 2, 10, and 13):		
Endowment and emergency funds	70,812	79,105
Split-interest agreements	8,294	9,458
	79,106	88,563
Split-interest agreements – contributions receivable (note 10)	407	423
Property and equipment, net (note 4)	8,128	8,483
Total assets	\$ 166,170	178,170
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses (note 6)	\$ 7,553	11,706
Accrued vacation and severance	4,903	3,693
Program advances (notes 7 and 8)	20,964	13,084
Deferred revenue and other liabilities	2,655	974
Loan program liability	460	386
Annuity liabilities related to split-interest agreements (note 10)	6,112	5,726
Deferred rent obligation (note 5)	5,970	5,637
Total liabilities	48,617	41,206
Commitments and contingencies (notes 5, 6, 8, 16, and 17)		
Net assets:		
Unrestricted (notes 10 and 13):		
Board-designated endowment	37,240	49,057
Undesignated	4,496	5,936
Renewals and replacement fund	1,448	673
Designated for special-purpose fund	1,373	1,712
Total unrestricted	44,557	57,378
Temporarily restricted (notes 9, 10, 11, and 13):		
Donor contributions	29,372	40,786
Reinvested return on emergency funds	(1,759)	1,811
Split-interest agreements	613	671
Total temporarily restricted	28,226	43,268
Permanently restricted (notes 9, 12, and 13):		
Donor endowment and emergency funds	35,808	28,646
Contributions receivable, net	8,962	7,672
Total permanently restricted	44,770	36,318
Total net assets	117,553	136,964
Total liabilities and net assets	\$ 166,170	178,170

See accompanying notes to financial statements.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Statement of Activities

Year ended September 30, 2008

(With summarized financial information for the year ended September 30, 2007)

(Amounts in thousands)

	2008			Total	2007 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating activities:					
Operating revenues:					
Contributions (notes 11, 14, and 15)	\$ 25,048	19,028	—	44,076	55,914
Contributed goods and services	6,798	—	—	6,798	4,749
Grants and contracts (notes 7, 11, and 14)	204,576	—	—	204,576	185,630
Investment return used for operations (note 3)	2,894	692	—	3,586	3,094
Loan administration fees and other income	1,759	—	—	1,759	1,325
Release from restrictions (notes 11 and 15)	31,086	(31,086)	—	—	—
Total operating revenues	<u>272,161</u>	<u>(11,366)</u>	<u>—</u>	<u>260,795</u>	<u>250,712</u>
Operating expenses:					
Program services:					
International relief and assistance programs	179,420	—	—	179,420	161,915
U.S Programs	45,245	—	—	45,245	37,683
Emergency preparedness, technical units, and other	14,024	—	—	14,024	12,380
Women's Refugee Commission	4,958	—	—	4,958	4,081
Total program services	<u>243,647</u>	<u>—</u>	<u>—</u>	<u>243,647</u>	<u>216,059</u>
Supporting services:					
Management and general	16,306	—	—	16,306	14,953
Fund-raising	10,176	—	—	10,176	8,158
Total supporting services	<u>26,482</u>	<u>—</u>	<u>—</u>	<u>26,482</u>	<u>23,111</u>
Total operating expenses	<u>270,129</u>	<u>—</u>	<u>—</u>	<u>270,129</u>	<u>239,170</u>
Excess (deficiency) of operating revenues over operating expenses	<u>2,032</u>	<u>(11,366)</u>	<u>—</u>	<u>(9,334)</u>	<u>11,542</u>
Nonoperating activities:					
Bequests and contributions (note 13)	1,670	—	8,527	10,197	12,034
Split-interest agreements	114	34	—	148	(76)
Investment return, net (note 3)	(15,186)	(3,674)	—	(18,860)	11,211
Expenses related to:					
Split-interest agreements and endowment – fund-raising	(1,019)	—	—	(1,019)	(902)
Designated special purpose fund	(338)	—	—	(338)	(573)
Renewals and replacement fund	(225)	—	—	(225)	(91)
Other, net (note 4)	360	—	—	360	(309)
Pension liability adjustment (note 6)	(340)	—	—	(340)	521
Release of obligation	—	—	—	—	242
Reclassification of restrictions	111	(36)	(75)	—	—
Total nonoperating activities	<u>(14,853)</u>	<u>(3,676)</u>	<u>8,452</u>	<u>(10,077)</u>	<u>22,057</u>
(Decrease) increase in net assets	<u>(12,821)</u>	<u>(15,042)</u>	<u>8,452</u>	<u>(19,411)</u>	<u>33,599</u>
Net assets at beginning of year	<u>57,378</u>	<u>43,268</u>	<u>36,318</u>	<u>136,964</u>	<u>103,365</u>
Net assets at end of year	<u>\$ 44,557</u>	<u>28,226</u>	<u>44,770</u>	<u>117,553</u>	<u>136,964</u>

See accompanying notes to financial statements.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Statement of Functional Expenses

Year ended September 30, 2008

(With summarized financial information for the year ended September 30, 2007)

(Amounts in thousands)

	Program services								Supporting services					Total	
	International relief and assistance				U.S. Programs	Emergency prepared- ness, technical units, and other	Women's Refugee Commission	Total program services	Management and general	Fund- raising	Total supporting services	2008	2007		
	Africa	Asia	Balkans, Caucasus, and other programs	Total											
Personnel	\$ 49,742	13,781	5,477	69,000	21,515	8,919	2,852	102,286	10,626	4,305	14,931	117,217	104,656		
Professional services	1,697	509	248	2,454	261	420	328	3,463	1,093	1,193	2,286	5,749	5,610		
Travel, conferences, and events	5,675	1,259	657	7,591	1,591	1,495	376	11,053	433	405	838	11,891	10,649		
Occupancy	3,870	1,087	332	5,289	2,450	1,215	391	9,345	2,155	644	2,799	12,144	11,423		
Communications	2,180	469	171	2,820	595	556	514	4,485	563	4,399	4,962	9,447	8,006		
Vehicles, equipment, and supplies	11,999	1,767	535	14,301	1,344	344	52	16,041	433	151	584	16,625	16,268		
Subgrants	8,821	13,553	2,570	24,944	599	21	362	25,926	—	—	—	25,926	26,732		
Program materials and direct assistance	35,432	7,102	3,643	46,177	14,953	74	5	61,209	—	—	—	61,209	50,604		
Contributed goods and services	3,835	1,234	—	5,069	1,729	—	—	6,798	—	—	—	6,798	4,749		
Other	1,577	134	64	1,775	152	975	49	2,951	1,168	226	1,394	4,345	2,348		
Total expenses	124,828	40,895	13,697	179,420	45,189	14,019	4,929	243,557	16,471	11,323	27,794	271,351	241,045		
Less nonoperating expenses, primarily personnel related to split-interest agreements and endowment, and brand promotion	—	—	—	—	56	5	29	90	(165)	(1,147)	(1,312)	(1,222)	(1,875)		
Total operating expenses reported by function in the statement of activities	\$ 124,828	40,895	13,697	179,420	45,245	14,024	4,958	243,647	16,306	10,176	26,482	270,129	239,170		
2007 total	\$ 105,684	46,917	9,314	161,915	37,683	12,380	4,081	216,059	14,953	8,158	23,111		239,170		

See accompanying notes to financial statements.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Statement of Cash Flows

Year ended September 30, 2008

(With comparative financial information for the year ended September 30, 2007)

(Amounts in thousands)

	<b>2008</b>	<b>2007</b>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (19,411)	33,599
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,228	1,183
Net realized and unrealized losses (gains) on investments	16,992	(12,301)
Loss on disposal of property and equipment	3	207
Change in value of split-interest agreements	515	492
Contributions under split-interest agreements	(665)	(463)
Permanently restricted contributions	(8,527)	(10,047)
Changes in operating assets and liabilities:		
Grants and contracts receivable	185	(9,488)
Inventory	(1,333)	291
Contributions receivable	4,938	3,010
Loan program receivables	(44)	(109)
Other assets	1,062	(1,223)
Accounts payable and accrued expenses	(4,153)	3,671
Accrued vacation and severance	1,210	1,122
Program advances	7,880	925
Deferred revenue and other liabilities	1,735	(359)
Loan program liability	74	117
Deferred rent	333	1,135
Net cash provided by operating activities	2,022	11,762
Cash flows from investing activities:		
Purchases of property and equipment	(906)	(3,066)
Proceeds from disposal of property and equipment	30	33
Decrease in accounts payable and accrued expenses – construction-in-progress	—	(574)
Proceeds from sale or redemption of investments	53,355	43,184
Purchases of investments	(60,890)	(52,324)
Purchases of short-term investments, net	(1,228)	(5,377)
Net cash used in investing activities	(9,639)	(18,124)
Cash flows from financing activities:		
Permanently restricted contributions	8,527	10,047
Increase in permanently restricted contributions receivable	(1,537)	(4,217)
Proceeds from contributions under split-interest agreements	1,470	1,026
Payments to beneficiaries under split-interest agreements	(918)	(902)
Payments on capital lease	(54)	(41)
Net cash provided by financing activities	7,488	5,913
Net decrease in cash and cash equivalents	(129)	(449)
Cash and cash equivalents at beginning of year	11,786	12,235
Cash and cash equivalents at end of year	\$ 11,657	11,786

See accompanying notes to financial statements.

# INTERNATIONAL RESCUE COMMITTEE, INC.

## Notes to Financial Statements

September 30, 2008

(With comparative financial information as of and for the year ended September 30, 2007)

(Amounts in thousands)

### (1) Organization and Summary of Significant Accounting Policies

#### (a) Organization

International Rescue Committee, Inc. (IRC) is a private, not-for-profit organization that serves refugees and communities victimized by oppression or violent conflict worldwide. IRC is committed to freedom, human dignity, and self-reliance. This commitment is expressed in emergency relief, protection of human rights, postconflict development, resettlement assistance, and advocacy.

#### (b) Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, IRC's net assets and changes therein are classified and reported as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. As reflected in the accompanying financial statements and discussed below, IRC's board of directors has designated a portion of the unrestricted net assets for specific purposes.
- Temporarily restricted net assets – net assets that are subject to donor-imposed restrictions that permit IRC to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of IRC.
- Permanently restricted net assets – net assets that are subject to donor-imposed restrictions that they be maintained permanently by IRC and only the income be used as specified by the donor. Certain emergency funds allow temporary use of principal.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or by law.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as release from restrictions in the statement of activities.

#### (c) Grants and Cooperative Agreements

Grants and cooperative agreements with Federal, foreign, and local governments and United Nations, European, and other agencies are deemed to be exchange transactions and, accordingly, revenue is recognized when funds are utilized by IRC to carry out the activity stipulated in the grant or cooperative agreement. Accordingly, amounts received but not recognized as revenue are classified in the balance sheet as program advances, and amounts expended but not yet received are classified as grants and contracts receivable.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2008

(With comparative financial information as of and for the year ended September 30, 2007)

(Amounts in thousands)

**(d) Contributions**

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions are considered to be unrestricted unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions to be received after one year are discounted using a U.S. Treasury bill rate in effect at the end of the fiscal year in which the pledge was originally made. These rates ranged from 1% to 6% as of September 30, 2008. 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 the fund-raising activity. Bequest income is recorded when the will is declared valid by the probate court and amounts can be reasonably determined.

**(e) Endowment and Emergency Funds**

IRC has an ongoing capital campaign (Freedom Fund), which consists of the following:

**Board-Designated Endowment**

The board of directors has established a special fund to provide for the long-term financial stability of IRC and to enhance its ability to respond to extraordinary emergency needs. The purpose of this fund is to provide a mechanism for the board of directors to set aside and invest certain funds. Accordingly, the board of directors has designated the Leo Cherne Emergency Fund, certain unrestricted bequests, extraordinary gifts (as determined by the board of directors), and unrestricted surpluses in operating funds for this purpose.

**Donor Endowment and Emergency Funds**

In further support of the long-term financial stability of the organization, IRC receives donations for which the principal must be permanently maintained. Included in this category are endowment donations and emergency funds that allow IRC to use principal on a temporary basis for emergency response situations and to pre-position itself with commonly used emergency response inventory. Principal used by IRC must be subsequently returned to the fund.

**(f) Contributed Goods and Services**

Contributed goods are recognized as revenue at their estimated fair value at the date of receipt and expensed when used.

Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the services provided. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenues and are not reported in the financial statements.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2008

(With comparative financial information as of and for the year ended September 30, 2007)

(Amounts in thousands)

**(g) *Split-Interest Agreements***

IRC is the beneficiary of a number of split-interest agreements with donors. IRC may control donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement, at which time the remaining assets are generally for IRC's unrestricted use.

IRC records the assets of the agreements (at fair value) if the assets are controlled and invested by IRC. IRC records nonoperating contribution revenue at the date the agreement is established after recording a liability for the present value of the estimated future payments expected to be made to the beneficiaries. Adjustments to the annuity liabilities to reflect the amortization of the discount and revaluation of expected future payments to beneficiaries based on changes in actuarial assumptions are made annually and recognized as a nonoperating activity as change in value of split-interest agreements.

In other situations where assets are controlled and invested by an independent third party (primarily pooled income funds), IRC records a receivable and nonoperating contribution revenue for its share of the assets based on the present value of the estimated future distributions expected to be received by IRC over the expected term of the agreement.

The discount rate used in valuing split-interest agreement liabilities as of September 30, 2008 and 2007 ranged from 4% to 11%.

**(h) *Functional Expense Allocations***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation factors determined by management.

**(i) *Operations***

IRC excludes from operating activities unrestricted and permanently restricted bequests, contributions and expenses related to split-interest agreements and the Freedom Fund, changes in value of split-interest agreements, investment return on split-interest agreements, investment return in the Freedom Fund in excess of or less than the spending rate (see note 3), nonrecurring expenses funded by the designated special-purpose fund and the renewals and replacement fund, the pension liability adjustment and other nonrecurring items. All other revenue and expenses are included in operating activities.

**(j) *Cash and Cash Equivalents***

For the purposes of the statement of cash flows, IRC considers all highly liquid debt instruments purchased with maturities of three months or less, other than those held as part of the investment portfolio, to be cash equivalents.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2008

(With comparative financial information as of and for the year ended September 30, 2007)

(Amounts in thousands)

**(k) Short-Term Investments**

Short-term investments consist of money market funds with maturities greater than three months.

**(l) Investments**

Investments are stated at fair value based on quoted market prices except for the fair values of limited partnerships and certain mutual funds, which are provided by the general partners and fund managers, respectively, based upon the underlying net assets of the funds. These estimated values are reviewed and evaluated by management for reasonableness. Investments in limited partnerships are generally less liquid than other investments and the reported fair value may differ significantly from the values that would have been reported had a ready market for these securities existed. Included in the investments of the limited partnerships are certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance-sheet risk, may result in loss due to changes in the market.

**(m) Inventory**

Inventory consists of program materials and emergency response supplies not used as of September 30th. Inventory is recorded at cost upon purchase and deducted from inventory and expensed when used.

**(n) Property and Equipment**

Property and equipment are recorded at cost if purchased, or at fair market value at the date of the gift, if donated, less accumulated depreciation and amortization. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, generally three to seven years. Amortization of leasehold improvements is provided on the straight-line method over the lesser of their useful lives or the terms of the related lease. Property and equipment acquired with funds received from grants in which the grantor retains a reversionary interest in the assets at the end of the grant period are expensed in the year of acquisition.

**(o) Foreign Currency Translation**

In accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 52, *Foreign Currency Translation*, IRC applies the current rate method when including the accounts of its foreign offices. Accordingly, current assets and current liabilities are translated using the current exchange rates in effect at the balance sheet date. Noncurrent assets and noncurrent liabilities are translated at historical rates and revenue and expense accounts are translated at the average rate in effect during the year. The resulting translation gain (loss) for 2008 and 2007 of \$(698) and \$341, respectively, is reflected in the statement of activities.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2008

(With comparative financial information as of and for the year ended September 30, 2007)

(Amounts in thousands)

**(p) Tax Status**

The Internal Revenue Service has ruled that, pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code), IRC is exempt from Federal income taxes and is a publicly supported organization, as defined in Section 509(a)(1) of the Code. As a not-for-profit organization, IRC is also exempt from state and local income taxes.

**(q) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(r) Comparative Financial Information**

The statements of activities and functional expenses are presented with prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with IRC's 2007 financial statements, from which the comparative totals were derived.

**(s) Reclassifications**

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

**(2) Investments**

Investments as of September 30, 2008 and 2007 consisted of the following:

	Fair value	
	2008	2007
Cash and cash equivalents	\$ 3,209	437
Mutual funds:		
Equity funds	8,154	19,974
Debt funds	336	143
Debt securities	28,874	19,506
Equity securities	18,008	35,293
Limited partnerships	20,525	13,210
	\$ 79,106	88,563

Mutual funds include \$3,929 and \$5,255 at September 30, 2008 and 2007, respectively, of funds which do not trade publicly and, therefore, do not have published market prices. The underlying investments, however, are principally marketable securities.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2008

(With comparative financial information as of and for the year ended September 30, 2007)

(Amounts in thousands)

Investments at September 30, 2008 and 2007 include \$70,812 and \$79,105, respectively, relating to IRC's Freedom Fund (see note 13) and \$8,294 and \$9,458, respectively, relating to split-interest agreements (see note 10).

IRC has an Investment Committee comprised of members of the board of directors and overseers, which is charged with the responsibility of providing fiduciary oversight over IRC's investments. The Investment Committee meets with executive management and external advisors on a quarterly basis to review investment performance, asset allocation, and investment manager performance.

**(3) Investment Return**

IRC maintains a spending rate policy on the Freedom Fund invested assets. The spending rate policy was designed to preserve the value of the investment portfolio in real terms and to reduce the impact of market fluctuations on operations. The spending rate used for operations is set at 4.5% of the previous two-year rolling average fair value. In addition to the return on the Freedom Fund invested assets, investment return used for operations includes investment income on working capital cash and short-term investments.

Investment return for the years ended September 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 1,718	2,004
Net realized (losses) gains	(1,365)	6,041
Net unrealized (losses) gains	<u>(15,627)</u>	<u>6,260</u>
Total return on investments	(15,274)	14,305
Less investment return used for operations	<u>(3,586)</u>	<u>(3,094)</u>
Reinvested return on investments	<u><u>\$ (18,860)</u></u>	<u><u>11,211</u></u>

Return on investment is shown net of investment manager fees of \$509 and \$241 at September 30, 2008 and 2007, respectively.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2008

(With comparative financial information as of and for the year ended September 30, 2007)

(Amounts in thousands)

**(4) Property and Equipment**

Property and equipment consisted of the following as of September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 2,848	2,675
Cars, vans, and mobile units	2,474	2,190
Leasehold improvements	8,455	8,015
Construction-in-progress	4	1
Donated art portfolios	73	73
	<u>13,854</u>	<u>12,954</u>
Less accumulated depreciation and amortization	<u>(5,726)</u>	<u>(4,471)</u>
	<u>\$ 8,128</u>	<u>8,483</u>

In July 2007, a steam pipe explosion damaged and/or destroyed various furniture and equipment and leasehold improvements at IRC's New York City location. The event resulted in a loss on disposal of property and equipment of \$240 and other expenses of \$219 in fiscal year 2007 and additional expenses of \$12 in fiscal year 2008, which is recorded as a nonoperating expense in the statement of activities. The nonoperating expense is net of insurance recoveries of \$150 and \$371 in fiscal years 2007 and 2008, respectively.

**(5) Lease Agreements**

IRC leases several office facilities and equipment under operating leases expiring at various dates through 2021. Rental expense is recognized on a straight-line basis, rather than in accordance with base payment schedules, for purposes of recognizing a constant annual rental expense. The difference between straight-lining the rental charge and actual payments is reported as deferred rent in the balance sheet. The deferred rent obligation is expected to grow as payments are less than expenses until fiscal 2012. Future rental payments are subject to escalation for IRC's proportionate share of increases in certain building operating expenses. Lease agreements for facilities in overseas locations are generally for periods of one year or less.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

September 30, 2008

(With comparative financial information as of and for the year ended September 30, 2007)

(Amounts in thousands)

The following is a schedule, by fiscal year, of the minimum future rentals on leases with expiration dates greater than one year as of September 30, 2008:

Year ending September 30:		
2009	\$	4,318
2010		4,094
2011		3,829
2012		3,308
2013		3,909
Thereafter		<u>31,830</u>
Total minimum future payments	\$	<u><u>51,288</u></u>

Rent expense for the years ended September 30, 2008 and 2007 was approximately \$8,320 and \$7,371, respectively.

**(6) Retirement Plans**

IRC has two retirement plans that cover personnel – a noncontributory defined benefit pension plan covering all employees with one year of service and a defined contribution plan that provides a match for employees who elect to participate in IRC’s 403(b) Savings Plan.

**(a) Defined Benefit Pension Plan**

Benefits are based upon years of service and average compensation at retirement. Participants are vested after three years of service. IRC makes contributions to the defined benefit pension plan based on actuarial calculations performed annually. These contributions are irrevocable and may be used only for the benefit of participants. In addition, IRC may adjust the scale of retirement benefits to maintain the actuarial soundness of the plan subject to certain limitations. Any surplus that remains after the satisfaction of all liabilities under the plan shall be allocated, as defined, to the participants. Under no conditions shall any part of the surplus revert to IRC.

On September 20, 2006, an amendment to IRC’s defined benefit plan was approved by the board of directors. The amendment terminated the defined benefit plan and froze benefit accruals for all employees as of December 31, 2006. The amendment and related remeasurement of the benefit obligation at September 30, 2006 resulted in a reduction of the projected benefit obligation and an increase to the funded status, as of September 30, 2006, of \$4,545. The amendment and related remeasurement resulted in no curtailment expense.

During fiscal 2007, a portion of the plan was settled related to the current pensioners and terminated vested participants prior to the year 2000. The remainder of the plan was settled in fiscal 2008. This settlement resulted in recognition due to settlement of \$8,166 and \$2,917 for the years ended September 30, 2008 and 2007, respectively.

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In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. SFAS No. 158 requires an employer to recognize the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation, in the balance sheet. There was no impact on IRC's financial statements due to the adoption of SFAS No. 158.

The following tables set forth the financial information about the defined benefit plan as of September 30, 2008 and 2007:

**Funded Status**

	<b>2008</b>	<b>2007</b>
Projected benefit obligation	\$ 8,712	19,465
Effect of settlement	(8,166)	(2,917)
Projected benefit obligation after curtailment and settlement	546	16,548
Fair value of plan assets	546	13,261
Funded status	—	(3,287)
Unrecognized net loss	—	—
Pension liability	\$ —	(3,287)

**Balance Sheet**

	<b>2008</b>	<b>2007</b>
Funded status	\$ —	(3,287)
Unrecognized net asset	(194)	(464)
Unrecognized loss	8,360	11,206
Effect of settlement	(8,166)	(2,917)
Unrecognized loss after curtailment and settlement	194	8,289
Prepaid pension cost before pension liability	—	4,538
Accumulated pension liability adjustments	—	(7,825)
Pension liability (included in accounts payable and accrued expenses)	\$ —	(3,287)

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**Benefit Obligation Weighted Average Assumptions as of September 30**

	<u>2008</u>	<u>2007</u>
Discount rate	—%	4.69%
Rate of compensation increase	—	—

**Benefit Cost Weighted Average Assumptions for the year ended September 30**

	<u>2008</u>	<u>2007</u>
Discount rate	—	5.00%
Expected return on plan assets	—	5.00
Rate of compensation increase	—	—

**Other Information**

Benefit cost – operating	\$ 381	3,764
Settlement adjustment – nonoperating	8,166	—
Pension liability adjustment – nonoperating	(7,826)	(521)
Effect of adoption of SFAS No. 158	—	—
Contributions to and benefit payments from the plan:		
Employer cash contribution	4,008	1,513
Benefits paid	—	1,344

In the statement of activities, the benefit cost is reported in operating expenses, allocated among all functional categories, and the pension liability adjustment is reported as a nonoperating charge.

**Plan Assets**

The following table presents information with respect to pension plan assets:

<u>Asset category</u>	<u>Target asset allocation</u>	<u>Actual allocation at September 30</u>	
		<u>2008</u>	<u>2007</u>
Equity securities	55 – 65%	—%	—%
Debt securities	35 – 45	100	100

In order to satisfy the short-term requirement of the terminated defined benefit plan, in December 2006, IRC sold all of the pension plan investments and invested the proceeds in short-term debt securities, which produced an expected rate of return of 5%.

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**Future Benefit Payments**

The estimated benefit payment upon settlement in 2009 is \$0. IRC is expected to contribute \$0 to the defined benefit plan in 2008.

**(b) Defined Contribution Pension Plan**

IRC also makes contributions to a defined contribution pension plan based on a prescribed matching schedule of employee contributions. Basic employee contributions up to 6% of compensation are eligible for a matching contribution by IRC. Matching contributions are deposited in the plan each payroll period based on the following formula:

- 100% of the basic employee contribution up to the first 3% of compensation plus
- 50% of the basic employee contribution up to the next 3% of compensation

IRC enhanced the existing defined contribution plan, whereby the IRC provides base contributions in addition to the existing matching contributions program to IRC's 403(b) Savings Plan. The enhanced defined contribution plan allows for immediate eligibility while retaining the three-year vesting requirement from the defined benefit plan for the base contributions.

Pension expense relating to the defined contribution plan for 2008 and 2007 was \$3,463 and \$2,506, respectively.

**(7) Significant Funders and Concentrations of Credit Risk**

Grants and contracts revenues consisted of the following for the years ended September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
U.S. Federal and local government agencies	\$ 96,639	100,319
European agencies	58,210	48,110
United Nations agencies	28,146	18,212
Other agencies	7,783	6,511
Indirect cost recovery	13,798	12,478
	<u>\$ 204,576</u>	<u>185,630</u>

During the year ended September 30, 2008, approximately 17% each (21% each during fiscal year 2007), of revenues from grants and contracts were received from the U.S. Department of State (Bureau of Population, Refugees, and Migration) and the U.S. Agency for International Development, including the Office of Foreign Disaster Assistance, respectively. The operation of IRC's programs at present levels is dependent upon continued funding from these organizations and from United Nations and European agencies.

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Financial instruments that potentially subject IRC to concentrations of credit risk consist principally of cash and cash equivalents and grants and contracts receivable. Cash and cash equivalents include program advances and, as of September 30, 2008 and 2007, approximately 22% and 27%, respectively, is deposited in banks in foreign locations. At September 30, 2008 and 2007, approximately 41% and 32%, respectively, of grants and contracts receivable, are due from the European Union, including Europeaid, the European Commission Humanitarian Aid Office and the United Kingdom's Department for International Development, through IRC's foreign affiliates.

**(8) Grants and Contracts Receivable and Program Advances**

Grants and contracts receivable consisted of the following as of September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Federal and local government agencies	\$ 6,719	6,499
United Nations agencies	2,590	2,070
European agencies and other	13,344	14,269
	<u>\$ 22,653</u>	<u>22,838</u>

Program advances were received from the following as of September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Federal and local government agencies	\$ —	141
United Nations agencies	4,363	2,058
European agencies and other	16,601	10,885
	<u>\$ 20,964</u>	<u>13,084</u>

In accordance with the terms of certain government contracts, the records of IRC are subject to audit for varying periods after the date of final payment of the contracts. IRC is liable for any disallowed costs. In the opinion of management, adjustments that might result from such audits would not have a significant effect on IRC's financial position or changes in net assets.

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**(9) Contributions Receivable**

Contributions receivable consisted of the following as of September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Due within one year	\$ 7,435	8,035
Due within two to five years	9,655	14,222
Due beyond five years	205	15
	<u>17,295</u>	<u>22,272</u>
Less discount	(671)	(2,247)
Less allowance for uncollectible contributions	(25)	(25)
Contributions receivable, net	<u>\$ 16,599</u>	<u>20,000</u>
	<u>2008</u>	<u>2007</u>
Freedom Fund contributions receivable	\$ 8,722	7,185
Temporarily restricted contributions receivable	7,877	12,815
Contributions receivable, net	<u>\$ 16,599</u>	<u>20,000</u>

At September 30, 2008 and 2007, gross contributions receivable includes \$9.9 million and \$16.9 million from two donors, respectively.

**(10) Split-Interest Agreements**

Split-interest agreement assets, liabilities, and net assets are categorized on the balance sheets as of September 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Split-interest agreements – contributions receivable	\$ 407	423
Investments	8,294	9,458
Total assets	<u>\$ 8,701</u>	<u>9,881</u>
Annuity liabilities related to split-interest agreements	\$ 6,112	5,726
Unrestricted net assets – split-interest agreements	1,976	3,484
Temporarily restricted net assets – split-interest agreements	613	671
Total liabilities and net assets	<u>\$ 8,701</u>	<u>9,881</u>

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Notes to Financial Statements

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(Amounts in thousands)

**(11) Temporarily Restricted Net Assets**

Temporarily restricted net assets as of September 30, 2008 and 2007 are available subject to time and purpose restrictions as follows:

	<b>2008</b>	<b>2007</b>
Time restrictions:		
Split-interest agreements	\$ 613	671
General purpose	259	1,066
Purpose restrictions:		
Balkans, Caucasus, and other programs	3,511	10,251
Asian programs	4,288	4,041
African programs	11,977	18,079
Total international relief and assistance programs	19,776	32,371
U.S. Programs	2,355	2,039
Emergency preparedness, technical units, and other	1,741	3,399
Women's Refugee Commission	2,158	2,084
Supporting services	1,324	1,638
	\$ 28,226	43,268

Program restrictions for the years ended September 30, 2008 and 2007 were satisfied by incurring expenses for the restricted purposes specified by the donors as follows:

	<b>2008</b>	<b>2007</b>
Balkans, Caucasus, and other programs	\$ 4,185	731
Asian programs	3,985	3,427
African programs	11,729	10,113
Total international relief and assistance programs	19,899	14,271
U.S. Programs	4,160	3,077
Emergency preparedness, technical units, and other programs	1,589	1,991
Women's Refugee Commission	1,992	2,009
Supporting services	3,446	3,435
	\$ 31,086	24,783

During 2008 and 2007, total revenue for the Women's Refugee Commission was \$5,367 and \$4,076, respectively. This is reported as operating revenue, primarily as temporarily restricted contributions and grant and contract revenue.

**INTERNATIONAL RESCUE COMMITTEE, INC.**

Notes to Financial Statements

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(Amounts in thousands)

**(12) Permanently Restricted Net Assets**

The income earned on permanently restricted net assets as of September 30, 2008 and 2007 is available for the following purposes:

	<b>2008</b>	<b>2007</b>
Reproductive health	\$ 10,926	10,001
Emergency response	7,404	7,304
Resettlement	1,160	—
Children's programs	294	294
General purposes	24,986	18,719
	\$ 44,770	36,318

**(13) Freedom Fund**

IRC's Freedom Fund comprises the board-designated endowment, donor endowment, and emergency funds assets and net assets. As of September 30, 2008 and 2007, the Fund is categorized on the balance sheets as follows:

	<b>2008</b>	<b>2007</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 678	852
Inventory – emergency response materials	39	44
Contributions receivable	8,722	7,185
Investments	70,812	79,105
Total	\$ 80,251	87,186
<b>Net assets:</b>		
Unrestricted board-designated endowment	\$ 37,240	49,057
Temporarily restricted – reinvested return on emergency funds	(1,759)	1,811
Permanently restricted	44,770	36,318
Total	\$ 80,251	87,186

Freedom Fund contribution revenue consisted of:

	<b>2008</b>	<b>2007</b>
Cash contributions	\$ 4,696	3,907
Pledges and bequests receivable, net	5,501	8,127
Total	\$ 10,197	12,034

## INTERNATIONAL RESCUE COMMITTEE, INC.

### Notes to Financial Statements

September 30, 2008

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(Amounts in thousands)

#### **(14) Foreign Affiliates**

IRC is currently affiliated with two separately incorporated organizations, International Rescue Committee, U.K. and International Rescue Committee, Belgium. Revenue provided by these affiliates, primarily from European Commission Humanitarian Aid Office and Department for International Development, was \$46,984 and \$33,312 for fiscal years 2008 and 2007, respectively, and is included in grants and contracts and contributions in the statement of activities. Net receivables due from these affiliates, consisting primarily of grants and contracts receivables, were \$1,164 and \$3,141 as of September 30, 2008 and 2007, respectively.

IRC operates in Banda Aceh, Indonesia through the Consortium for Assistance and Recovery towards Development in Indonesia (CARDI), a partnership organization that includes the Norwegian Refugee Council, Stitching Vluchteling, and IRC. Amounts owed to CARDI of \$(208) as of September 30, 2008, and cash held on IRC's behalf at CARDI, consisting mainly of program advances of \$409 as of September 30, 2007, is included in other assets.

#### **(15) Fiscal Sponsorship**

In April 2007, IRC entered into a fiscal sponsorship agreement with Not On Our Watch, Inc. (NOOW), a newly formed not-for-profit corporation applying to become a tax-exempt organization under Section 501(c)(3) of the Code. Under the agreement, amounts received by IRC have been and will continue to be expended, principally as subgrants in cooperation with NOOW. Included as part of temporarily restricted net assets is \$3 and \$4,468, for 2008 and 2007, respectively, related to the agreement.

In accordance with the terms of the agreement, upon NOOW's attaining tax-exempt status IRC is required to transfer to NOOW any remaining funds not granted. In January 2008, NOOW received its tax-exempt status and terminated its fiscal sponsorship agreement with IRC. During 2008 IRC granted the remaining funds of \$2,127 to NOOW.

#### **(16) Line of Credit**

In May 2006, IRC obtained a \$2,500 unsecured line of credit from a financial institution bearing interest at a rate of LIBOR plus 90 basis points per annum. This line was increased to \$5,000 in March 2007 and then to \$8,000 in March 2008. There are no fees associated with the unused portion of the line of credit. Of the \$8,000, \$5,140 is utilized for a European Union grant that requires a standby letter of credit to be obtained for the period of the grant. There were no amounts outstanding under such line during the year or at September 30, 2008 and 2007.

#### **(17) Contingencies**

IRC is contingently liable under certain claims and lawsuits, many of which are covered in whole or in part by insurance. In management's opinion, none of these claims and lawsuits will have a material adverse effect on the financial position or changes in net assets of IRC.