



INTERNATIONAL RESCUE COMMITTEE, INC.

Financial Statements

September 30, 2009

(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, 2009, 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 2008 financial statements and, in our report dated February 12, 2009, 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, 2009, 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 11, 2010

INTERNATIONAL RESCUE COMMITTEE, INC.

Balance Sheet

September 30, 2009

(With comparative financial information as of September 30, 2008)

(Amounts in thousands)

Assets	2009	2008
Cash and cash equivalents (notes 7 and 13)	\$ 18,723	11,657
Short-term investments	18,909	17,615
Grants and contracts receivable (notes 7, 8, and 14)	22,539	22,653
Inventory (note 13)	4,661	4,435
Contributions receivable, net (notes 9 and 13)	10,606	16,599
Loan program receivables	382	305
Other assets, net (note 14)	4,078	5,265
Investments (notes 2, 10, and 13):		
Endowment and emergency funds	73,295	70,812
Split-interest agreements	9,540	8,294
	82,835	79,106
Split-interest agreements – contributions receivable (note 10)	395	407
Property and equipment, net (note 4)	7,365	8,128
Total assets	\$ 170,493	166,170
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,475	7,553
Accrued vacation and severance	5,804	4,903
Program advances (notes 7 and 8)	26,974	20,964
Deferred revenue and other liabilities	1,200	2,655
Loan program liability	542	460
Annuity liabilities related to split-interest agreements (note 10)	6,093	6,112
Deferred rent obligation (note 5)	6,341	5,970
Total liabilities	56,429	48,617
Commitments and contingencies (notes 5, 6, 8, and 16)		
Net assets:		
Unrestricted (notes 10 and 13):		
Board-designated endowment	32,169	37,240
Undesignated	4,749	4,496
Renewals and replacement fund	1,546	1,448
Designated for special-purpose fund	1,517	1,373
Total unrestricted	39,981	44,557
Temporarily restricted (notes 9, 10, 11, and 13):		
Donor contributions	27,329	29,372
Reinvested return on emergency funds	13	(1,759)
Split-interest agreements	595	613
Total temporarily restricted	27,937	28,226
Permanently restricted (notes 9, 12, and 13):		
Donor endowment and emergency funds	40,494	35,808
Contributions receivable, net	5,652	8,962
Total permanently restricted	46,146	44,770
Total net assets	114,064	117,553
Total liabilities and net assets	\$ 170,493	166,170

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Statement of Activities

Year ended September 30, 2009

(With summarized financial information for the year ended September 30, 2008)

(Amounts in thousands)

	2009			Total	2008 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating activities:					
Operating revenues:					
Contributions (notes 11 and 14)	\$ 21,317	21,755	—	43,072	44,076
Contributed goods and services	6,396	—	—	6,396	6,798
Grants and contracts (notes 7, 11, and 14)	231,135	—	—	231,135	204,576
Investment return used for operations (note 3)	2,650	837	—	3,487	3,586
Loan administration fees and other income	2,436	—	—	2,436	1,759
Release from restrictions (note 11)	24,641	(24,641)	—	—	—
Total operating revenues	<u>288,575</u>	<u>(2,049)</u>	<u>—</u>	<u>286,526</u>	<u>260,795</u>
Operating expenses:					
Program services:					
International relief and assistance programs	189,166	—	—	189,166	179,420
U.S. Programs	53,059	—	—	53,059	45,245
Emergency preparedness, technical units, and other	15,008	—	—	15,008	14,024
Women's Refugee Commission	4,927	—	—	4,927	4,958
Total program services	<u>262,160</u>	<u>—</u>	<u>—</u>	<u>262,160</u>	<u>243,647</u>
Supporting services:					
Management and general	15,301	—	—	15,301	16,306
Fund-raising	10,375	—	—	10,375	10,176
Total supporting services	<u>25,676</u>	<u>—</u>	<u>—</u>	<u>25,676</u>	<u>26,482</u>
Total operating expenses	<u>287,836</u>	<u>—</u>	<u>—</u>	<u>287,836</u>	<u>270,129</u>
Excess (deficiency) of operating revenues over operating expenses	<u>739</u>	<u>(2,049)</u>	<u>—</u>	<u>(1,310)</u>	<u>(9,334)</u>
Nonoperating activities:					
Bequests and contributions (note 13)	399	—	1,376	1,775	10,197
Split-interest agreements	(326)	23	—	(303)	148
Investment return, net (note 3)	(2,095)	22	—	(2,073)	(18,860)
Expenses related to:					
Split-interest agreements and endowment – fund-raising	(1,169)	—	—	(1,169)	(1,019)
Designated special purpose fund	(56)	—	—	(56)	(338)
Renewals and replacement fund	(353)	—	—	(353)	(225)
Other, net (note 4)	—	—	—	—	360
Pension liability adjustment	—	—	—	—	(340)
Other reclassification of net assets	(1,715)	1,715	—	—	—
Total nonoperating activities	<u>(5,315)</u>	<u>1,760</u>	<u>1,376</u>	<u>(2,179)</u>	<u>(10,077)</u>
(Decrease) increase in net assets	<u>(4,576)</u>	<u>(289)</u>	<u>1,376</u>	<u>(3,489)</u>	<u>(19,411)</u>
Net assets at beginning of year	<u>44,557</u>	<u>28,226</u>	<u>44,770</u>	<u>117,553</u>	<u>136,964</u>
Net assets at end of year	<u>\$ 39,981</u>	<u>27,937</u>	<u>46,146</u>	<u>114,064</u>	<u>117,553</u>

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Statement of Functional Expenses

Year ended September 30, 2009

(With summarized financial information for the year ended September 30, 2008)

(Amounts in thousands)

	Program services							Supporting services					Total	
	International relief and assistance		Balkans, Caucasus, and other programs	Total	U.S. Programs	Emergency preparedness, technical units, and other	Women's Refugee Commission	Total program services	Management and general	Fund-raising	Total supporting services	2009	2008	
Africa	Asia	2009										2008		
Personnel	\$ 50,385	13,585	6,544	70,514	24,113	9,242	2,835	106,704	10,659	4,310	14,969	121,673	117,217	
Professional services	1,736	861	426	3,023	259	1,060	254	4,596	983	1,107	2,090	6,686	5,749	
Travel, conferences, and events	5,252	1,186	594	7,032	1,772	1,238	544	10,586	315	461	776	11,362	11,891	
Occupancy	4,065	1,032	347	5,444	2,750	1,301	492	9,987	2,337	835	3,172	13,159	12,144	
Communications	1,999	381	164	2,544	771	320	390	4,025	403	4,375	4,778	8,803	9,447	
Vehicles, equipment, and supplies	13,130	1,414	693	15,237	1,540	197	54	17,028	404	128	532	17,560	16,625	
Subgrants	7,661	18,535	1,870	28,066	582	307	274	29,229	—	—	—	29,229	25,926	
Program materials and direct assistance	38,665	7,171	5,157	50,993	19,317	177	1	70,488	—	—	—	70,488	61,209	
Contributed goods and services	4,432	134	—	4,566	1,805	—	—	6,371	—	—	—	6,371	6,798	
Other	1,585	183	(21)	1,747	150	1,201	83	3,181	622	280	902	4,083	4,345	
Total expenses	128,910	44,482	15,774	189,166	53,059	15,043	4,927	262,195	15,723	11,496	27,219	289,414	271,351	
Less nonoperating expenses, primarily personnel related to split-interest agreements and endowment, and brand promotion	—	—	—	—	—	(35)	—	(35)	(422)	(1,121)	(1,543)	(1,578)	(1,222)	
Total operating expenses reported by function in the statement of activities	\$ 128,910	44,482	15,774	189,166	53,059	15,008	4,927	262,160	15,301	10,375	25,676	287,836	270,129	
2008 total	\$ 124,828	40,895	13,697	179,420	45,245	14,024	4,958	243,647	16,306	10,176	26,482		270,129	

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Statement of Cash Flows

Year ended September 30, 2009

(With comparative financial information for the year ended September 30, 2008)

(Amounts in thousands)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (3,489)	(19,411)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,305	1,228
Net realized and unrealized losses on investments	219	16,992
Loss on disposal of property and equipment	2	3
Change in value of split-interest agreements	618	515
Permanently restricted contributions	(1,376)	(8,527)
Changes in operating assets and liabilities:		
Grants and contracts receivable	114	185
Inventory	(226)	(1,333)
Contributions receivable	2,785	4,938
Loan program receivables	(77)	(44)
Other assets	1,187	1,062
Accounts payable and accrued expenses	1,922	(4,153)
Accrued vacation and severance	901	1,210
Program advances	6,010	7,880
Deferred revenue and other liabilities	(1,439)	1,735
Loan program liability	82	74
Deferred rent obligation	371	333
Net cash provided by operating activities	<u>8,909</u>	<u>2,687</u>
Cash flows from investing activities:		
Purchases of property and equipment	(552)	(906)
Proceeds from disposal of property and equipment	8	30
Proceeds from sale or redemption of investments	28,591	53,355
Purchases of investments	(32,539)	(60,890)
Purchases of short-term investments, net	(1,294)	(1,228)
Net cash used in investing activities	<u>(5,786)</u>	<u>(9,639)</u>
Cash flows from financing activities:		
Permanently restricted contributions	1,376	8,527
Increase in permanently restricted contributions receivable	3,208	(1,537)
Proceeds from contributions under split-interest agreements	305	805
Payments to beneficiaries under split-interest agreements	(930)	(918)
Payments on capital lease	(16)	(54)
Net cash provided by financing activities	<u>3,943</u>	<u>6,823</u>
Net increase (decrease) in cash and cash equivalents	7,066	(129)
Cash and cash equivalents at beginning of year	<u>11,657</u>	<u>11,786</u>
Cash and cash equivalents at end of year	\$ <u><u>18,723</u></u>	<u><u>11,657</u></u>

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(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.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

(c) *Recent Accounting Standards*

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 105-10, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (ASC 105-10). ASC 105-10 brings together and organizes all Generally Accepted Accounting Principles (GAAP) previously in Levels A through D of the GAAP hierarchy and designates GAAP into two levels, authoritative and nonauthoritative. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. FASB accounting standard issuances are now issued as amendments to the ASC and referred to as Accounting Standards Updates. The adoption of ASC 105-10 had no significant impact on IRC's financial statements.

During fiscal 2009, IRC adopted the standard relating to fair value measurements, as amended. Fair value is defined as 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. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

For certain investments in funds that do not have readily determinable fair values including the limited partnerships, the fair value is determined using net asset value per share or its equivalent as a practical expedient.

At September 30, 2009 IRC adopted the disclosure requirements relating to the net asset classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component for entities subject to UPMIFA is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. As of September 30, 2009, New York State has not adopted UPMIFA. Accordingly, the impact on the 2009 financial statements is limited to additional disclosures (see note 13).

IRC will evaluate the impact of adopting the accounting and disclosure requirements for uncertainties in income taxes recognized in an organization's financial statements, which prescribes a threshold of more-likely than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. Those requirements are currently effective for IRC's

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

September 30, 2010 financial statements. The adoption is not expected to have a significant impact on IRC's financial statements.

(d) *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.

(e) *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 risk-adjusted rate. These rates ranged from 0% to 6% as of September 30, 2009. 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 has passed through the probate court and amounts can be reasonably determined.

(f) *Endowment and Emergency Funds*

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.

(g) *Contributed Goods and Services*

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

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

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.

(h) *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, 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, 2009 and 2008 ranged from 2% to 11%.

(i) *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.

(j) *Operations*

IRC excludes from operating activities bequests, contributions and expenses related to split-interest agreements and the Freedom Fund (see note 13), 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.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

(k) Cash and Cash Equivalents

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

(l) Short-Term Investments

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

(m) 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.

(n) 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.

(o) Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair 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.

(p) Foreign Currency Translation

IRC applies the current rate method of translation when including the accounts of its foreign offices. All foreign denominated assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the average

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

rate in effect during the year. The resulting translation loss for 2009 and 2008 of \$688 and \$698, respectively, is reflected in the statement of activities.

(q) 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.

(r) 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.

(s) 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 2008 financial statements, from which the comparative totals were derived.

(2) Investments

Investments as of September 30, 2009 and 2008 consisted of the following:

	Fair value	
	2009	2008
Cash and cash equivalents	\$ 1,375	3,209
Mutual funds:		
Equity funds	10,097	8,154
Debt funds	9,327	336
Debt securities	14,982	28,874
Equity securities	17,961	18,008
Limited partnerships	29,093	20,525
	<u>\$ 82,835</u>	<u>79,106</u>

Mutual funds include \$6,101 and \$3,929 at September 30, 2009 and 2008, 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, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

Investments at September 30, 2009 and 2008 include \$73,295 and \$70,812, respectively, relating to IRC's Freedom Fund (see note 13) and \$9,540 and \$8,294, 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.

The following table presents the IRC fair value hierarchy for those investments measured at fair value as of September 30, 2009:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 1,375	1,375	—	—
Mutual funds:				
Equity funds	10,097	4,842	5,255	—
Debt funds	9,327	8,481	846	—
Debt securities	14,982	14,982	—	—
Equity securities	17,961	17,961	—	—
Limited partnerships	29,093	—	18,896	10,197
Total	\$ 82,835	47,641	24,997	10,197
Short-term investments	\$ 18,909	18,909	—	—

The following table presents a reconciliation for all Level 3 investments measured at fair value for the period October 1, 2008 to September 30, 2009.

	<u>Amounts</u>
Beginning balance October 1, 2008	\$ 12,323
Net appreciation	526
Purchases	7,500
Sales	—
Net transfers out	(10,152)
Ending balance September 30, 2009	\$ 10,197

At September 30, 2009 and 2008, the IRC had no unfunded commitments to limited partnerships.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

(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, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 1,633	1,718
Net realized losses	(4,227)	(1,365)
Net unrealized gains (losses)	<u>4,008</u>	<u>(15,627)</u>
Total return on investments	1,414	(15,274)
Less investment return used for operations	<u>(3,487)</u>	<u>(3,586)</u>
Excess of investment return used for operations over actual return	\$ <u><u>(2,073)</u></u>	<u><u>(18,860)</u></u>

Return on investment is shown net of investment manager fees of \$418 and \$509 at September 30, 2009 and 2008, respectively.

(4) Property and Equipment

Property and equipment consisted of the following as of September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Furniture and equipment	\$ 2,820	2,848
Cars, vans, and mobile units	2,894	2,474
Leasehold improvements	8,483	8,455
Construction-in-progress	16	4
Donated art portfolios	<u>96</u>	<u>73</u>
	14,309	13,854
Less accumulated depreciation and amortization	<u>(6,944)</u>	<u>(5,726)</u>
	\$ <u><u>7,365</u></u>	<u><u>8,128</u></u>

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

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 other 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 \$371 in fiscal year 2008.

(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 year 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.

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, 2009:

Year ending September 30:		
2010	\$	4,486
2011		4,194
2012		3,605
2013		4,237
2014		4,219
Thereafter		<u>28,631</u>
Total minimum future payments	\$	<u><u>49,372</u></u>

Rent expense for the years ended September 30, 2009 and 2008 was approximately \$8,879 and \$8,320, respectively.

(6) Defined Contribution Retirement Plan

IRC's 403(b) Retirement Savings Plan covers all personnel. IRC makes contributions 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

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

IRC provides base contributions, in addition to the existing matching contributions program, which allows for immediate eligibility with a three-year vesting requirement for the base contributions.

Pension expense relating to the defined contribution plan for 2009 and 2008 was \$3,235 and \$3,463, respectively.

(7) Significant Funders and Concentrations of Credit Risk

Grants and contracts revenues consisted of the following for the years ended September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
U.S. Federal and local government agencies	\$ 110,993	96,639
European agencies	56,203	58,210
United Nations agencies	32,662	28,146
Other agencies	16,527	7,783
Indirect cost recovery	14,750	13,798
	<u>\$ 231,135</u>	<u>204,576</u>

During the year ended September 30, 2009, approximately 19% and 16% (17% each during fiscal year 2008), 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.

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, 2009 and 2008, approximately 50% and 55%, respectively, is deposited in banks in foreign locations. At September 30, 2009 and 2008, approximately 40% and 41%, 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.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

(8) Grants and Contracts Receivable and Program Advances

Grants and contracts receivable consisted of the following as of September 30, 2009 and 2008:

	2009	2008
Federal and local government agencies	\$ 6,099	6,719
United Nations agencies	3,409	2,590
European agencies and other	13,031	13,344
	\$ 22,539	22,653

Program advances were received from the following as of September 30, 2009 and 2008:

	2009	2008
Federal and local government agencies	\$ 405	—
United Nations agencies	4,695	4,363
European agencies and other	21,874	16,601
	\$ 26,974	20,964

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.

(9) Contributions Receivable

Contributions receivable consisted of the following as of September 30, 2009 and 2008:

	2009	2008
Due within one year	\$ 3,881	7,435
Due within two to five years	7,105	9,655
Due beyond five years	—	205
	10,986	17,295
Less discount	(355)	(671)
Less allowance for uncollectible contributions	(25)	(25)
Contributions receivable, net	\$ 10,606	16,599

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

	<u>2009</u>	<u>2008</u>
Freedom Fund contributions receivable	\$ 5,514	8,722
Temporarily restricted contributions receivable	5,092	7,877
Contributions receivable, net	<u>\$ 10,606</u>	<u>16,599</u>

At September 30, 2009 and 2008, gross contributions receivable includes \$4,600 and \$9,900 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, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Split-interest agreements – contributions receivable	\$ 395	407
Investments	9,540	8,294
Total assets	<u>\$ 9,935</u>	<u>8,701</u>
Annuity liabilities related to split-interest agreements	\$ 6,093	6,112
Unrestricted net assets – split-interest agreements	3,247	1,976
Temporarily restricted net assets – split-interest agreements	595	613
Total liabilities and net assets	<u>\$ 9,935</u>	<u>8,701</u>

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30, 2009 and 2008 are available subject to time and purpose restrictions as follows:

	2009	2008
Time restrictions:		
Split-interest agreements	\$ 595	613
General purpose	148	259
Purpose restrictions:		
Balkans, Caucasus, and other programs	726	3,511
Asian programs	2,312	4,288
African programs	14,283	11,977
Total international relief and assistance programs	17,321	19,776
U.S. Programs	2,633	2,355
Emergency preparedness, technical units, and other	4,079	1,741
Women's Refugee Commission	2,364	2,158
Supporting services	797	1,324
	\$ 27,937	28,226

Program restrictions for the years ended September 30, 2009 and 2008 were satisfied by incurring expenses for the restricted purposes specified by the donors as follows:

	2009	2008
Balkans, Caucasus, and other programs	\$ 2,498	4,185
Asian programs	2,950	3,985
African programs	7,415	11,729
Total international relief and assistance programs	12,863	19,899
U.S. Programs	3,650	4,160
Emergency preparedness, technical units, and other programs	2,293	1,589
Women's Refugee Commission	2,340	1,992
Supporting services	3,495	3,446
	\$ 24,641	31,086

During 2009 and 2008, total revenue for the Women's Refugee Commission was \$5,342 and \$5,367, 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

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

(12) Permanently Restricted Net Assets

The income earned on permanently restricted net assets as of September 30, 2009 and 2008 is available for the following purposes:

	2009	2008
Reproductive health	\$ 10,795	10,926
Emergency response	7,404	7,404
U.S. Programs	1,164	1,160
President's office	100	—
Children's programs	294	294
General purposes	26,389	24,986
	\$ 46,146	44,770

(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, 2009 and 2008, the Freedom Fund is categorized on the balance sheets as follows:

	2009	2008
Assets:		
Cash and cash equivalents	\$ —	678
Inventory – emergency response materials	56	39
Contributions receivable	5,514	8,722
Investments	72,758	70,812
Total	\$ 78,328	80,251
Net assets:		
Unrestricted board-designated endowment	\$ 32,169	37,240
Temporarily restricted – reinvested return on emergency funds	13	(1,759)
Permanently restricted	46,146	44,770
Total	\$ 78,328	80,251

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

Freedom Fund contribution revenue consisted of the following:

	2009	2008
Cash contributions	\$ 797	4,696
Pledges and bequests receivable, net	970	5,501
Total	\$ 1,767	10,197

The IRC endowment consists of approximately 18 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the IRC to function as endowments (board-designated). At September 30, 2009, the fair values of approximately 12 endowment funds were less than their original fair value (underwater) by a total of approximately \$5,400.

The IRC has interpreted the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and New York State Trust Laws as requiring the preservation of the original gift of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the IRC classifies as permanently restricted net assets (a) the original value of 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.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets, which exclude contributions receivable, consist of the following at September 30, 2009 and 2008:

	2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	\$ (3,374)	13	40,494	37,133
Quasi (board-designated)	35,543	—	—	35,543
Total	\$ 32,169	13	40,494	72,676

	2008			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	\$ 120	(1,759)	35,808	34,169
Quasi (board-designated)	37,120	—	—	37,120
Total	\$ 37,240	(1,759)	35,808	71,289

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

Changes in endowments for the fiscal years ended September 30, 2009 and 2008 were as follows:

	2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets September 30, 2008	\$ 37,240	(1,759)	35,808	71,289
Net appreciation (realized and unrealized)	263	439	8	710
Contributions	442	—	4,678	5,120
Distributions	(3,656)	(787)	—	(4,443)
Reclassifications of restrictions	(2,120)	2,120	—	—
Net assets September 30, 2009	\$ <u>32,169</u>	<u>13</u>	<u>40,494</u>	<u>72,676</u>
	2008			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets September 30, 2007	\$ 49,057	1,811	28,646	79,514
Net appreciation (realized and unrealized)	(11,345)	(2,950)	(42)	(14,337)
Contributions	2,874	—	7,279	10,153
Distributions	(3,446)	(620)	—	(4,066)
Reclassifications of restrictions	100	—	(75)	25
Net assets September 30, 2008	\$ <u>37,240</u>	<u>(1,759)</u>	<u>35,808</u>	<u>71,289</u>

(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 \$54,690 and \$46,984 for fiscal years 2009 and 2008, respectively, and is included in grants and contracts and contributions in the statement of activities. Net (payables) receivables due from these affiliates, consisting primarily of grants and contracts receivables, were \$(427) and \$1,164 as of September 30, 2009 and 2008, respectively.

IRC operated 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, Stichting Vluchteling, and IRC. Amounts owed to CARDI of \$(208) as of September 30, 2008 are included in other assets.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2009

(With comparative financial information as of and for the year ended September 30, 2008)

(Amounts in thousands)

(15) Line of Credit

IRC has an \$8,000 unsecured line of credit from a financial institution bearing interest at a rate of LIBOR plus 90 basis points per annum. There are no fees associated with the unused portion of the line of credit. Of the \$8,000, \$4,995 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, 2009 and 2008.

(16) 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.

(17) Subsequent Events

In connection with the preparation of the financial statements, the IRC evaluated subsequent events from September 30, 2009 through February 11, 2010, which was the date the financial statements were approved for issuance, and concluded that the following additional disclosure is required.

Fiscal Sponsorship

In October 2009, IRC entered into a fiscal sponsorship agreement with the American Pakistan Foundation (APF), a newly formed District of Columbia nonprofit corporation applying to become a tax-exempt organization under Section 501(c)(3) of the Code. Amounts received by IRC that meet the terms of this agreement will be expended principally as subgrants to APF.