KPMG

INTERNATIONAL RESCUE COMMITTEE, INC. AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2016
(with comparative financial information as of September 30, 2015)

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
International Rescue Committee, Inc.:

We have audited the accompanying consolidated financial statements of International Rescue Committee, Inc. and subsidiaries, which comprise the consolidated balance sheet as of September 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Rescue Committee, Inc. and subsidiaries as of September 30, 2016, and the changes in their net assets and their cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited International Rescue Committee, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

January 24, 2017

INTERNATIONAL RESCUE COMMITTEE, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

September 30, 2016
(with comparative financial information as of September 30, 2015)

(Amounts in thousands)

Assets		2016	2015
Cash and cash equivalents (notes 7, 8, and 11)	$	44,768	69,834
Short-term investments (note 2)		25,934	390
Grants and contracts receivable (notes 7, 8, and 12)		66,460	53,591
Inventory		12,120	12,903
Contributions receivable, net (note 11)		5,992	3,893
Loan program receivables		721	620
Other assets, net		8,585	8,056
Investments (notes 2 and 11):			
Endowment and emergency funds		106,293	105,603
Split-interest agreements		10,465	9,818
		116,758	115,421
Split-interest agreements – contributions receivable		118	188
Property and equipment, net (note 4)		5,301	5,247
Total assets	$	286,757	270,143
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	34,812	28,083
Accrued vacation and severance		11,708	11,619
Program advances (notes 7 and 8)		48,236	54,424
Deferred revenue and other liabilities		3,255	2,064
Loan program liability		1,459	1,327
Annuity liabilities related to split-interest agreements		6,426	5,026
Deferred rent obligation (note 5)		5,026	5,826
Total liabilities		110,922	108,369
Commitments and contingencies (notes 2, 5, 6, 8, and 14)			
Net assets:			
Unrestricted (note 11):			
Board-designated endowment		48,516	46,613
Undesignated		9,343	8,938
Renewals and replacement fund		17,379	18,846
Designated for special-purpose fund		1,645	2,233
Total unrestricted		76,883	76,630
Temporarily restricted (notes 9 and 11):			
Donor contributions		40,185	27,531
Reinvested return on endowment funds		3,557	2,290
Split-interest agreements		306	421
Total temporarily restricted		44,048	30,242
Permanently restricted (notes 10 and 11):			
Donor endowment and emergency funds		54,904	54,901
Contributions receivable		—	1
Total permanently restricted		54,904	54,902
Total net assets		175,835	161,774
Total liabilities and net assets	$	286,757	270,143

See accompanying notes to consolidated financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended September 30, 2016
(with summarized financial information for the year ended September 30, 2015)

(Amounts in thousands)

		2016			2015
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Operating activities:					
Operating revenues:					
Contributions (note 12)	$ 50,847	50,597	—	101,444	77,260
Contributed goods and services	5,899	928	—	6,827	13,251
Grants and contracts (notes 7 and 12)	602,449	—	—	602,449	572,449
Foundation and private grants (note 7)	20,257	—	—	20,257	19,247
Investment return used for operations (note 3)	3,869	1,087	—	4,956	4,871
Loan administration fees and other income	3,532	426	—	3,958	4,139
Release from restrictions	40,554	(40,554)	—	—	—
Total operating revenues	727,407	12,484	—	739,891	691,217
Operating expenses:					
Program services:					
International programs	533,294	—	—	533,294	513,541
U.S. programs	86,227	—	—	86,227	75,625
Emergency preparedness, technical units, and other	44,915	—	—	44,915	33,909
Total program services	664,436	—	—	664,436	623,075
Supporting services:					
Management and general	40,334	—	—	40,334	29,280
Fund-raising	17,966	—	—	17,966	16,657
Total supporting services	58,300	—	—	58,300	45,937
Total operating expenses	722,736	—	—	722,736	669,012
Excess of operating revenues over operating expenses	4,671	12,484	—	17,155	22,205
Nonoperating activities:					
Bequests and contributions (note 11)	—	—	2	2	95
Split-interest agreements	(1,499)	(99)	—	(1,598)	(42)
Excess (deficiency) of investment return, net (note 3)	2,127	1,421	—	3,548	(9,208)
Expenses related to:					
Split-interest agreements and endowment – fund-raising	(110)	—	—	(110)	(110)
Nonrecurring expenses	(2,881)	—	—	(2,881)	—
Designated special-purpose fund	(588)	—	—	(588)	(748)
Renewals and replacement fund	(1,467)	—	—	(1,467)	(5,474)
Total nonoperating activities	(4,418)	1,322	2	(3,094)	(15,487)
Increase in net assets	253	13,806	2	14,061	6,718
Net assets at beginning of year	76,630	30,242	54,902	161,774	155,056
Net assets at end of year	$ 76,883	44,048	54,904	175,835	161,774

See accompanying notes to consolidated financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year ended September 30, 2016
(with summarized financial information for the year ended September 30, 2015)

(Amounts in thousands)

	Program services								Supporting services			Total	
	International												
	Africa	Asia	Middle East	Europe and other countries	Total	U.S. programs	Emergency preparedness, technical units, and other	Total program services	Management and general	Fund-raising	Total supporting services	2016	2015
Personnel	$ 95,141	23,242	49,111	8,841	176,335	42,480	25,970	244,785	27,110	10,241	37,351	282,136	259,330
Professional services	2,916	1,031	2,274	245	6,466	1,347	2,760	10,573	8,053	1,910	9,963	20,536	14,990
Travel, conferences, and events	9,686	1,710	1,470	961	13,827	2,107	4,472	20,406	1,067	1,118	2,185	22,591	21,933
Occupancy	7,604	2,086	2,659	269	12,618	5,028	2,194	19,840	3,194	1,257	4,451	24,291	24,352
Communications	3,093	450	905	111	4,559	1,206	1,157	6,922	1,385	3,468	4,853	11,775	12,599
Vehicles, equipment, and supplies	15,233	1,831	2,610	616	20,290	2,386	569	23,245	1,647	354	2,001	25,246	28,529
Subgrants	75,971	40,512	11,050	1,222	128,755	1,029	2,743	132,527	11	2	13	132,540	107,475
Program materials and direct assistance	90,612	19,441	48,922	5,402	164,377	28,442	122	192,941	12	—	12	192,953	182,405
Contributed goods and services	3,368	44	575	266	4,253	1,646	—	5,899	—	—	—	5,899	13,671
Other	270	439	905	315	1,929	581	5,120	7,630	2,017	168	2,185	9,815	10,060
Total expenses	303,894	90,786	120,481	18,248	533,409	86,252	45,107	664,768	44,496	18,518	63,014	727,782	675,344
Less nonoperating expenses, primarily personnel related to split-interest agreements and endowment, and brand promotion	(110)	—	(5)	—	(115)	(25)	(192)	(332)	(4,162)	(552)	(4,714)	(5,046)	(6,332)
Total operating expenses reported by function in the statement of activities	$ 303,784	90,786	120,476	18,248	533,294	86,227	44,915	664,436	40,334	17,966	58,300	722,736	669,012
2015 total	$ 288,111	87,592	133,768	4,070	513,541	75,625	33,909	623,075	29,280	16,657	45,937		669,012

See accompanying notes to consolidated financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended September 30, 2016
(with comparative financial information for the year ended September 30, 2015)

(Amounts in thousands)

		2016	2015
Cash flows from operating activities:			
Increase in net assets	$	14,061	6,718
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:			
Depreciation and amortization		1,217	1,068
Net realized and unrealized (gains) losses on investments		(6,659)	6,027
Proceeds on disposal of property and equipment		7	258
Change in value of split-interest agreements		1,709	213
Permanently restricted contributions		(2)	(96)
Changes in operating assets and liabilities:			
Grants and contracts receivable		(12,869)	(9,119)
Inventory		783	(1,430)
Contributions receivable		(2,130)	(2,581)
Loan program receivables		(101)	(157)
Other assets		(529)	(876)
Accounts payable and accrued expenses		6,729	11,313
Accrued vacation and severance		89	839
Program advances		(6,188)	8,311
Deferred revenue and other liabilities		1,191	(1,249)
Loan program liability		132	(343)
Deferred rent obligation		(800)	(549)
Net cash (used in) provided by operating activities		(3,360)	18,347
Cash flows from investing activities:			
Purchases of property and equipment		(1,278)	(1,618)
Proceeds from sale or redemption of investments		14,033	19,509
Purchases of investments		(8,711)	(18,595)
(Purchases) proceeds from short-term investments, net		(25,544)	147
Net cash used in investing activities		(21,500)	(557)
Cash flows from financing activities:			
Permanently restricted contributions		2	96
Decrease (increase) in contributions receivable		31	(31)
Proceeds from contributions under split-interest agreements		515	168
Payments to beneficiaries		(754)	(803)
Net cash used in financing activities		(206)	(570)
Net (decrease) increase in cash and cash equivalents		(25,066)	17,220
Cash and cash equivalents at beginning of year		69,834	52,614
Cash and cash equivalents at end of year	$	44,768	69,834

See accompanying notes to consolidated financial statements.

(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, post conflict development, resettlement assistance, and advocacy.

IRC Inc. holds an incorporated civil not-for-profit company according to art 741 Civil Code of Greece under the name of IRC Hellas. IRC Inc. owns 99% of IRC Hellas. IRC Inc. also operates through a separate incorporated and registered not-for-profit company in Germany as IRC Deutschland gGmbh where IRC is the 100% shareholder of this entity under German law.

(b) Basis of Accounting

The accompanying consolidated 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 consolidated 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 consolidated statement of activities.

(Continued)

(c) Fair Value Measurements

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 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.
- 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 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments.
- Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

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

IRC follows Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

(d) Grants, Contracts, and Contributions

IRC receives grants, contracts, and contributions from a number of sources including federal, foreign and local governments, private foundations, and others. These agreements are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. generally accepted accounting principles.

Grants and contracts that are treated as exchange transactions are reported as unrestricted revenue when expenses are incurred in accordance with the terms of the agreement and are classified as grants and contracts or foundation and private grants in the consolidated statement of activities. Accordingly, amounts received but not recognized as revenue are classified in the consolidated balance sheet as program advances, and amount expended but not yet received are classified as grants and contracts receivable.

Contributions, including unconditional promises to give (pledges), are recognized initially at fair value as revenue 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. Bequest income is recorded when the will has passed through the probate court and amounts can be reasonably determined.

(e) Endowment and Emergency Funds

IRC's endowment is subject to the provision of the New York Prudent Management of Institutional Funds Act (NYPMIFA). Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets to be classified as temporarily restricted net assets until appropriated for expenditure. Accordingly, 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. ASC 958-205 requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets to be classified as temporarily restricted net assets until appropriated for expenditure.

a) Board-Designated Endowment

The board of directors has established a 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 portions of unrestricted surpluses in operating funds for this purpose.

b) 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 preposition 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 revenue and are not reported in the consolidated financial statements.

(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. The carrying amount approximates fair value. 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 in the line item 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 at the date of the agreement 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, 2016 and 2015 ranged from 1% to 10.6%.

(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 bequests, contributions, and expenses related to split-interest agreements and the Freedom Fund (note 11), changes in value of split-interest agreements, investment return on split-interest agreements, investment return of the Freedom Fund in excess of or less than the spending rate (note 3), nonrecurring expenses funded by the designated special-purpose fund and the renewals and replacement fund, 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 original maturities of three months or less, other than those held as part of the investment portfolio, to be cash equivalents.

(k) Short-Term Investments

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

(l) Investments

Investments are stated at fair value based on quoted or published market prices except for the fair values of alternative investments, which include hedge funds and a direct lending fund, which are stated at net asset value (NAV) as 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. Alternative investments 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 alternative investments 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. Losses from investments in alternative investments are limited to its investment.

(m) Inventory

Inventory consists of program materials and emergency response supplies not used as of September 30. Inventory is recorded at cost upon purchase, while contributed inventory is recorded at fair value. Inventory is deducted and expensed when used.

(n) 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.

(o) 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 consolidated balance sheet date. Revenue and expenses are translated at the average rate in effect during the year. The resulting translation loss for 2016 and 2015 of $898 and $1,263, respectively, is reflected in the consolidated statement of activities.

(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. Accordingly, IRC is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purposes. IRC utilizes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. No provision for income taxes was required for fiscal year 2016 or 2015.

(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 consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates and assumptions include allowances for uncollectible receivables, the present value of multiyear pledges, the valuation of alternative investments, annuity liabilities, and the allocation of expenses to functional classifications.

(r) Recently Issued Accounting Pronouncements

In 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-10 *Technical Corrections and Improvements,* which clarified the definition of an equity security to include an investment in a structure similar to a mutual fund. The fair value of an equity security is considered to be readily determinable if the fair value per share is determined and published, and is the basis for current transactions. Certain investments that meet this definition were previously reported at net asset value and excluded from the fair value hierarchy table. The prior year disclosure has been corrected to reflect $7,756 of commingled funds in level 1 of the fair value hierarchy table.

(s) Comparative Financial Information

The consolidated 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 2015 financial statements, from which the comparative totals were derived.

(Amounts in thousands)

(2) Investments

(a) Fair Value Hierarchy

The following tables present IRC's investments at fair value, the only financial instruments measured at fair value as of September 30, 2016 and 2015:

		2016	
	Level 1	**NAV**	**Total**
Equities:			
Mutual funds:			
United States	$ 29,307	—	29,307
International	17,309	—	17,309
Commingled funds	5,534	—	5,534
Total	52,150	—	52,150
Fixed income:			
Direct ownership:			
U.S. government/agency	349	—	349
U.S. corporate and other	195	—	195
Mutual funds:			
U.S. government/agency	9,732	—	9,732
U.S. corporate and other	7,507	—	7,507
Commingled fund	2,826	—	2,826
Total	20,609	—	20,609
Closed-end macro fund	4,322	—	4,322
Direct lending funds	—	6,628	6,628
Hedge funds	—	32,969	32,969
Total	4,322	39,597	43,919
Cash and cash equivalents	80	—	80
Short-term investments	25,934	—	25,934
Total	$ 103,095	39,597	142,692

(Amounts in thousands)

	2015		
	Level 1	NAV	Total
Equities:			
Mutual funds:			
United States	$ 27,352	—	27,352
International	15,964	—	15,964
Commingled funds	5,043	—	5,043
Total	48,359	—	48,359
Fixed income:			
Direct ownership:			
U.S. government/agency	382	—	382
U.S. corporate and other	240	—	240
Mutual funds:			
U.S. government/agency	11,682	—	11,682
U.S. corporate and other	4,348	—	4,348
Commingled fund	2,713	—	2,713
Total	19,365	—	19,365
Closed-end macro fund	4,636	—	4,636
Direct lending funds	—	6,490	6,490
Hedge funds	—	36,481	36,481
Total	4,636	42,971	47,607
Cash and cash equivalents	90	—	90
Short-term investments	390	—	390
Total	$ 72,840	42,971	115,811

Investments at September 30, 2016 and 2015 include $106,293 and $105,603, respectively, relating to IRC's Freedom Fund (note 11) and $10,465 and $9,818, respectively, relating to split-interest agreements.

IRC has an Investment Committee comprising 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 advisers on a regular basis to review investment performance, asset allocation, and investment manager performance.

(Continued)

(Amounts in thousands)

(b) Strategies of Hedge and Direct Lending Funds

The following table lists the investment strategies, redemption terms, and assets for hedge and direct lending funds measured at fair value as of September 30, 2016:

		Total fair value		Redemption dates per year	Redemption notice period
Direct lending fund	$	6,628	(a)	N/A	N/A
Hedge funds:					
Distressed debt		8,114		Quarterly	65 days
Multistrategy fund		6,805		Annually	90 days
Long-short equity		17,973		Annually; quarterly	45 days
Special situations		77		Semiannually	60 days
Total hedge funds		32,969	(b)		
Total	$	39,597			

The following provides details for the investment strategies listed above:

a) Direct Lending Fund

These consist of two investments in direct lending funds that provide debt financing for middle market companies. These investments have commitments of two and eight years remaining.

b) Multistrategy Hedge Funds

This consists of $32,969 invested in five hedge funds at September 30, 2016. All five funds are fully redeemable. These hedge funds invest in equity, fixed income, and derivatives, and vary their investment strategies in response to changing market opportunities. As of September 30, 2016, the IRC's combined investments in these funds included 25% credit strategies, 54% long-short equity strategies, and 21% multistrategies.

At September 30, 2016 and 2015, the IRC had unfunded commitments to limited partnerships of $1,050 and $1,125, respectively.

(Amounts in thousands)

(3) Investment Return

IRC maintains a spending rate policy on the Freedom Fund (note 11) 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 three-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, 2016 and 2015 consisted of the following:

		2016	2015
Interest and dividend income	$	1,845	1,690
Net realized gains		1,550	2,033
Net unrealized gains (losses)		5,109	(8,060)
Total return on investments		8,504	(4,337)
Less investment return used for operations		(4,956)	(4,871)
Investment return in excess of (less than) amounts used for operations	$	3,548	(9,208)

Return on investment is shown net of investment manager fees at September 30, 2016 and 2015.

(4) Property and Equipment

Property and equipment consisted of the following as of September 30, 2016 and 2015:

		2016	2015
Furniture and equipment	$	3,433	2,437
Cars, vans, and mobile units		3,324	3,252
Leasehold improvements		8,410	8,275
Donated art portfolios		86	80
Construction in progress		—	13
		15,253	14,057
Less accumulated depreciation and amortization		(9,952)	(8,810)
	$	5,301	5,247

(Amounts in thousands)

(5) Lease Agreements

IRC leases several office facilities and equipment under operating leases expiring at various dates through 2022. Rental expense is recognized on the 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 consolidated balance sheet. The deferred rent obligation grew as payments were 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, 2016:

Year ending September 30:		
2017	$	7,585
2018		6,927
2019		6,222
2020		5,829
2021		3,008
2022		16
Total minimum future payments	$	29,587

Rent expense for the years ended September 30, 2016 and 2015 was $16,653 and $15,600, respectively.

(6) Defined Contribution Retirement Plan

IRC's 403(b) Retirement Savings Plan covers all U.S.-based and expatriate personnel subject to plan eligibility requirements. 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

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 2016 and 2015 was $5,103 and $5,445, respectively.

(Amounts in thousands)

IRC's 457(b) Plan covers highly compensated employees and enables eligible employees to enhance their retirement security by permitting them to defer a portion of their compensation once limits on the 403(b) plan have been reached during the calendar year.

IRC's 457(f) Plan is a nonqualified deferred compensation plan and is intended to constitute an unfunded plan for a select group of management or highly compensated employees and be exempt from Parts 2, 3, and 4 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended and is intended to constitute a deferred compensation plan as defined in Section 457(f) of the Internal Revenue Code of 1986, as amended.

(7) Significant Funders and Concentrations of Credit Risk

Grants and contracts revenues were from the following for the years ended September 30, 2016 and 2015:

		2016	2015
U.S. federal and local government agencies	$	283,751	247,070
European agencies		213,148	205,640
United Nations agencies		84,758	91,455
Other agencies		20,792	28,284
	$	602,449	572,449

During the year ended September 30, 2016, 13% and 26% (12% and 22% each during fiscal year 2015) 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.

During the year ended September 30, 2016, approximately 69% of the revenues from foundation and private donors was comprised of grants from five donors (72% from six donors during fiscal year 2015).

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, 2016 and 2015, 68% and 47%, respectively, is deposited in banks in foreign locations. At September 30, 2016 and 2015, 44% and 48%, respectively, of grants and contracts receivable are due from the European Union agencies, including Europeaid, the European Commission Humanitarian Aid Office, and the United Kingdom's Department for International Development, through IRC's foreign affiliate.

(Amounts in thousands)

(8) Grants and Contracts Receivable and Program Advances

Grants and contracts receivable were from the following as of September 30, 2016 and 2015:

		2016	2015
Federal and local government agencies	$	18,467	7,826
United Nations agencies		5,999	7,799
European agencies		32,243	27,510
Foundation and private donors		2,010	1,683
Other agencies		7,741	8,773
	$	66,460	53,591

Program advances, included in cash and cash equivalents and short term investments, were received from the following as of September 30, 2016 and 2015:

		2016	2015
United Nations agencies	$	10,262	10,217
European agencies		20,275	25,174
Foundation and private donors		11,559	10,448
Other agencies		6,140	8,585
	$	48,236	54,424

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 consolidated financial position or consolidated changes in net assets.

(Amounts in thousands)

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30, 2016 and 2015 are available subject to time and purpose restrictions as follows:

		2016	2015
Time restrictions:			
Split-interest agreements	$	306	421
General purpose		5,357	3,540
Purpose restrictions:			
Balkans, Caucasus, and other programs		5,338	1,482
Middle East programs		5,940	4,946
Asian programs		1,362	2,122
African programs		6,218	5,131
Total international programs		18,858	13,681
U.S. programs		7,755	4,384
Emergency preparedness, technical units, and other		11,083	7,893
Supporting services		689	323
	$	44,048	30,242

(10) Permanently Restricted Net Assets

The income earned on permanently restricted net assets as of September 30, 2016 and 2015 is available for the following purposes:

		2016	2015
Reproductive health	$	9,870	9,870
Emergency response		9,414	9,414
U.S. programs		1,203	1,203
President’s office		1,000	1,000
Children’s programs		294	294
International programs		99	99
General purposes		33,024	33,022
	$	54,904	54,902

(Amounts in thousands)

(11) Freedom Fund

IRC's Freedom Fund comprises the board-designated endowment, donor endowment, and emergency funds assets and net assets. As of September 30, 2016 and 2015, the Freedom Fund is categorized on the consolidated balance sheets as follows:

		2016	2015
Assets (liabilities):			
Cash and cash equivalents	$	684	—
Contributions receivable		—	1
Investments		106,293	105,603
Due to operating account		—	(1,799)
Total	$	106,977	103,805
Net assets:			
Unrestricted board-designated endowment	$	48,516	46,613
Temporarily restricted – reinvested return		3,557	2,290
Permanently restricted		54,904	54,902
Total	$	106,977	103,805

The IRC endowment consists of 20 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, 2016, the fair values of two donor-restricted endowment funds were less than their original fair value (underwater) by a total of approximately $66.

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, 2016 and 2015:

		2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$	(66)	3,557	54,904	58,395
Quasi (board-designated)		48,582	—	—	48,582
Total	$	48,516	3,557	54,904	106,977

(Amounts in thousands)

		2015			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$	(216)	2,290	54,901	56,975
Quasi (board-designated)		46,829	—	—	46,829
Total	$	46,613	2,290	54,901	103,804

Changes in endowment net assets, which exclude contributions receivable, for the fiscal years ended September 30, 2016 and 2015 were as follows:

		2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, September 30, 2015	$	46,613	2,290	54,901	103,804
Net appreciation (realized and unrealized)		5,191	2,354	—	7,545
Contributions		581	—	3	584
Distributions		(3,869)	(1,087)	—	(4,956)
Net assets, September 30, 2016	$	48,516	3,557	54,904	106,977

		2015			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, September 30, 2014	$	50,117	7,240	54,805	112,162
Net (depreciation) appreciation (realized and unrealized)		(1,660)	(2,427)	2	(4,085)
Contributions		591	—	94	685
Distributions		(2,435)	(2,523)	—	(4,958)
Net assets, September 30, 2015	$	46,613	2,290	54,901	103,804

(12) Foreign Affiliates

IRC is currently affiliated with two separately incorporated organizations, International Rescue Committee, U.K. (IRC-UK) and International Rescue Committee, Belgium ASBL. Revenue provided by IRC-UK, primarily funded by the European Commission Humanitarian Aid Office and Department for International Development, was $200,927 and $183,964 for fiscal years 2016 and 2015, respectively, and is included in grants and contracts and contributions in the consolidated statement of activities. Net receivables (payables) due from the International Rescue Committee, U.K., consisting primarily of grants and contracts receivable (payable), were $10,398 and $(4,212) as of September 30, 2016 and 2015, respectively.

(13) Line of Credit

IRC has a $10,000 unsecured line of credit from a financial institution expiring in May 2017, which bears interest at a rate of LIBOR plus 125 basis points per annum. There were no amounts outstanding under such line during the year or at September 30, 2016 and 2015.

(14) 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.

(15) Subsequent Events

In connection with the preparation of the consolidated financial statements, the IRC evaluated subsequent events from September 30, 2016 through January 24, 2017, which was the date the consolidated financial statements were approved for issuance, and concluded that no additional disclosures are required.