INTERNATIONAL RESCUE COMMITTEE, INC.

Financial Statements

September 30, 2013
(with comparative financial information as of September 30, 2012)

(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 financial statements of International Rescue Committee, Inc., which comprise the balance sheet as of September 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly in all material respects, the financial position of International Rescue Committee, Inc. as of September 30, 2013, and the changes in its net assets and its 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 2012 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated February 7, 2013.

In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

February 5, 2014

INTERNATIONAL RESCUE COMMITTEE, INC.

Balance Sheet

September 30, 2013
(with comparative financial information as of September 30, 2012)

(Amounts in thousands)

Assets		**2013**	**2012**
Cash and cash equivalents (notes 7 and 12)	$	38,296	27,010
Short-term investments (note 2)		61	6,898
Grants and contracts receivable (notes 7, 8, and 13)		38,141	38,619
Inventory		8,346	6,240
Contributions receivable, net (note 12)		2,465	3,333
Loan program receivables		435	578
Other assets, net		7,278	6,535
Investments (notes 2, 9, and 12):			
Endowment and emergency funds		105,494	93,670
Split-interest agreements		10,238	9,784
		115,732	103,454
Split-interest agreements – contributions receivable (note 9)		261	306
Property and equipment, net (note 4)		4,684	4,953
Total assets	$	215,699	197,926
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	14,460	15,759
Accrued vacation and severance		9,605	9,357
Program advances (notes 7 and 8)		35,479	29,163
Deferred revenue and other liabilities		2,382	2,244
Loan program liability		1,118	1,046
Annuity liabilities related to split-interest agreements (note 9)		5,733	5,927
Deferred rent obligation (note 5)		6,833	7,110
Total liabilities		75,610	70,606
Commitments and contingencies (notes 2, 5, 6, 8, and 15)			
Net assets:			
Unrestricted (notes 9 and 12):			
Board-designated endowment		48,898	44,076
Undesignated		7,242	6,505
Renewals and replacement fund		5,309	4,157
Designated for special-purpose fund		2,515	1,650
Total unrestricted		63,964	56,388
Temporarily restricted (notes 9, 10, and 12):			
Donor contributions		17,019	18,777
Reinvested return on endowment funds		5,469	1,309
Split-interest agreements		464	491
Total temporarily restricted		22,952	20,577
Permanently restricted (notes 11 and 12):			
Donor endowment and emergency funds		52,145	48,421
Contributions receivable		1,028	1,934
Total permanently restricted		53,173	50,355
Total net assets		140,089	127,320
Total liabilities and net assets	$	215,699	197,926

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Statement of Activities

Year ended September 30, 2013
(with summarized financial information for the year ended September 30, 2012)

(Amounts in thousands)

	2013				2012
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Operating activities:					
Operating revenues:					
Contributions (notes 10 and 13)	$ 29,179	14,479	—	43,658	36,270
Contributed goods and services	5,072	235	—	5,307	6,502
Grants and contracts (notes 7, 10, and 13)	377,638	—	—	377,638	319,244
Foundation and private grants (notes 7 and 10)	21,674	—	—	21,674	18,107
Investment return used for operations (note 3)	3,244	875	—	4,119	3,823
Loan administration fees and other income	3,319	367	—	3,686	3,160
Release from restrictions	17,749	(17,749)	—	—	—
Total operating revenues	457,875	(1,793)	—	456,082	387,106
Operating expenses:					
Program services:					
International relief and assistance programs	316,719	—	—	316,719	268,784
U.S. programs	71,841	—	—	71,841	68,436
Emergency preparedness, technical units, and other	23,194	—	—	23,194	21,194
Women's Refugee Commission	4,831	—	—	4,831	5,403
Total program services	416,585	—	—	416,585	363,817
Supporting services:					
Management and general	22,407	—	—	22,407	19,844
Fund-raising	14,167	—	—	14,167	12,275
Total supporting services	36,574	—	—	36,574	32,119
Total operating expenses	453,159	—	—	453,159	395,936
Excess (deficiency) of operating revenues over operating expenses	4,716	(1,793)	—	2,923	(8,830)
Nonoperating activities:					
Bequests and contributions (note 12)	(1)	—	2,818	2,817	535
Split-interest agreements	(382)	(17)	—	(399)	(95)
Excess of investment return, net (note 3)	6,405	4,185	—	10,590	10,169
Expenses related to:					
Split-interest agreements and endowment – fund-raising	(930)	—	—	(930)	(889)
Designated special-purpose fund	(385)	—	—	(385)	(514)
Renewals and replacement fund	(1,847)	—	—	(1,847)	(2,162)
Total nonoperating activities	2,860	4,168	2,818	9,846	7,044
Increase (decrease) in net assets	7,576	2,375	2,818	12,769	(1,786)
Net assets at beginning of year	56,388	20,577	50,355	127,320	129,106
Net assets at end of year	$ 63,964	22,952	53,173	140,089	127,320

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Statement of Functional Expenses

Year ended September 30, 2013
(with summarized financial information for the year ended September 30, 2012)

(Amounts in thousands)

	Program services									Supporting services				
	International relief and assistance												Total	
	Africa	Asia	Middle East	Europe and other countries	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	2013	2012
Personnel	$ 77,387	17,731	13,130	3,205	111,453	36,436	14,304	2,993	165,186	16,200	6,268	22,468	187,654	170,524
Professional services	3,794	590	288	145	4,817	1,398	1,232	595	8,042	2,134	1,336	3,470	11,512	11,185
Travel, conferences, and events	8,816	1,023	1,033	238	11,110	1,570	2,678	416	15,774	651	633	1,284	17,058	15,713
Occupancy	6,492	1,245	944	124	8,805	4,259	1,352	434	14,850	2,976	483	3,459	18,309	19,054
Communications	2,798	296	312	53	3,459	866	543	98	4,966	618	5,627	6,245	11,211	11,251
Vehicles, equipment, and supplies	14,673	1,593	1,295	267	17,828	2,036	276	48	20,188	666	174	840	21,028	22,552
Subgrants	35,804	23,922	3,470	725	63,921	934	143	191	65,189	13	2	15	65,204	44,362
Program materials and direct assistance	53,101	9,656	26,472	1,837	91,066	22,074	198	9	113,347	—	—	—	113,347	93,959
Contributed goods and services	3,049	22	32	141	3,244	1,828	—	—	5,072	—	—	—	5,072	5,927
Other	1,071	74	(166)	37	1,016	440	2,506	47	4,009	1,346	571	1,917	5,926	4,974
Total expenses	206,985	56,152	46,810	6,772	316,719	71,841	23,232	4,831	416,623	24,604	15,094	39,698	456,321	399,501
Less nonoperating expenses, primarily personnel related to split-interest agreements and endowment, and brand promotion	—	—	—	—	—	—	(38)	—	(38)	(2,197)	(927)	(3,124)	(3,162)	(3,565)
Total operating expenses reported by function in the statement of activities	$ 206,985	56,152	46,810	6,772	316,719	71,841	23,194	4,831	416,585	22,407	14,167	36,574	453,159	395,936
2012 total	$ 197,863	50,017	12,415	8,489	268,784	68,436	21,194	5,403	363,817	19,844	12,275	32,119	—	395,936

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Statement of Cash Flows

Year ended September 30, 2013
(with comparative financial information for the year ended September 30, 2012)

(Amounts in thousands)

		2013	2012
Cash flows from operating activities:			
Increase (decrease) in net assets	$	12,769	(1,786)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		1,095	1,210
Net realized and unrealized (gains) losses on investments		(13,267)	(12,666)
Proceeds on disposal of property and equipment		3	(10)
Change in value of split-interest agreements		581	579
Permanently restricted contributions		(2,818)	567
Changes in operating assets and liabilities:			
Grants and contracts receivable		478	(7,786)
Inventory		(2,106)	751
Contributions receivable		(27)	1,392
Loan program receivables		143	(29)
Other assets		(743)	(907)
Accounts payable and accrued expenses		(1,299)	3,964
Accrued vacation and severance		248	2,138
Program advances		6,316	(1,965)
Deferred revenue and other liabilities		138	(446)
Loan program liability		72	237
Deferred rent obligation		(277)	380
Net cash provided by (used in) operating activities		1,306	(14,377)
Cash flows from investing activities:			
Purchases of property and equipment		(829)	(526)
Proceeds from sale or redemption of investments		14,636	34,651
Purchases of investments		(13,647)	(33,393)
Proceeds from short-term investments, net		6,837	8,558
Net cash provided by investing activities		6,997	9,290
Cash flows from financing activities:			
Permanently restricted contributions		2,818	(567)
Decrease in permanently restricted contributions receivable		895	1,144
Proceeds from contributions under split-interest agreements		211	478
Payments to beneficiaries under split-interest agreements		(941)	(901)
Net cash provided by financing activities		2,983	154
Net increase (decrease) in cash and cash equivalents		11,286	(4,933)
Cash and cash equivalents at beginning of year		27,010	31,943
Cash and cash equivalents at end of year	$	38,296	27,010

See accompanying notes to 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, postconflict development, resettlement assistance, and advocacy.

(b) Basis of Accounting

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

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

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

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

(c) 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 and alternative investments that are redeemable at or near the balance sheet date (within 90 days).
- 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.

Most investments classified as Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the IRC's interest therein, its classification in Level 2 or 3 is based on the IRC's ability to redeem its interest at or near September 30. If the interest can be redeemed in the near term, the investment is classified as Level 2. 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.

The fair value of IRC's investments, contributions, and split-interest agreements are disclosed in their respective notes. The carrying amounts of all other financial instruments approximate their fair value at September 30, 2013 and 2012 because of the terms and relatively short maturities of these financial instruments. The estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

(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 statement of activities. Accordingly, amounts received but not recognized as revenue are classified in the 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 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. The inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. These rates ranged from 0.10% to 1.78% as of September 30, 2013. Bequest income is recorded when the will has passed through the probate court and amounts can be reasonably determined.

(e) Endowment and Emergency Funds

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.

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 revenues and are not reported in the financial statements.

(Continued)

(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. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy. 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, 2013 and 2012 ranged from 1.0% 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 12), 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 market prices except for the fair values of alternative investments, which include hedge funds, commingled funds, and a direct lending fund, which are stated at net asset value 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 balance sheet date. Revenue and expenses are translated at the average rate in effect during the year. The resulting translation loss for 2013 and 2012 of $141 and $727, respectively, is reflected in the 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 2013 or 2012.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. 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) 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 2012 financial statements, from which the comparative totals were derived.

(s) Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

(Continued)

(Amounts in thousands)

(2) Investments

(a) Fair Value Hierarchy

The following tables present the IRC's fair value hierarchy for investments, the only financial instruments measured at fair value as of September 30, 2013 and 2012:

	2013			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Equities:				
Direct ownership – United States	$ 9,131	—	—	9,131
Mutual funds:				
United States	14,530	—	—	14,530
International	19,798	—	—	19,798
Commingled funds:				
United States	—	3,430	—	3,430
International	—	2,225	—	2,225
Total	43,459	5,655	—	49,114
Fixed income:				
Direct ownership:				
U.S. government/agency	1,700	—	—	1,700
U.S. corporate and other	53	—	—	53
Mutual funds:				
U.S. government/agency	11,494	—	—	11,494
U.S. corporate and other	2,571	—	—	2,571
Commingled fund:				
U.S. corporate and other	—	2,738	—	2,738
International	—	5,405	—	5,405
Total	15,818	8,143	—	23,961
Closed-end macro fund	4,804	—	—	4,804
Direct lending fund	—	—	3,915	3,915
Hedge funds:				
Distressed debt	—	7,052	—	7,052
Multistrategy	—	5,095	—	5,095
Long-short equity	—	16,347	—	16,347
Special situations	—	5,144	—	5,144
Total	—	33,638	—	33,638

(Continued)

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2013
(with comparative financial information as of September 30, 2012)

(Amounts in thousands)

	2013			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Cash and cash equivalents	$ 300	—	—	300
Short-term investments	61	—	—	61
Total	$ 64,442	47,436	3,915	115,793

	2012			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Equities:				
Direct ownership – United States	$ 7,120	—	—	7,120
Mutual funds:				
United States	16,362	—	—	16,362
International	11,662	—	—	11,662
Commingled funds:				
United States	—	3,468	—	3,468
International	—	2,115	—	2,115
Total	35,144	5,583	—	40,727
Fixed income:				
Direct ownership:				
U.S. government/agency	3,817	—	—	3,817
U.S. corporate and other	830	—	—	830
Mutual funds:				
U.S. government/agency	11,593	—	—	11,593
U.S. corporate and other	2,537	—	—	2,537
Commingled fund:				
U.S. corporate and other	—	986	—	986
International	—	5,627	—	5,627
Total	18,777	6,613	—	25,390
Closed-end macro fund	4,475	—	—	4,475
Direct lending fund	—	—	3,725	3,725
Hedge funds:				
Distressed debt	—	6,416	—	6,416
Multistrategy	—	—	4,582	4,582
Fund of funds	—	223	—	223
Long-short equity	—	13,609	—	13,609
Special situations	—	—	3,489	3,489
Total	—	20,248	8,071	28,319

(Amounts in thousands)

	2012			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Cash and cash equivalents	$ 818	—	—	818
Short-term investments	6,898	—	—	6,898
Total	$ 66,112	32,444	11,796	110,352

Commingled funds of $13,798 and $12,196 at September 30, 2013 and 2012, respectively, do not trade publicly and, therefore, do not have published market prices. The underlying investments, however, are principally marketable securities.

Investments at September 30, 2013 and 2012 include $105,494 and $93,670, respectively, relating to IRC's Freedom Fund (note 12) and $10,238 and $9,784, respectively, relating to split-interest agreements (note 10).

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 advisors on a regular basis to review investment performance, asset allocation, and investment manager performance.

The following tables present a reconciliation for all Level 3 assets measured at fair value at September 30:

	2013			
	Direct lending fund	**Special situations**	**Multistrategy**	**Total**
Beginning balance	$ 3,725	3,489	4,582	11,796
Net appreciation	—	1,655	513	2,168
Purchases	190	—	—	190
Settlements	—	—	—	—
Transfer to Level 2 - expiration of lockup	—	(5,144)	(5,095)	(10,239)
Ending balance	$ 3,915	—	—	3,915

(Amounts in thousands)

		2012				
		Direct lending fund	**Distressed debt**	**Special situations**	**Multistrategy**	**Total**
Beginning balance	$	2,957	2,717	2,910	—	8,584
Net appreciation		—	80	579	82	741
Purchases		1,083	—	—	4,500	5,583
Settlements		(315)	(2,797)	—	—	(3,112)
Ending balance	$	3,725	—	3,489	4,582	11,796

(b) Portfolio Liquidity

IRC reviews the liquidity of its investments to ensure that it is able to meet its cash needs for grants, operating expenses, and capital calls. As of September 30, 2013, IRC had investments of $64,381 that could be sold on a daily basis under normal market conditions. This included $11,184 in direct ownership investments held in separate accounts with the IRC's custodial trustee and $53,197 in mutual fund investments.

IRC's investments in commingled bond and stock funds, direct lending fund and hedge funds totaled $51,351 as of September 30, 2013. The liquidity of these investments is determined by the redemption period for each fund, which differs among investments and is detailed further in this note.

(Amounts in thousands)

(c) Strategies of Commingled, Hedge, and Direct Lending Funds

The following table lists the investment strategies, redemption terms, and assets for commingled and hedge funds measured at fair value as of September 30, 2013:

		Total fair value		Redemption dates per year	Redemption notice period
Commingled bond fund:					
United States	$	2,738		daily	N/A
International		5,405		daily	5 days
Total commingled bond funds		8,143	(a)		
Commingled stock funds:					
United States		3,430		daily	N/A
International		2,225		daily	N/A
Total commingled stock funds		5,655	(a)		
Direct lending fund		3,915	(b)	N/A	N/A
Hedge funds:					
Distressed debt		7,052		quarterly	65 days
Multistrategy fund		5,095		annually	90 days
Long-short equity		16,347		annually; quarterly	45 days
Special situations		5,144		semiannually	45 days
Total hedge funds		33,638	(c)		
Total	$	51,351			

The following provides details for the investment strategies listed above:

(a) Commingled Bond and Stock Funds

These common trust funds are not publicly traded. These funds are redeemable daily, with payouts to IRC at each month-end or after 5 days for international commingled bond fund.

(b) Direct Lending Fund

This consists of an investment in a direct lending fund that provides debt financing for middle market companies. This investment has a commitment of five years remaining.

(Amounts in thousands)

(c) Multistrategy Hedge Funds

This consists of $33,638 invested in five hedge funds at September 30, 2013. 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, 2013, the IRC's combined investments in these funds included 21% credit strategies, 48% long-short equity strategies, 15% multistrategies, and 15% special situations.

At September 30, 2013 and 2012, the IRC had unfunded commitments to limited partnerships of $675 and $900, respectively.

(3) Investment Return

IRC maintains a spending rate policy on the Freedom Fund (note 12) 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, 2013 and 2012 consisted of the following:

		2013	2012
Interest and dividend income	$	1,442	1,326
Net realized gains		792	1,942
Net unrealized gains		12,475	10,724
Total return on investments		14,709	13,992
Less investment return used for operations		(4,119)	(3,823)
Excess of investment return used for operations over actual return	$	10,590	10,169

Return on investment is shown net of investment manager fees at September 30, 2013 and 2012.

(Amounts in thousands)

(4) Property and Equipment

Property and equipment consisted of the following as of September 30, 2013 and 2012:

		2013	2012
Furniture and equipment	$	2,708	2,496
Cars, vans, and mobile units		2,831	2,779
Leasehold improvements		9,137	8,738
Donated art portfolios		95	98
Construction in progress		42	—
		14,813	14,111
Less accumulated depreciation and amortization		(10,129)	(9,158)
	$	4,684	4,953

(5) Lease Agreements

IRC leases several office facilities and equipment under operating leases expiring at various dates through 2021. 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 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, 2013:

Year ending September 30:		
2014	$	6,505
2015		6,436
2016		6,438
2017		6,102
2018		5,373
Thereafter		13,836
Total minimum future payments	$	44,690

Rent expense for the years ended September 30, 2013 and 2012 was approximately $13,018 and $12,045, respectively.

(Amounts in thousands)

(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 2013 and 2012 was $4,771 and $4,466, respectively.

(7) Significant Funders and Concentrations of Credit Risk

Grants and contracts revenues were from the following for the years ended September 30, 2013 and 2012:

	2013	2012
U.S. federal and local government agencies	$ 175,324	143,910
European agencies	124,640	103,532
United Nations agencies	55,309	49,605
Other agencies	22,365	22,197
	$ 377,638	319,244

During the year ended September 30, 2013, approximately 15% and 19% (17% and 14% each during fiscal year 2012) 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, 2013, approximately 71% of the revenues from foundation and private donors was comprised of grants from 7 donors (79% from 6 donors during fiscal year 2012).

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, 2013 and 2012, approximately 55% and 65%, respectively, is deposited in banks in foreign locations. At September 30, 2013 and 2012, approximately 46% and 33%, respectively, of grants and contracts receivable are due from the European Union agencies, including Europeaid, the

(Continued)

(Amounts in thousands)

European Commission Humanitarian Aid Office, and the United Kingdom's Department for International Development, through IRC's foreign affiliates.

(8) Grants and Contracts Receivable and Program Advances

Grants and contracts receivable were from the following as of September 30, 2013 and 2012:

		2013	2012
Federal and local government agencies	$	3,630	9,318
United Nations agencies		6,262	6,871
European agencies		19,052	16,282
Foundation and private donors		1,126	271
Other agencies		8,071	5,877
	$	38,141	38,619

Program advances were received from the following as of September 30, 2013 and 2012:

		2013	2012
United Nations agencies	$	5,206	4,685
European agencies		14,271	9,399
Foundation and private donors		9,487	10,061
Other agencies		6,515	5,018
	$	35,479	29,163

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.

(Amounts in thousands)

(9) Split-Interest Agreements

Split-interest agreement assets, liabilities, and net assets are categorized on the balance sheets as of September 30, 2013 and 2012 as follows:

		2013	2012
Split-interest agreements – contributions receivable	$	261	306
Investments		10,238	9,784
Total assets	$	10,499	10,090
Annuity liabilities related to split-interest agreements	$	5,733	5,927
Unrestricted net assets – split-interest agreements		4,302	3,672
Temporarily restricted net assets – split-interest agreements		464	491
Total liabilities and net assets	$	10,499	10,090

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30, 2013 and 2012 are available subject to time and purpose restrictions as follows:

		2013	2012
Time restrictions:			
Split-interest agreements	$	464	491
General purpose		6,312	2,710
Purpose restrictions:			
Balkans, Caucasus, and other programs		973	1,400
Middle East programs		1,181	251
Asian programs		902	1,158
African programs		3,304	3,420
Total international relief and assistance programs		6,360	6,229
U.S. programs		2,925	3,293
Emergency preparedness, technical units, and other		4,592	5,372
Women's Refugee Commission		1,918	2,137
Supporting services		381	345
	$	22,952	20,577

During 2013 and 2012, total revenue for the Women's Refugee Commission was $4,809 and $5,402, respectively. This is reported as operating revenue, primarily as restricted contributions and grant and contract revenue.

(Amounts in thousands)

(11) Permanently Restricted Net Assets

The income earned on permanently restricted net assets as of September 30, 2013 and 2012 is available for the following purposes:

		2013	2012
Reproductive health	$	9,870	9,870
Emergency response		9,414	9,414
U.S. programs		1,189	1,186
Children's programs		294	294
President's office		200	200
International programs		99	99
General purposes		32,107	29,292
	$	53,173	50,355

(12) Freedom Fund

IRC's Freedom Fund comprises the board-designated endowment, donor endowment, and emergency funds assets and net assets. As of September 30, 2013 and 2012, the Freedom Fund is categorized on the balance sheets as follows:

		2013	2012
Assets:			
Cash and cash equivalents	$	1,018	136
Contributions receivable		1,028	1,934
Investments		105,494	93,670
Total	$	107,540	95,740
Net assets:			
Unrestricted board-designated endowment	$	48,898	44,076
Temporarily restricted – reinvested return		5,469	1,309
Permanently restricted		53,173	50,355
Total	$	107,540	95,740

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, 2013, the fair values of 1 donor-restricted endowment fund was less than their original fair value (underwater) by a total of approximately $24.

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.

(Amounts in thousands)

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, 2013 and 2012:

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted	$ (24)	5,469	52,145	57,590
Quasi (board-designated)	48,922	—	—	48,922
Total	$ 48,898	5,469	52,145	106,512

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted	$ (940)	1,309	48,421	48,790
Quasi (board-designated)	45,016	—	—	45,016
Total	$ 44,076	1,309	48,421	93,806

(Continued)

(Amounts in thousands)

Changes in endowment net assets, which exclude contributions receivable, for the fiscal years ended September 30, 2013 and 2012 were as follows:

		2013			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net assets, September 30, 2012	$	44,076	1,309	48,421	93,806
Net appreciation (depreciation) (realized and unrealized)		8,580	5,035	8	13,623
Contributions		416	—	3,716	4,132
Distributions		(4,174)	(875)	—	(5,049)
Net assets, September 30, 2013	$	48,898	5,469	52,145	106,512

		2012			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net assets, September 30, 2011	$	35,797	141	47,844	83,782
Net appreciation (depreciation) (realized and unrealized)		11,006	1,647	(18)	12,635
Contributions		1,489	—	595	2,084
Distributions		(4,216)	(479)	—	(4,695)
Net assets, September 30, 2012	$	44,076	1,309	48,421	93,806

(13) 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 the European Commission Humanitarian Aid Office and Department for International Development, was $112,501 and $96,530 for fiscal years 2013 and 2012, respectively, and is included in grants and contracts and contributions in the statement of activities. Net receivables due from the International Rescue Committee, U.K., consisting primarily of grants and contracts receivables, were $5,997 and $5,808 as of September 30, 2013 and 2012, respectively.

(14) Line of Credit

IRC has a $6,000 unsecured line of credit from a financial institution bearing 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, 2013 and 2012.

(15) 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.

(16) Subsequent Events

In connection with the preparation of the financial statements, the IRC evaluated subsequent events from September 30, 2013 through February 5, 2014, which was the date the financial statements were approved for issuance, and concluded that no additional disclosures are required.