

Jesuit Refugee Service/USA, Inc.

Financial Report
December 31, 2018

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Jesuit Refugee Service/USA, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Jesuit Refugee Service/USA, Inc. (JRS), which comprise the balance sheet as of December 31, 2018, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 JRS as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, JRS adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional footnote disclosures and changes to classification of net assets. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited JRS's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2019, on our consideration of JRS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JRS's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
April 1, 2019

Jesuit Refugee Service/USA, Inc.

Balance Sheet

December 31, 2018

(With Comparative Totals for 2017)

	2018	2017
Assets		
Cash	\$ 3,762,512	\$ 3,572,009
Accounts receivable	141,808	103,506
Promises to give, net	492,553	496,219
Prepaid expenses	31,358	2,195
Investments	4,631,202	4,927,546
Property and equipment, net	113,011	30,947
	<u>\$ 9,172,444</u>	<u>\$ 9,132,422</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 178,034	\$ 165,071
Deferred revenue	51,114	27,916
Due to Jesuit Conference	1,284	17,901
Total liabilities	<u>230,432</u>	<u>210,888</u>
Commitment and contingency (Notes 8, 9 and 10)		
Net assets:		
Without donor restrictions		
Undesignated	2,270,887	3,475,682
Board designated	2,900,000	-
	<u>5,170,887</u>	<u>3,476,682</u>
With donor restrictions	3,771,125	5,444,852
	<u>8,942,012</u>	<u>8,921,534</u>
	<u>\$ 9,172,444</u>	<u>\$ 9,132,422</u>

See notes to financial statements.

Jesuit Refugee Service/USA, Inc.

Statement of Activities
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Federal grants	\$ 5,413,520	\$ -	\$ 5,413,520	\$ 3,426,100
Contributions	1,791,937	1,764,646	3,556,583	4,221,634
Federal contract –				
Department of Homeland Security	1,137,802	-	1,137,802	1,106,759
Contributed services	69,894	-	69,894	1,109,245
Investment (loss) income, net	(62,188)	(111,942)	(174,130)	775,269
Province subsidies	300,000	-	300,000	287,498
Other	1,938	-	1,938	100
Released from restriction	3,326,431	(3,326,431)	-	-
Total support and revenue	11,979,334	(1,673,727)	10,305,607	10,926,605
Expenses:				
Program services:				
JRS International	6,389,973	-	6,389,973	5,538,439
Chaplaincy	946,378	-	946,378	1,039,233
Global Education Initiative	1,068,453	-	1,068,453	1,729,975
Policy and outreach	193,922	-	193,922	280,012
Communication	377,566	-	377,566	180,943
Total program services	8,976,292	-	8,976,292	8,768,602
Support services:				
Fundraising	877,460	-	877,460	1,968,921
Management and general	431,377	-	431,377	848,886
Total support services	1,308,837	-	1,308,837	2,817,807
Total expenses	10,285,129	-	10,285,129	11,586,409
Change in net assets	1,694,205	(1,673,727)	20,478	(659,804)
Net assets:				
Beginning	3,476,682	5,444,852	8,921,534	9,581,338
Ending	\$ 5,170,887	\$ 3,771,125	\$ 8,942,012	\$ 8,921,534

See notes to financial statements.

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Jesuit Refugee Service/USA, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for 2017)**

	2018						2017					
	Program Services					Total Program	Support Services			Total Support	Total	2017
	JRS International	Chaplaincy	Global Education Initiative	Policy and Outreach	Communication		Management and General	Fundraising				
JRS International grants	\$ 5,907,447	\$ -	\$ 1,068,453	\$ -	\$ -	\$ 6,975,900	\$ -	\$ -	\$ -	\$ 6,975,900	\$ 7,020,915	
Salaries	227,569	399,043	-	91,814	177,034	895,460	225,157	317,250	542,407	1,437,867	1,304,745	
Employee benefits	59,556	265,129	-	16,433	28,221	369,339	53,496	122,318	175,814	545,153	640,903	
Professional services	50,886	178,612	-	24,516	78,738	332,752	27,408	123,734	151,142	483,894	666,322	
Occupancy	54,391	-	-	21,945	42,313	118,649	53,815	75,826	129,641	248,290	248,282	
Travel and meetings	68,718	12,490	-	16,860	8,068	106,136	28,058	84,593	112,651	218,787	307,855	
Office expenses	17,788	10,698	-	19,420	38,011	85,917	14,898	118,104	133,002	218,919	204,994	
Contributed services	-	22,767	-	-	-	22,767	19,436	27,691	47,127	69,894	1,109,244	
Religious materials	-	55,298	-	-	-	55,298	-	-	-	55,298	43,761	
Bank charges	-	-	-	-	-	-	5,461	-	5,461	5,461	8,207	
Depreciation and amortization	3,448	-	-	984	4,533	8,965	2,111	7,184	9,295	18,260	3,868	
Other expense	170	2,341	-	1,950	648	5,109	1,537	760	2,297	7,406	27,313	
Total expenses	\$ 6,389,973	\$ 946,378	\$ 1,068,453	\$ 193,922	\$ 377,566	\$ 8,976,292	\$ 431,377	\$ 877,460	\$ 1,308,837	\$ 10,285,129	\$ 11,586,409	

See notes to financial statements.

Jesuit Refugee Service/USA, Inc.

Statement of Cash Flows
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 20,478	\$ (659,804)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized and realized losses (gains) on investments	281,349	(712,133)
Decrease in present value discount of promises to give	(3,202)	(5,148)
Depreciation	18,260	3,868
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(38,302)	(164,989)
Promises to give	6,868	10,759
Prepaid expenses and other	(29,163)	(2,195)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,753)	(107,471)
Deferred revenue	23,198	6,332
Due to Jesuit Conference	(16,617)	(45,579)
Net cash provided by (used in) operating activities	260,116	(1,676,360)
Cash flows from investing activities:		
Purchase of property and equipment	(84,608)	(34,815)
Purchase of investments	(305,467)	(9,939,295)
Proceeds from sale of investments	320,462	9,876,159
Net cash used in investing activities	(69,613)	(97,951)
Net increase (decrease) in cash	190,503	(1,774,311)
Cash:		
Beginning	3,572,009	5,346,320
Ending	\$ 3,762,512	\$ 3,572,009
Supplemental schedule of noncash investing activity:		
Property and equipment acquisitions included in accounts payable	\$ 15,716	\$ -

See notes to financial statements.

Jesuit Refugee Service/USA, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Jesuit Refugee Service/USA, Inc. (JRS) is a nonprofit corporation located in the District of Columbia and formed in September 1984. JRS was established to accompany, serve and defend the rights of refugees and forcibly displaced people.

A summary of JRS's significant programs are as follows:

Department of Homeland Security: JRS was awarded a contract from Department of Homeland Security in which JRS is an implementing partner to provide chaplaincy services in the United States detention centers. JRS is currently working to improve the standards of care for those detained in federally operated, contract and local detention centers, and to ensure that detained individuals of all faiths have access to religious services and freedom of religious expression. Revenue related to this program is included in the federal contract total on the statement of activities, and expenses are included in the Chaplaincy total on the statement of functional expenses.

Department of State and U.S. Agency for International Development: JRS received several cooperative agreements for the education, training and community development in five JRS International regions – Southern Africa, Eastern Africa, West Africa, South America and Asia Pacific. Revenue related to this program is included in the federal grants total on the statement of activities, and expenses are included in the JRS International total on the statement of functional expenses.

A summary of JRS's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when notification of the contribution is received, revenue is recognized when earned, and expenses are recognized when incurred.

Adoption of recent accounting pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions.

JRS adopted this guidance during the year ended December 31, 2018. As a result, there are additional quantitative and qualitative disclosures to communicate information related to JRS's liquidity. Also, there were changes in the presentation of net assets within the statements and disclosures. The remaining provisions are not applicable to JRS's financial statement presentation or were optional under past accounting guidance and were previously elected to be included in JRS's financial statements.

Basis of presentation: The accompanying financial statement presentation follows the recommendations under the Not-for-Profit Topic of the FASB Accounting Standards Codification (ASC). Under the ASC, JRS is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Board of Directors may designate net assets without donor restrictions at its discretion. During 2018, the Board designated \$2,900,000 to serve as an operating reserve.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Financial risk: JRS maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. JRS has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

JRS invests in a portfolio that contains mutual funds, which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the financial statements.

Accounts receivable: Contracts and grants receivables are carried at original invoice amounts, less an estimate made for doubtful receivables based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management has determined that all receivables are collectible; thus, there was no provision for doubtful accounts at December 31, 2018.

Promise to give receivables: Contributions are recognized when the donor makes a promise to give to JRS that is, in substance, unconditional. Promises to give to be received in a future period are discounted to their net present value at the time the revenue is recorded using a rate of 2%. The provision for doubtful promises to give is based on management's evaluation of the status of existing promises to give and historical results. There was no provision at December 31, 2018.

Investments: All investments in equity securities with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations.

Property and equipment: Property and equipment are stated at cost less accumulated depreciation. JRS follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000. Depreciation is provided on a straight-line basis over the estimated useful lives of three years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the improvements.

Valuation of long-lived assets: Leasehold improvements are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Support and revenue: Unconditional contributions are recognized as support when received. JRS reports contributions as restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. Conditional contributions are recognized when the conditions on which they depend are substantially met.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

JRS receives grants from federal agencies for various purposes. Federal grants are recognized as revenue as qualifying expenditures are incurred. Grant receivables are recorded to the extent unreimbursed expenditures have been incurred for the purposes specified by an approved grant. JRS defers grant payments received under approved awards from grantors to the extent the payments exceed grant expenditures incurred for the purposes specified under the grant.

JRS has a fixed price contract with a federal agency which is billed monthly in accordance with the contract. Revenue is recognized when billed, which coincides with when services are performed.

JRS receives funding from subsidies granted by participating provinces of the Society of Jesus. These funds are unconditional and are recognized as revenue in the year received.

Contributed services: A number of vendors have made contributions to JRS which are measured objectively at fair value for the services provided. The value of the contributed services for the year ended December 31, 2018, totaling \$69,894 is reflected in these statements since it is susceptible to objective measurement and valuation.

Functional expenses: The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited using salaries for each function as a percentage of total salaries as the allocation base. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of JRS and are unallocated on the statement of activities.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes: JRS is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, JRS qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income from certain activities not directly related to JRS's exempt purpose, less applicable deductions, is subject to taxation as unrelated business income. For the year ended December 31, 2018, JRS had no net unrelated business income.

Management evaluated JRS's tax positions and concluded that JRS had taken no uncertain tax positions that require adjustment to the financial statements. Generally, JRS is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2015.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class or function; specifically, the lack of 2017 footnote information, a breakout of donor restricted activities in the statement of activities for 2017 and a 2017 statement of functional expenses by program. Such information presented does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with JRS's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Reclassifications: Certain items in the December 31, 2017, summarized comparative information have been reclassified to conform to the December 31, 2018, financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Recent accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. JRS has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. JRS is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where JRS is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. Where JRS is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. JRS is currently evaluating the impact of the adoption of this guidance on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU results in the removal, modification and addition of certain disclosure requirements related to transfers between levels within the fair value hierarchy, valuation processes and unrealized gains/losses presentation for Level 3 measurements, and liquidation timing for investments held at net asset value. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied except for the changes related to Level 3 measurements which should be applied prospectively. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. JRS is currently evaluating the impact of the adoption of this guidance on the financial statements.

Subsequent events: JRS evaluated subsequent events through April 1, 2019, which is the date the financial statements were available to be issued.

Jesuit Refugee Service/USA, Inc.

Notes to Financial Statements

Note 2. Liquidity and Availability of Financial Assets

JRS regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. JRS has various sources of liquidity at its disposal, including cash and equity securities. As of December 31, 2018, the following financial assets are available to meet annual operating needs of the 2019 fiscal year:

Cash	\$ 3,762,512
Accounts receivable	141,808
Promises to give, net	492,553
Investments	4,631,202
Total financial assets	<u>9,028,075</u>
Less donor purpose restrictions	(3,364,780)
Less promises to give, long term	(79,900)
Less board designated operating reserve	<u>(2,900,000)</u>
Available to meet general expenditures within one year	<u><u>\$ 2,683,395</u></u>

JRS manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining a sufficient level of asset liquidity
- Monitoring and maintaining reserves to provide reasonable assurance that long-term commitments and obligations related to donor restrictions will continue to be met

JRS receives time restricted promises to give and purpose restricted contributions from time to time, which are not available for general expenditures. JRS's Board of Directors has also designated funds for an operating reserve in the event of unforeseen revenue shortfalls. These board designated funds are not immediately available to cover general expenditures unless approved by the Board upon management's request.

Note 3. Promises to Give

Promises to give at December 31, 2018, consist of the following:

Promises to give due in less than one year	\$ 414,220
Promises to give due in one to five years	79,900
Total promises to give	<u>494,120</u>
Less discount to net present value	1,567
	<u><u>\$ 492,553</u></u>

Jesuit Refugee Service/USA, Inc.

Notes to Financial Statements

Note 4. Investments

Investments consist of the following at December 31, 2018:

Mutual funds	\$ 4,580,819
Common stocks	50,383
	<u>\$ 4,631,202</u>

Investment income, net for the year ended December 31, 2018, is as follows:

Unrealized and realized losses, net	\$ (281,349)
Interest and dividends	107,219
	<u>\$ (174,130)</u>

Note 5. Property and Equipment

Property, equipment and accumulated depreciation at December 31, 2018, and depreciation and amortization expense for the year ended December 31, 2018, are as follows:

	Cost	Accumulated Depreciation	Net	Depreciation and Amortization
Leasehold improvements	\$ 34,815	\$ 19,342	\$ 15,473	\$ 15,473
Office equipment	25,496	25,496	-	-
Software and website	100,325	2,787	97,538	2,787
	<u>\$ 160,636</u>	<u>\$ 47,625</u>	<u>\$ 113,011</u>	<u>\$ 18,260</u>

Note 6. Fair Value Measurements

The ASC Topic on Fair Value Measurement requires disclosures in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a non-recurring basis, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosure about fair market value measurement. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value.

The provision applies to all assets and liabilities that are being measured and reported on a fair value basis, and are disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, JRS performs a detailed analysis of the assets and liabilities that are subject to the fair value measurement. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by JRS at December 31, 2018. There were no liabilities subject to fair value measurement at December 31, 2018.

Jesuit Refugee Service/USA, Inc.

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

The table below presents the balances of assets at December 31, 2018, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Mutual funds:				
Foreign large blend	\$ 425,629	\$ 425,629	\$ -	\$ -
Money market	318,858	318,858	-	-
Domestic large blend	2,624,163	2,624,163	-	-
Short-term bond	1,212,169	1,212,169	-	-
	<u>4,580,819</u>	<u>4,580,819</u>	-	-
Common stocks:				
Domestic large growth	37,741	37,741	-	-
Domestic large value	12,642	12,642	-	-
	<u>50,383</u>	<u>50,383</u>	-	-
	<u>\$ 4,631,202</u>	<u>\$ 4,631,202</u>	<u>\$ -</u>	<u>\$ -</u>

JRS's mutual funds and common stocks are publicly traded on an active exchange and are considered Level 1 items.

Note 7. Donor Restricted Net Assets

Net assets are subject to donor-imposed restrictions that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Changes in donor restricted net assets during the year ended December 31, 2018, consist of the following:

	Balance December 31, 2017		Investment Income (Loss) Transferred Released			Balance December 31, 2018
Time restricted:						
Global Education Initiative	\$ 243,641	\$ 3,203	\$ -	\$ (100,000)	\$ -	\$ 146,844
Humanitarian Innovation Fund	101,270	-	-	-	(76,208)	25,062
Other promises to give	-	234,439	-	-	-	234,439
Purpose restricted:						
Fund for the future – Jesuit Missions	3,167,743	-	(111,942)	-	(1,555,801)	1,500,000
Global Education Initiative	1,327,566	892,108	-	100,000	(1,068,453)	1,251,221
JRS International	604,632	634,896	-	-	(625,969)	613,559
	<u>\$ 5,444,852</u>	<u>\$1,764,646</u>	<u>\$ (111,942)</u>	<u>\$ -</u>	<u>\$(3,326,431)</u>	<u>\$ 3,771,125</u>

In 2018, Jesuit Missions, the donor for the Fund for the Future, released all restrictions of the appreciation in the funds leaving the original gift amount of \$1,500,000 as purpose restricted. All investment earnings shall be considered as undesignated net assets, unless designated by the JRS Board of Directors.

Jesuit Refugee Service/USA, Inc.

Notes to Financial Statements

Note 8. Related Party Commitment

JRS has an agreement (Memorandum of Understanding) with an affiliated entity, the Jesuit Conference (JC), whereby JC agrees to provide office space, technology services, and access to legal counsel to JRS through December 31, 2019. Rent and related expenses for the year ended December 31, 2018, were \$312,242.

Future minimum payments for all services total \$260,912 for the year ending December 31, 2019.

Note 9. Retirement Plan

JRS has a 401(k) retirement plan (the Plan). Full-time employees who have completed at least two continuous years of service with JRS, and all part-time employees, 21 years or older, who have acquired at least 2,000 hours of service within a 24-month period, are eligible to receive employer profit sharing contributions. JRS makes a discretionary profit sharing contribution to the Plan each year. For the year ended December 31, 2018, JRS contributed amounts equal to 8% of employees' base salaries, which totaled \$53,153.

Note 10. Contingency

JRS participates in federally-assisted grant programs, which are subject to financial and compliance audits by the federal agency or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.