

CONSOLIDATED FINANCIAL STATEMENTS



**AMERICAN REFUGEE COMMITTEE AND
SUBSIDIARIES**

**FOR THE YEARS ENDED
MARCH 31, 2017 AND 2016**

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Refugee Committee and Subsidiaries
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of the American Refugee Committee and Subsidiaries (ARC), which comprise the consolidated statements of financial position as of March 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 entity'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 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 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 consolidated financial position of ARC as of March 31, 2017 and 2016, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Combining Schedules of Financial Position, Combining Schedule of Activities and Combining Schedule of Change in Net Assets on pages 21 - 23 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Gelman Rosenberg & Friedman

July 19, 2017

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 8,204,280	\$ 5,219,576
Investments (Notes 2 and 13)	625,832	571,397
Grants receivable	28,423,907	16,748,110
Pledges receivable	127,080	384,001
Other receivables	339,935	253,671
Inventory	16,111	16,301
Prepaid expenses	814,133	916,133
Property, furniture and equipment, net of accumulated depreciation and amortization of \$541,364 and \$487,145 at March 31, 2017 and 2016, respectively (Note 3)	<u>1,141,688</u>	<u>641,558</u>
TOTAL ASSETS	<u>\$ 39,692,966</u>	<u>\$ 24,750,747</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 323,550	\$ 427,651
Grants payable	878,718	809,459
Accrued salaries and benefits	<u>2,984,342</u>	<u>2,338,307</u>
Total liabilities	<u>4,186,610</u>	<u>3,575,417</u>

NET ASSETS

Unrestricted	6,271,172	2,593,055
Temporarily restricted (Note 6)	28,386,929	17,734,020
Permanently restricted (Notes 8 and 12)	<u>848,255</u>	<u>848,255</u>
Total net assets	<u>35,506,356</u>	<u>21,175,330</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,692,966</u>	<u>\$ 24,750,747</u>

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions and grants:				
Contributions	\$ 7,578,278	\$ 2,423,247	\$ -	\$ 10,001,525
U.S. Government grants (Note 10)	-	25,925,513	-	25,925,513
United Nations grants	-	17,280,182	-	17,280,182
Private and other support	-	10,994,138	-	10,994,138
In-kind goods and services	4,000	-	-	4,000
Interest and investment income (Notes 2 and 12)	(5,342)	48,625	-	43,283
Other income	621,673	-	-	621,673
Net assets released from donor restrictions (Note 7)	<u>46,018,796</u>	<u>(46,018,796)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>54,217,405</u>	<u>10,652,909</u>	<u>-</u>	<u>64,870,314</u>
EXPENSES				
Program Services:				
International Programs	<u>44,796,196</u>	<u>-</u>	<u>-</u>	<u>44,796,196</u>
Supporting Services:				
General and Administrative	4,416,000	-	-	4,416,000
Fundraising	<u>1,327,092</u>	<u>-</u>	<u>-</u>	<u>1,327,092</u>
Total supporting services	<u>5,743,092</u>	<u>-</u>	<u>-</u>	<u>5,743,092</u>
Total expenses	<u>50,539,288</u>	<u>-</u>	<u>-</u>	<u>50,539,288</u>
Changes in net assets	3,678,117	10,652,909	-	14,331,026
Net assets at beginning of year	2,593,055	17,734,020	848,255	21,175,330
Transfer of Net Assets (Note 11)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,271,172</u>	<u>\$ 28,386,929</u>	<u>\$ 848,255</u>	<u>\$ 35,506,356</u>

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,547,921	\$ 1,689,216	\$ -	\$ 5,237,137
-	18,224,065	-	18,224,065
-	15,004,511	-	15,004,511
-	5,660,575	-	5,660,575
43,695	-	-	43,695
(758)	8,538	-	7,780
898,066	-	-	898,066
<u>48,031,884</u>	<u>(48,031,884)</u>	<u>-</u>	<u>-</u>
<u>52,520,808</u>	<u>(7,444,979)</u>	<u>-</u>	<u>45,075,829</u>
<u>45,347,470</u>	<u>-</u>	<u>-</u>	<u>45,347,470</u>
4,391,532	-	-	4,391,532
<u>1,070,791</u>	<u>-</u>	<u>-</u>	<u>1,070,791</u>
<u>5,462,323</u>	<u>-</u>	<u>-</u>	<u>5,462,323</u>
<u>50,809,793</u>	<u>-</u>	<u>-</u>	<u>50,809,793</u>
1,711,015	(7,444,979)	-	(5,733,964)
1,034,306	24,329,909	848,255	26,212,470
<u>(152,266)</u>	<u>849,090</u>	<u>-</u>	<u>696,824</u>
<u>\$ 2,593,055</u>	<u>\$ 17,734,020</u>	<u>\$ 848,255</u>	<u>\$ 21,175,330</u>

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

	2017				
	Supporting Services				
	International Programs	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 17,446,115	\$ 2,268,593	\$ 587,710	\$ 2,856,303	\$ 20,302,418
Employee benefits	3,077,269	467,178	121,109	588,287	3,665,556
Payroll taxes	653,273	136,259	48,805	185,064	838,337
Printing and publishing	50,560	33,153	17,361	50,514	101,074
Education and training	2,820,684	10,170	-	10,170	2,830,854
Legal	65,925	32,857	23,102	55,959	121,884
Occupancy	1,839,512	153,474	53,122	206,596	2,046,108
Accounting	158,983	69,522	-	69,522	228,505
Insurance	211,786	15,449	2,974	18,423	230,209
Depreciation and amortization	129,853	14,777	8,528	23,305	153,158
Telephone	535,652	18,872	2,821	21,693	557,345
Travel and transportation	2,997,173	273,473	92,943	366,416	3,363,589
Postage and delivery	108,785	8,637	32,089	40,726	149,511
Office supplies	406,472	25,622	23,435	49,057	455,529
Membership and dues	38,582	55,992	1,402	57,394	95,976
Meetings and conferences	151,907	67,335	47,432	114,767	266,674
Advertising and recruiting	76,928	47,987	879	48,866	125,794
Currency loss	(38,343)	1,805	-	1,805	(36,538)
Bank charges	219,708	24,641	99,386	124,027	343,735
Equipment maintenance	652,937	14,388	238	14,626	667,563
Purchased services	1,525,734	547,020	159,044	706,064	2,231,798
Equipment purchase	1,328,123	80,745	4,712	85,457	1,413,580
Interest	-	10,353	-	10,353	10,353
Grants	1,011,618	-	-	-	1,011,618
Construction	1,116,512	-	-	-	1,116,512
Program supplies	8,197,826	4,260	-	4,260	8,202,086
Other	12,622	33,438	-	33,438	46,060
TOTAL	\$ 44,796,196	\$ 4,416,000	\$ 1,327,092	\$ 5,743,092	\$ 50,539,288

2016					
Supporting Services					
International Programs	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	
\$ 17,640,563	\$ 1,989,307	\$ 482,673	\$ 2,471,980	\$ 20,112,543	
3,302,237	406,887	95,191	502,078	3,804,315	
661,033	128,952	40,279	169,231	830,264	
95,864	27,748	3,727	31,475	127,339	
2,314,296	9,790	-	9,790	2,324,086	
116,240	18,770	27,966	46,736	162,976	
1,904,045	185,296	50,048	235,344	2,139,389	
176,669	52,089	-	52,089	228,758	
170,218	8,309	2,171	10,480	180,698	
65,621	22,360	10,789	33,149	98,770	
534,664	39,117	2,476	41,593	576,257	
2,775,091	329,116	38,718	367,834	3,142,925	
141,874	15,915	48,744	64,659	206,533	
486,725	35,461	13,114	48,575	535,300	
25,944	56,751	1,439	58,190	84,134	
78,909	113,658	4,608	118,266	197,175	
78,254	78,118	839	78,957	157,211	
230,938	(6,530)	-	(6,530)	224,408	
213,567	24,675	65,427	90,102	303,669	
950,063	5,967	243	6,210	956,273	
1,068,334	624,828	170,486	795,314	1,863,648	
1,471,367	109,536	11,853	121,389	1,592,756	
1,021	32,712	-	32,712	33,733	
1,189,702	72,926	-	72,926	1,262,628	
1,580,806	-	-	-	1,580,806	
8,020,705	4,490	-	4,490	8,025,195	
52,720	5,284	-	5,284	58,004	
\$ 45,347,470	\$ 4,391,532	\$ 1,070,791	\$ 5,462,323	\$ 50,809,793	

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 14,331,026	\$ (5,733,964)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	153,158	98,770
Net realized and unrealized gain on investments	(40,121)	(4,834)
Net asset transfer from Questscope LTD	-	12,975
Net asset transfer from Questscope	-	683,849
(Increase) decrease in:		
Grants receivable	(11,675,797)	5,542,342
Pledges receivable	256,921	291,799
Other receivables	(86,264)	603,503
Inventory	190	(16,301)
Prepaid expenses	102,000	(65,842)
Increase (decrease) in:		
Accounts payable and accrued expenses	(104,101)	19,090
Grants payable	69,259	592,098
Accrued salaries and benefits	<u>646,035</u>	<u>(577,299)</u>
Net cash provided by operating activities	<u>3,652,306</u>	<u>1,446,186</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, furniture and equipment	(653,288)	(614,143)
Net purchase of investments	<u>(14,314)</u>	<u>-</u>
Net cash used by investing activities	<u>(667,602)</u>	<u>(614,143)</u>
Net increase in cash and cash equivalents	2,984,704	832,043
Cash and cash equivalents at beginning of year	<u>5,219,576</u>	<u>4,387,533</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,204,280</u>	<u>\$ 5,219,576</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 10,353</u>	<u>\$ 33,733</u>

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The American Refugee Committee (ARC) is a non-profit organization, incorporated in 1978 working with its partners and constituencies to provide opportunities and expertise to refugees, displaced people and host communities. We help people survive conflict and crisis and rebuild lives of dignity, health, security and self-sufficiency. The international headquarters, based in Minneapolis, Minnesota, supports medical relief and settlement programs which, during the two years ending March 31, 2017 and 2016 operated in Liberia, Rwanda, Somalia, Uganda, Sudan, South Sudan, Pakistan, Thailand, Democratic Republic of Congo, Syria, Jordan and Myanmar.

ARC became the sole member of Questscope, LTD. and Questscope (a UK Charity) and entered into a parent/subsidiary relationship effective April 1, 2015 that allows both organizations to retain their unique identities, values and leadership while leveraging strengths and unique qualities. Questscope, LTD. is a nonprofit organization with registration in the United States. Questscope is a UK registered charity under the United Kingdom Articles of Charitable Companies. Questscope is also legally registered to conduct business in the Hashemite Kingdom of Jordan (Jordan). Both Questscope, LTD. and Questscope receive grants and contributions to manage educational and refugee programs in Jordan and Syria.

Based upon the fact that ARC, as the sole member, has controlling interest of the boards of Questscope, LTD. and Questscope, the financial results for Questscope, LTD. and Questscope as of and for the years ending March 31, 2017 and 2016 are included in the accompanying consolidated financial statements (Note 11).

WikiRelief, LLC was established in April 2013 as a wholly owned subsidiary of ARC. The organization is developing a web-based emergency relief tool to enable coordination by worldwide relief organizations. Financial activity of WikiRelief, which is immaterial to these financial statements, is included with ARC.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Consolidated Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted, although ARC and subsidiaries have not elected to early adopt. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the ARC and subsidiaries' consolidated financial statements, it is not expected to alter ARC and subsidiaries' reported financial position. ARC and subsidiaries' have elected to defer implementation until the applicable required date.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Principles of consolidation -

The consolidated financial statements include the assets, liabilities and activities and change in net assets of ARC and its subsidiaries, WikiRelief, Questscope, LTD., and Questscope. All material intercompany accounts and transactions are eliminated in consolidation.

Cash and cash equivalents -

ARC and subsidiaries considers all cash and other highly liquid investments with initial maturities of three months or less, and funds invested with local banks in foreign countries to be cash equivalents.

Bank deposit accounts are insured by the FDIC up to a limit of \$250,000. At times during the year, ARC and subsidiaries maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

ARC and subsidiaries had \$4,231,945 and \$3,812,971 of cash on hand and cash at financial institutions in foreign countries at March 31, 2017 and 2016, respectively. The majority of such funds are not insured.

Foreign currency translation -

The U.S. Dollar (dollars) is the functional currency of ARC and subsidiaries' worldwide operations. Transactions in currencies other than dollars are re-measured into dollars at the rate of exchange in effect at the time of the transaction. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Consolidated Statements of Financial Position. The effect of these conversions are recorded in the Consolidated Statements of Activities and Changes in Net Assets.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in interest and investment income in the Consolidated Statements of Activities and Changes in Net Assets.

Grants, pledges and other receivables -

Amounts to be received in the future are recorded as grants receivable in the Consolidated Statements of Financial Position. All grants, pledges and other receivables are stated at net realizable value, which approximates fair value and are considered to be collectible within one year.

Property, furniture and equipment -

Property, furniture and equipment, which cost in excess of \$5,000, are capitalized and stated at cost. Depreciation of equipment and vehicles purchased at headquarters is depreciated over the useful life of the related assets, generally three to five years.

Leasehold improvements are amortized over the remaining life of the lease. Property, furniture and equipment purchased with restricted grant funds are recorded as an expense and charged against the grant which provided the funds to purchase the equipment and vehicles.

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes -

ARC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. ARC is not a private foundation.

For the purpose of corporate tax reporting, WikiRelief, LLC is considered a disregarded entity and all financial transactions are reported with ARC.

Questscope, LTD. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Questscope, LTD. is not a private foundation.

Questscope is registered under the United Kingdom Articles of Charitable Companies, as a charity within the definition of section 506 (1) Income and Corporation Tax Act 1988, and is therefore able to take advantage of the reliefs given by Section 505 of that act. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Uncertain tax positions -

For the years ended March 31, 2017 and 2016, ARC and subsidiaries have documented consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of ARC and subsidiaries and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of ARC and subsidiaries and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by ARC and subsidiaries.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributions and grants (continued) -

Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investment risks and uncertainties -

ARC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair value measurement -

ARC adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. ARC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at March 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
	<u>Fair Value</u>	<u>Fair Value</u>
US Treasury Notes	\$ 210,430	\$ 202,662
S&P 500 Index Mutual Fund	<u>415,402</u>	<u>368,735</u>
TOTAL INVESTMENTS	<u>\$ 625,832</u>	<u>\$ 571,397</u>

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016**

2. INVESTMENTS (Continued)

Included in interest and investment income are the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 3,162	\$ 2,946
Net realized and unrealized gain on investments	<u>40,121</u>	<u>4,834</u>
TOTAL INTEREST AND INVESTMENT INCOME	<u>\$ 43,283</u>	<u>\$ 7,780</u>

3. PROPERTY, FURNITURE AND EQUIPMENT

The cost and accumulated depreciation and amortization of furniture and equipment at March 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 153,303	\$ 78,303
Buildings	410,588	267,906
Furniture	175,593	175,593
Equipment	<u>943,568</u>	<u>606,901</u>
	1,683,052	1,128,703
Less: Accumulated depreciation and amortization	<u>(541,364)</u>	<u>(487,145)</u>
PROPERTY, FURNITURE AND EQUIPMENT, NET	<u>\$ 1,141,688</u>	<u>\$ 641,558</u>

4. LEASE COMMITMENT

Operating lease -

ARC and subsidiaries have operating lease agreements relating to the headquarters' office space and an office in Washington, D.C. Rent expense under these operating leases totaled \$286,673 and \$293,186 for the years ended March 31, 2017 and 2016, respectively.

Each of these leases has termination clauses that allow termination under certain conditions and with payment of unamortized improvement costs.

The following is a schedule of future minimum rental payments required under these leases:

Year Ending March 31,

2018	\$ 298,157
2019	251,441
2020	255,436
2021	259,532
2022	<u>174,933</u>
	<u>\$ 1,239,499</u>

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016**

4. LEASE COMMITMENT (Continued)

Operating lease (continued) -

Foreign field locations have various short-term leases for operating space that individually have terms of less than one year. During the years ended March 31, 2017 and 2016, ARC and subsidiaries incurred approximately \$1,170,000 and \$1,152,000, respectively, in rental expense related to these leases.

5. LINE OF CREDIT

ARC has a bank line of credit bearing interest at LIBOR plus 2.5% (3.3106%) per annum. Credit available under the line of credit was \$5,000,000 and \$4,500,000 at March 31, 2017 and 2016, respectively. There was no outstanding balance on the line of credit at either March 31, 2017 or 2016. The line of credit is collateralized by the general assets of ARC.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at March 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
ARC Programs	\$ 23,923,921	\$ 15,791,892
ARC Ball Fund	32,098	43,473
Questscope, LTD. Programs	188,162	117,551
Questscope Programs	<u>4,242,748</u>	<u>1,781,104</u>
	<u>\$ 28,386,929</u>	<u>\$ 17,734,020</u>

7. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions at March 31, 2017 and 2016, by incurring expenses, which satisfied the restricted purposes specified by the donors:

	<u>2017</u>	<u>2016</u>
ARC Programs	\$ 41,331,907	\$ 44,714,670
Questscope, LTD. Programs	194,411	239,085
Questscope Programs	<u>4,492,478</u>	<u>3,078,129</u>
	<u>\$ 46,018,796</u>	<u>\$ 48,031,884</u>

8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted in-perpetuity, and the income from them is expendable to fund emergency situations overseas.

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016**

8. PERMANENTLY RESTRICTED NET ASSETS (Continued)

The assets are held in the following funds as of March 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Ball Fund	\$ 537,500	\$ 537,500
Bridge Fund	124,326	124,326
Mellon Fund	<u>186,429</u>	<u>186,429</u>
TOTAL PERMANENTLY RESTRICTED NET ASSETS	<u>\$ 848,255</u>	<u>\$ 848,255</u>

Investment income generated from the permanently restricted net assets of the Ball Fund is considered temporarily restricted until authorized to be expended on emergency programs (Note 12).

9. EMPLOYEE BENEFIT PLAN

ARC and subsidiaries have a tax-deferred annuity plan for substantially all long-term U.S.-based employees and U.S. expatriate employees. ARC contributed an amount equal to six percent of the employees' salaries to the plan in 2017 and 2016.

Employees have the option to contribute up to \$18,000 of their salaries annually in 2017 and 2016 calendar years. Contributions by ARC and subsidiaries for the years ended March 31, 2017 and 2016 totaled \$206,945 and \$187,678, respectively.

10. CONTINGENCIES

U.S. Government awards -

ARC and subsidiaries receive grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2017. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Foreign operations -

ARC and subsidiaries provide capital assistance, technical assistance and training in numerous developing countries through its field offices in each of those countries. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate. As of March 31, 2017 and 2016, ARC had cash, property and equipment and prepaid expenses in various countries in Africa, Middle East and Asia, totaling approximately \$5,800,000 and \$4,400,000 in each year, which represented approximately 17% and 18%, respectively, of ARC's total assets.

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016**

11. TRANSFER OF NET ASSETS

As more fully discussed in Note 1, ARC entered into a parent/subsidiary relationship with Questscope, LTD. and Questscope effective April 1, 2015. As a result of the relationship, the accompanying consolidated financial statements include the financial activity of Questscope, LTD and Questscope as of and for the years ending March 31, 2017 and 2016. Accordingly, the net assets of Questscope, LTD and Questscope as of March 31, 2015 are shown as a transfer of net assets on the accompanying Statements of Activities and Changes in Net Assets for March 2016. The transfer amounts shown on the accompanying Statements of Activities and Changes in Net Assets is comprised of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Questscope, LTD.	\$ 2,975	\$ 10,000	\$ 12,975
Questscope	<u>(155,241)</u>	<u>839,090</u>	<u>683,849</u>
	<u>\$ (152,266)</u>	<u>\$ 849,090</u>	<u>\$ 696,824</u>

12. ENDOWMENT

ARC's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, ARC 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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ARC in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, ARC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of ARC and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of ARC.

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016**

12. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of March 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Ball Fund	\$ 32,098	\$ 537,500
Bridge Fund	-	124,326
Mellon Fund	-	186,429
	<u> </u>	<u> </u>
TOTAL FUNDS	<u>\$ 32,098</u>	<u>\$ 848,255</u>

Changes in endowment net assets for the year ended March 31, 2017 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net asset, beginning of year	\$ 43,473	\$ 848,255
Net investment income	-	48,625
Transfer of net investment income (loss) from permanently restricted	48,625	(48,625)
Transfer to unrestricted	<u>(60,000)</u>	<u> </u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 32,098</u>	<u>\$ 848,255</u>

Endowment net asset composition by type of fund as of March 30, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Ball Fund	\$ 43,473	\$ 537,500
Bridge Fund	-	124,326
Mellon Fund	-	186,429
	<u> </u>	<u> </u>
TOTAL FUNDS	<u>\$ 43,473</u>	<u>\$ 848,255</u>

Changes in endowment net assets for the year ended March 30, 2016 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 34,935	\$ 848,255
Net investment income	-	8,538
Transfer of net investment income (loss) from permanently restricted	<u>8,538</u>	<u>(8,538)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 43,473</u>	<u>\$ 848,255</u>

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016**

13. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, ARC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market ARC has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at March 31, 2017 and 2016.

- *U.S. Treasury Notes* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, ARC's investments as of March 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
US Treasury Notes	\$ 210,430	\$ -	\$ -	\$ 210,430
S&P 500 Index Mutual Fund	<u>415,402</u>	<u>-</u>	<u>-</u>	<u>415,402</u>
TOTAL	<u>\$ 625,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625,832</u>

The table below summarizes, by level within the fair value hierarchy, ARC's investments as of March 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
US Treasury Notes	\$ 202,662	\$ -	\$ -	\$ 202,662
S&P 500 Index Mutual Fund	<u>368,735</u>	<u>-</u>	<u>-</u>	<u>368,735</u>
TOTAL	<u>\$ 571,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 571,397</u>

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016**

14. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, ARC and subsidiaries have evaluated events and transactions for potential recognition or disclosure through July 19, 2017, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

COMBINING SCHEDULES OF FINANCIAL POSITION
AS OF MARCH 31, 2017

	American Refugee Committee	Questscope	Questscope LTD.	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 7,078,693	\$ 713,887	\$ 411,700	\$ -	\$ 8,204,280
Investments	625,832	-	-	-	625,832
Grants receivable	24,596,453	3,827,454	-	-	28,423,907
Pledges receivable	127,080	-	-	-	127,080
Other receivables	650,806	43,885	322,971	(677,727)	339,935
Intercompany	-	101,730	(101,730)	-	-
Inventory	16,111	-	-	-	16,111
Prepaid expenses	784,098	14,599	15,436	-	814,133
Property, furniture and equipment, net of accumulated depreciation and amortization	1,141,688	-	-	-	1,141,688
TOTAL ASSETS	\$ 35,020,761	\$ 4,701,555	\$ 648,377	\$ (677,727)	\$ 39,692,966
LIABILITIES					
Accounts payable and accrued expenses	\$ 321,804	\$ 219	\$ 23,254	\$ (21,727)	\$ 323,550
Grants payable	828,828	49,890	-	-	878,718
Accrued salaries and benefits	2,838,579	66,755	79,008	-	2,984,342
Line of credit	-	328,000	328,000	(656,000)	-
Total liabilities	3,989,211	444,864	430,262	(677,727)	4,186,610
NET ASSETS					
Unrestricted	6,227,276	13,943	29,953	-	6,271,172
Temporarily restricted	23,956,019	4,242,748	188,162	-	28,386,929
Permanently restricted	848,255	-	-	-	848,255
Total net assets	31,031,550	4,256,691	218,115	-	35,506,356
TOTAL LIABILITIES AND NET ASSETS	\$ 35,020,761	\$ 4,701,555	\$ 648,377	\$ (677,727)	\$ 39,692,966

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2017

	American Refugee Committee	Questscope	Questscope LTD.	Eliminations	Total
UNRESTRICTED					
REVENUE					
Contributions and grants:					
Contributions	\$ 6,950,065	\$ 338,988	\$ 624,225	\$ (335,000)	\$ 7,578,278
In-kind goods and services	4,000	-	-	-	4,000
Interest and investment income (loss)	9,816	-	-	(15,158)	(5,342)
Other income	580,818	21,590	84,208	(64,943)	621,673
Net assets released from donor restrictions	41,917,959	4,492,478	194,411	(586,052)	46,018,796
Total unrestricted revenue	49,462,658	4,853,056	902,844	(1,001,153)	54,217,405
EXPENSES					
Program Services:					
International Programs	40,762,528	4,307,870	671,622	(945,824)	44,796,196
Supporting Services:					
General and Administrative	3,743,667	543,279	184,383	(55,329)	4,416,000
Fundraising	1,302,335	-	24,757	-	1,327,092
Total supporting services	5,046,002	543,279	209,140	(55,329)	5,743,092
Total expenses	45,808,530	4,851,149	880,762	(1,001,153)	50,539,288
CHANGE IN UNRESTRICTED NET ASSETS	\$ 3,654,128	\$ 1,907	\$ 22,082	\$ -	\$ 3,678,117
TEMPORARILY RESTRICTED					
Contributions and grants:					
Contributions	\$ 2,081,744	\$ 400,878	\$ 265,022	\$ (324,397)	\$ 2,423,247
U.S. Government grants	22,864,532	3,322,636	-	(261,655)	25,925,513
United Nations grants	14,049,574	3,230,608	-	-	17,280,182
Private and other support	10,994,138	-	-	-	10,994,138
Interest and investment income	48,625	-	-	-	48,625
Net assets released from donor restrictions	(41,917,959)	(4,492,478)	(194,411)	586,052	(46,018,796)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	\$ 8,120,654	\$ 2,461,644	\$ 70,611	\$ -	\$ 10,652,909

AMERICAN REFUGEE COMMITTEE AND SUBSIDIARIES

COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	American Refugee Committee	Questscope	Questscope LTD.	Eliminations	Total
UNRESTRICTED NET ASSETS					
Net assets at beginning of period	\$ 2,573,148	\$ 12,036	\$ 7,871	\$ -	\$ 2,593,055
Change in unrestricted net assets	3,654,128	1,907	22,082	-	3,678,117
Total unrestricted net assets at end of period	6,227,276	13,943	29,953	-	6,271,172
TEMPORARILY RESTRICTED NET ASSETS					
Net assets at beginning of period	15,835,365	1,781,104	117,551	-	17,734,020
Change in temporarily restricted net assets	8,120,654	2,461,644	70,611	-	10,652,909
Total temporarily restricted net assets at end of period	23,956,019	4,242,748	188,162	-	28,386,929
PERMANENTLY RESTRICTED NET ASSETS					
Net assets at beginning of period	848,255	-	-	-	848,255
Change in permanently restricted net assets	-	-	-	-	-
Total permanently restricted net assets at end of period	848,255	-	-	-	848,255
TOTAL NET ASSETS AT END OF PERIOD	\$ 31,031,550	\$ 4,256,691	\$ 218,115	\$ -	\$ 35,506,356