KPMG

INTERNATIONAL RESCUE COMMITTEE, INC. AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2023
(With Comparative Financial Information as of September 30, 2022)

(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.:

Opinion

We have audited the consolidated financial statements of International Rescue Committee, Inc. and its subsidiaries (IRC), which comprise the consolidated balance sheet as of September 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of IRC as of September 30, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of IRC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2(u) to the consolidated financial statements, in 2023, IRC adopted new accounting guidance, Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IRC's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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KPMG International Limited, a private English company limited by guarantee.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 IRC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IRC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited IRC's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

New York, New York
March 20, 2024

INTERNATIONAL RESCUE COMMITTEE, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

September 30, 2023
(With comparative financial information as of September 30, 2022)

(Amounts in thousands)

Assets		**2023**	**2022**
Cash and cash equivalents (notes 8, 9, and 11)	$	226,258	273,609
Short-term investments (notes 2 and 9)		2,775	19,992
Grants and contracts receivable (notes 8 and 9)		161,235	166,538
Inventory		16,245	20,923
Contributions receivable, net (note 4)		25,870	36,438
Right-of-use operating lease assets (note 6)		130,597	—
Other assets		30,450	29,669
Investments (notes 2 and 11):			
Endowment and emergency funds		119,601	115,840
Split-interest agreements		12,679	11,488
		132,280	127,328
Property and equipment, net (note 5)		13,041	13,038
Total assets	$	738,751	687,535
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	66,284	74,781
Accrued vacation and severance		24,115	19,821
Program advances (notes 9 and 12)		195,279	188,281
Deferred revenue and other liabilities		6,288	2,478
Annuity liabilities related to split-interest agreements		6,494	6,282
Right-of-use operating lease liabilities (note 6)		141,889	—
Deferred rent obligation		—	11,597
Total liabilities		440,349	303,240
Commitments and contingencies (notes 2, 7, 9, and 13)			
Net assets:			
Net assets without donor restrictions (note 11):			
Board-designated endowment		52,571	47,571
Undesignated		60,025	53,147
Total net assets without donor restrictions		112,596	100,718
Net assets with donor restrictions (notes 10 and 11):			
Donor contributions restricted for time and purpose		118,413	222,812
Reinvested return on endowment funds		11,569	4,934
Split-interest agreements		281	288
Donor endowment and emergency funds		55,543	55,543
Total net assets with donor restrictions		185,806	283,577
Total net assets		298,402	384,295
Total liabilities and net assets	$	738,751	687,535

See accompanying notes to consolidated financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended September 30, 2023
(With summarized financial information for the year ended September 30, 2022)

(Amounts in thousands)

		2023			
		Without donor restrictions	With donor restrictions	Total	2022 Total
Operating activities:					
Operating revenues:					
Contributions (note 12)	$	161,416	90,500	251,916	425,065
Contributed goods and services		17,589	—	17,589	12,136
Grants and contracts (notes 8 and 12)		990,171	—	990,171	876,781
Foundation and private grants (note 8)		92,000	—	92,000	82,504
Investment return used for operations (note 3)		6,210	1,206	7,416	5,455
Loan administration fees and other income		2,002	1,873	3,875	3,295
Release from restrictions		198,287	(198,287)	—	—
Total operating revenues		1,467,675	(104,708)	1,362,967	1,405,236
Operating expenses:					
Program services:					
Crisis Response, Recovery and Development (CRRD)		857,275	—	857,275	801,689
Resettlement, Asylum and Integration (RAI)		424,440	—	424,440	322,995
Total program services		1,281,715	—	1,281,715	1,124,684
Supporting services:					
Management and general		110,665	—	110,665	83,656
Fund-raising		89,103	—	89,103	83,095
Total supporting services		199,768	—	199,768	166,751
Total operating expenses		1,481,483	—	1,481,483	1,291,435
(Deficiency) excess of operating revenues over operating expenses		(13,808)	(104,708)	(118,516)	113,801
Nonoperating activities:					
Contributions under split-interest agreements		293	—	293	118
Change in value of split-interest agreements		25	—	25	(210)
Investment return, net		5,366	6,937	12,303	(26,418)
Foreign exchange gain (loss)		20,002	—	20,002	(13,670)
Total nonoperating activities		25,686	6,937	32,623	(40,180)
Increase (decrease) in net assets		11,878	(97,771)	(85,893)	73,621
Net assets at beginning of year		100,718	283,577	384,295	310,674
Net assets at end of year	$	112,596	185,806	298,402	384,295

See accompanying notes to consolidated financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year ended September 30, 2023
(With summarized financial information for the year ended September 30, 2022)

(Amounts in thousands)

		Program services									Supporting services			Total	
	Africa	Asia	Middle East	Latin America	Emergency preparedness, technical units, and other	Total CRRD programs	U.S. RAI programs	Europe RAI programs	Total RAI programs	Total program services	Management and general	Fund-raising	Total supporting services	2023	2022
Personnel	$ 143,141	44,801	53,928	16,322	73,579	331,771	169,626	17,211	186,837	518,608	83,480	35,562	119,042	637,650	525,232
Professional services	1,714	956	1,456	1,420	7,935	13,481	4,308	980	5,288	18,769	10,438	8,485	18,923	37,692	36,091
Travel, conferences, and events	10,951	4,420	1,869	1,945	7,732	26,917	5,050	911	5,961	32,878	5,795	1,973	7,768	40,646	36,776
Occupancy	9,009	2,755	3,183	1,629	5,090	21,666	9,340	861	10,201	31,867	757	460	1,217	33,084	30,203
Communications	5,906	805	542	300	734	8,287	1,868	160	2,028	10,315	830	37,866	38,696	49,011	49,032
Vehicles, equipment, and supplies	20,909	8,686	6,927	1,644	3,139	41,305	5,869	368	6,237	47,542	9,412	486	9,898	57,440	64,871
Subgrants	65,815	36,742	24,649	8,794	31,539	167,539	71,081	13,605	84,686	252,225	(9)	—	(9)	252,216	165,971
Program materials and direct assistance	109,891	46,731	29,266	7,710	26,815	220,413	115,307	1,352	116,659	337,072	1,390	170	1,560	338,632	348,882
Contributed goods and services	9,560	(196)	651	24	962	11,001	4,310	—	4,310	15,311	946	928	1,874	17,185	12,253
Other	3,498	727	1,543	235	8,892	14,895	1,948	285	2,233	17,128	(2,374)	3,173	799	17,927	22,124
Total operating expenses reported by function in the statement of activities	$ 380,394	146,427	124,014	40,023	166,417	857,275	388,707	35,733	424,440	1,281,715	110,665	89,103	199,768	1,481,483	1,291,435
2022 total	$ 381,670	126,531	121,784	38,798	132,906	801,689	297,082	25,913	322,995	1,124,684	83,656	83,095	166,751		1,291,435

See accompanying notes to consolidated financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended September 30, 2023
(With comparative financial information for the year ended September 30, 2022)

(Amounts in thousands)

		2023	2022
Cash flows from operating activities:			
(Decrease) increase in net assets	$	(85,893)	73,621
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:			
Depreciation and amortization		1,689	1,448
Net realized and unrealized (gains) losses on investments		(15,795)	23,494
Change in value of split-interest agreements		(25)	210
Reduction in carrying amount of right-of-use operating lease assets		3,270	—
Changes in operating assets and liabilities:			
Grants and contracts receivable		5,303	(38,182)
Inventory		4,678	(1,291)
Contributions receivable		10,546	(1,000)
Other assets		(781)	(13,489)
Accounts payable and accrued expenses		(8,497)	24,033
Accrued vacation and severance		4,294	1,935
Program advances		6,998	(1,488)
Deferred revenue and other liabilities		3,810	44
Right-of-use operating lease liabilities		(3,575)	—
Deferred rent obligation		—	(379)
Net cash (used in) provided by operating activities		(73,978)	68,956
Cash flows from investing activities:			
Purchases of property and equipment		(1,692)	(2,140)
Proceeds from sale or redemption of investments		22,350	2,252
Purchases of investments		(11,507)	(6,719)
Sales (purchases) from short-term investments, net		17,217	(19,790)
Net cash provided by (used in) investing activities		26,368	(26,397)
Cash flows from financing activities:			
Proceeds from contributions under split-interest agreements		293	200
Payments to beneficiaries		(34)	(657)
Net cash provided by (used in) financing activities		259	(457)
Net (decrease) increase in cash and cash equivalents		(47,351)	42,102
Cash and cash equivalents at beginning of year		273,609	231,507
Cash and cash equivalents at end of year	$	226,258	273,609
Supplemental information:			
Noncash contributed goods and services	$	17,589	12,136
Right-of-use assets obtained in exchange for operating lease liabilities		11,292	—

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

International Rescue Committee, Inc. and its subsidiaries (IRC) is a private, not-for-profit organization that serves refugees and communities victimized by oppression or violent conflict worldwide. IRC helps people whose lives and livelihoods are shattered by conflict and disaster to survive, recover, and gain control of their future. IRC leads the humanitarian field by implementing high-impact, cost-effective programs for people affected by crisis and by using its learning and experience to shape policy and practice.

IRC operates via an incorporated civil not-for-profit company according to article 741 Civil Code of Greece under the name of IRC Hellas. IRC owns 99% of IRC Hellas. IRC also operates through a separate incorporated and registered not-for-profit company in Germany as IRC Deutschland gGmbh, where IRC is the 100% shareholder of this entity under German law. In 2019, IRC incorporated a subsidiary office in Sweden for the purpose of private fund-raising, which IRC owns 100%. In 2022 IRC incorporated separate offices in Poland to implement a program that supports Ukrainian refugees in Poland and South Korea for purpose of fund-raising, which IRC owns 100%. In FY23 IRC started operation in Guatemala as Comité Internacional De Rescate, which IRC owns 100%.

IRC is affiliated with two separately incorporated and non-consolidated entities: International Rescue Committee, U.K. (IRC-UK) and International Rescue Committee, Belgium ASBL.

(b) Basis of Accounting

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

- *Without donor restrictions* – Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. As reflected in the accompanying consolidated financial statements and discussed below, IRC's board of directors has designated a portion of IRC's net assets without donor restrictions for specific purposes.
- *With donor restrictions* – Net assets 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. Also included in this category are net assets subject to donor-imposed restrictions that they be maintained in perpetuity by IRC and only income be used as specified by the donor. Certain emergency funds allow temporary use of principal.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as release from restrictions in the consolidated statement of activities. Restricted gifts are recorded as net assets without donor restrictions if the restrictions are fulfilled in the same time period in which the contribution is received. IRC adopts the simultaneous release option for donor-restricted conditional grants that are recognized and used within the same reporting period and, thus, are reported as net assets without donor restrictions.

(c) Fair Value Measurements

IRC follows the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. Fair value is defined as the exchange price that would be received to sell 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 or published market prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments.
- Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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

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

(d) Grants, Contracts, and Contributions

IRC receives grants, contracts, and contributions from a number of sources, including federal, foreign, and local governments, private foundations, corporations, individuals, and others. Grants and government contracts are considered nonexchange transactions and are reported as revenue when expenses are incurred in accordance with the specific terms and conditions of the agreement and are classified as grants and contracts or foundation and private grants in the consolidated statement of activities. Accordingly, amounts received but not recognized as revenue are classified in the consolidated balance sheet as program advances, and amounts expended but not yet received are classified as grants and contracts receivable.

Contributions, including unconditional promises to give (pledges), are recognized initially at fair value as revenue in the period received or pledged and when all conditions have been met. Contributions are considered to be without donor restriction unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions to be received after one year are discounted using a risk-adjusted rate. Bequest income is recorded when the will has passed through the probate court and amounts can be reasonably determined.

Revenues from nonexchange transactions are conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor’s obligation to transfer assets. Conditional promises to give are recognized only when the barriers on which they depend are met and the promises become unconditional. IRC has elected the simultaneous release option for conditional grants and government contracts that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted revenue for which the purpose restrictions are met in the same reporting period.

Conditional contributions, grants, and contracts are related to funding for the establishment of new programs or continuation of current programs within IRC’s overall mission, subject to the terms of each funding agreement. At September 30, 2023, IRC has $1,373,184 of conditional public donor promises to give in the form of measurable performance related or other barriers and right of return that have not been reflected in the accompanying consolidated financial statements.

(e) Endowment Funds

IRC’s endowment is subject to the provision of the New York Prudent Management of Institutional Funds Act (NYPMIFA). IRC classifies as donor-restricted endowment funds (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 held in perpetuity is classified as net assets with donor restrictions until appropriated for expenditure.

(i) 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 bequests without donor restrictions, extraordinary gifts (as determined by the board of directors), and portions of surpluses in operating funds for this purpose.

(Amounts in thousands)

(ii) Donor-Restricted Endowment

In further support of the long-term financial stability of the organization, IRC receives donations for which the principal must be maintained in perpetuity. 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 emergency 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.

		2023	2022
Contributed goods and services:			
Household supplies and facilities	$	4,842	3,381
Fuel and parts		281	1,417
Health and nutrition		10,179	7,038
Professional service		2,287	300
Total contributed goods and services	$	17,589	12,136

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. Fair value reflects estimated wholesale values that would be received for selling similar products in the United States. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenue and are not reported in the consolidated financial statements.

(g) Split-Interest Agreements

IRC is the beneficiary of a number of split-interest agreements with donors. IRC may control donated assets and may share with the donor or the donor’s designee income generated from those assets until such time as stated in the agreement, at which time the remaining assets are for IRC’s general use.

IRC records the assets of the agreements (at fair value) if the assets are controlled and invested by IRC. IRC records nonoperating revenue at the date the agreement is established after recording a liability for the present value of the estimated future payments expected to be made to the beneficiaries. The carrying amount approximates fair value. Adjustments to the annuity liabilities to reflect the amortization of the discount and revaluation of expected future payments to beneficiaries based on changes in actuarial assumptions are made annually and recognized as a nonoperating activity in the consolidated statement of activities 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 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, 2023 and 2022 ranged from 0.47% to 11.00%.

(h) Functional Expense Allocations

The majority of the expenses can generally be directly identified with the program or supporting service to which they relate (management and general or fund-raising) and are charged accordingly.

Other expenses are allocated to the functional categories based on allocation factors determined by management, such as square footage for occupancy costs and time and effort reporting for personnel costs. For functions where roles or activities can change during the year, IRC sets an allocation percentage annually and updates the percentages during the fiscal year if roles or activities change.

(i) Operations

IRC excludes from operating activities contributions that are restricted for endowment; new contributions, changes in value and investment return related to split-interest agreements; investment return of the Freedom Fund less than or in excess of the spending rate (note 3); foreign exchange gains and losses; and other nonrecurring items. All other revenue and expenses are included in operating activities.

(j) Cash and Cash Equivalents

For the purposes of the consolidated 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, certificates of deposit, and commercial paper with original maturities less than 12 months.

(l) Investments

Investments are stated at fair value based on quoted or published market prices except for the fair values of alternative investments that include hedge funds, direct lending funds, and private equity funds, which are stated at net asset value (NAV) as provided by the general partners and fund managers, respectively, based upon the underlying net assets of the funds. These estimated values are reviewed and evaluated by management for reasonableness. Alternative investments are generally less liquid than other investments, and the reported fair value may differ significantly from the values that would have been reported had a ready market for these securities existed. Included in the investments of the alternative investments are certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying

(Continued)

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 or distributed by IRC.

(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) Leases

IRC leases several facilities and equipment for its programs and operation across its operating locations. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. IRC determines these assets are leased because IRC has the right to obtain substantially all the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because IRC determines it does not have the right to control and direct the use of the identified asset. IRC’s lease agreement does not contain any material residual value guarantees or material restrictive covenants. Leases with an original term of twelve months or less are not recorded on the consolidated balance sheet.

Leases result in the recognition of right-of-use (ROU) asset and lease liability on the consolidated balance sheet. ROU assets represent the right to use an underlying asset for the lease term and are recognized in an amount equal to the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Lease liabilities represent the present value of the future lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the risk-free discount rate at lease inception for operating leases. IRC uses the first day of month US treasury risk free discount rate for leases during the month. IRC determines lease classification as operating or finance at the lease commencement date. IRC has no finance leases.

(Continued)

(p) Foreign Currency Translation

IRC applies the current rate method of translation when including the accounts of its foreign offices. All foreign-denominated assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the consolidated balance sheet date. Revenue and expenses are translated at the average rate in effect during the year. The resulting translation gain for 2023 and loss in 2022 of $20,002 and $(13,670), respectively, are reflected in the consolidated statement of activities.

(q) Tax Status

The Internal Revenue Service has ruled that, pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code), IRC is exempt from federal income taxes and is a publicly supported organization, as defined in Section 509(a)(1) of the Code. As a not-for-profit organization, IRC is also generally exempt from state and local income taxes. Accordingly, IRC is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purposes. IRC utilizes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. No provision for income taxes was required for fiscal year 2023 or 2022.

(r) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Estimates and assumptions include the valuation of alternative investments and the allocation of expenses to functional classifications.

(s) Comparative Financial Information

The consolidated statements of activities and functional expenses are presented with prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with IRC's 2022 consolidated financial statements, from which the comparative totals were derived.

(t) Reclassifications

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation.

(u) Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Topic 842 requires recognition of rights and obligations arising from lease contracts as assets and liabilities on the balance sheet. Topic 842 also requires expanded qualitative and quantitative disclosures. IRC adopted this ASU on a modified retrospective basis transition approach using the effective date method, which was October 1, 2022. IRC's ROU assets and lease liabilities for operating leases at October 1, 2022 were $125,152 and $136,607 respectively.

(Amounts in thousands)

IRC elected the package of practical expedients under the new standard, which permits entities to not reassess lease classifications, lease identifications or initial direct costs for existing or expired leases prior to the effective date. IRC also elected to utilize the risk-free rate for all operating leases. IRC elected the practical expedient to account for non-lease components and the lease components to which they relate as a single component for all operating leases.

(2) Investments

(a) Fair Value Hierarchy

The following tables present IRC's investments (including short-term investments) at fair value, the only financial instruments measured at fair value as of September 30, 2023 and 2022:

	2023		
	Level 1	**NAV**	**Total**
Cash and cash equivalents	$ 364	—	364
Short-term investments (endowment)	12	—	12
Equities:			
Mutual funds:			
United States	39,895	—	39,895
International	24,610	—	24,610
Commingled funds	8,128	—	8,128
Total equities	72,633	—	72,633
Fixed income:			
Direct ownership:			
U.S. government/agency	348	—	348
Mutual funds:			
U.S. government/agency	20	—	20
U.S. corporate and other	20,678	—	20,678
Commingled funds	3,994	—	3,994
Total fixed income	25,040	—	25,040
Direct lending funds	—	8,900	8,900
Hedge funds	—	20,679	20,679
Private equity funds	—	4,652	4,652
Total investments	$ 98,049	34,231	132,280
Short-term investments (operating)	$ 2,775	—	2,775

(Amounts in thousands)

	2022		
	Level 1	**NAV**	**Total**
Cash and cash equivalents	$ 164	—	164
Short-term investments (endowment)	12	—	12
Equities:			
Mutual funds:			
United States	43,414	—	43,414
International	20,556	—	20,556
Commingled funds	6,996	—	6,996
Total equities	70,966	—	70,966
Fixed income:			
Direct ownership:			
U.S. government/agency	310	—	310
Mutual funds:			
U.S. government/agency	20	—	20
U.S. corporate and other	14,573	—	14,573
Commingled funds	3,998	—	3,998
Total fixed income	18,901	—	18,901
Direct lending funds	—	10,325	10,325
Hedge funds	—	24,365	24,365
Private equity funds	—	2,595	2,595
Total investments	$ 90,043	37,285	127,328
Short-term investments (operating)	$ 19,992	—	19,992

Investments at September 30, 2023 and 2022 include $119,601 and $115,840, respectively, relating to IRC's Freedom Fund (note 11) and $12,679 and $11,488, respectively, relating to split-interest agreements.

IRC has an investment committee comprising members of the board of directors and overseers, which is charged with the responsibility of providing fiduciary oversight over IRC's investments. The investment committee meets with executive management and external advisers on a regular basis to review investment performance, asset allocation, and investment manager performance.

(Amounts in thousands)

(b) Strategies of Hedge, Direct Lending, and Private Equity Funds

The following table lists the investment strategies, redemption terms, and assets for hedge, direct lending, and private equity funds measured at fair value as of September 30, 2023:

		Total fair value		Redemption dates per year	Redemption notice period
Direct lending funds	$	8,900	(a)	N/A	N/A
Hedge funds:					
Distressed debt		5,927		Quarterly	65 Days
Multistrategy		12,443		Annually/Quarterly	90 Days
Long-short equity		2,309		Monthly	60 Days
Total hedge funds		20,679	(b)		
Private equity funds		4,652	(c)	N/A	N/A
Total	$	34,231			

The following provides details for the investment strategies listed above:

(i) Direct Lending Funds

These consist of three investments in direct lending funds that provide debt financing for mid-market companies. These investments have commitments of six and ten years remaining.

(ii) Hedge Funds

These consist of $20,679 invested in three hedge funds at September 30, 2023. All three 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, 2023, the IRC's combined investments in these funds included 29% credit strategies, 11% long short strategies, and 60% multistrategies.

(iii) Private Equity Funds

These consist of $4,652 invested in three private equity funds at September 30, 2023. The private equity funds undertake investment strategies that invest principally in privately issued equity-related securities. Private credit category includes strategies that participate in venture capital, leveraged buyouts, and control-oriented distressed situations.

At September 30, 2023, IRC had unfunded commitments to limited partnerships amounting to $10,612.

(Amounts in thousands)

(3) Investment Return

IRC maintains a spending rate policy on the Freedom Fund (note 11) invested assets. The spending rate policy was designed to preserve the value of the investment portfolio in real terms and to reduce the impact of market fluctuations on operations. The spending rate used for operations is set at 4.5% of the previous three-year rolling average fair value. In addition to the return on the Freedom Fund invested assets, investment return used for operations includes investment income on working capital cash and short-term investments. Return on investment is shown net of investment manager fees at September 30, 2023 and 2022.

(4) Contributions Receivable

Contributions receivables are expected to be collected at September 30, 2023 as follows:

		2023	2022
Amounts expected to be collected:			
In one year or less	$	20,150	17,012
In one year to five years		6,150	20,238
In more than five years		—	5
		26,300	37,255
Less:			
Discount to present value (rates from 0.09% to 4.05%)		(506)	(915)
Total		25,794	36,340
Split-interest agreements – contributions receivable		76	98
Total contributions receivable, net	$	25,870	36,438

The amounts receivable from two donors represent approximately 66% and 63% of the gross receivable as of September 30, 2023 and 2022, respectively.

(Amounts in thousands)

(5) Property and Equipment

Property and equipment consisted of the following as of September 30, 2023 and 2022:

		2023	2022
Furniture and equipment	$	5,377	4,481
Cars, vans, and mobile units		6,003	5,571
Construction in progress		—	10
Leasehold improvements		19,091	18,717
Donated art portfolios		74	74
		30,545	28,853
Less accumulated depreciation and amortization		(17,504)	(15,815)
	$	13,041	13,038

(6) Leases

IRC’s leases expire at various dates through 2035. Certain leases have either rent abatement, lease incentives or an escalating fee schedule, which range from a stated percentage or dollar increase each year in accordance with the contracted annual rental amounts for the respective lease agreement. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. The difference between the expensed lease amount and actual payments is reported as deferred rent obligation in the consolidated balance sheet. Lease expense for the years ended September 30, 2023 and 2022 was $22,940 and $19,977, respectively.

Operating lease installments are due in future years as follows:

		Amount
Year(s) ending September 30:		
2024	$	23,106
2025		16,905
2026		13,574
2027		12,034
2028		11,153
Thereafter		108,525
		185,297
Less discount to present value		(43,408)
Total operating lease liabilities	$	141,889

(Amounts in thousands)

Other related information for the year ended September 30, 2023 is as follows:

Weighted average remaining lease term	13.4 years
Weighted average discount rate	3.96 %

(7) 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.

IRC's International Retirement Plan (IRP) began effective April 1, 2019 and covers all non-U.S. based expatriate personnel subject to plan eligibility requirements. IRC makes contributions based on a prescribed matching schedule of employee contributions. Employee contributions up to 5% of compensation are eligible for a matching contribution by IRC. Matching contributions are deposited in the plan each payroll period based on 100% of the basic employee contribution up to the first 5% of compensation. IRC provides 5% of compensation for base contributions, in addition to the existing matching contributions program, which allows for immediate eligibility and vesting for the base contributions.

Pension expense relating to the defined-contribution plan for 2023 and 2022 was $19,028 and $16,222, respectively.

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

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

(Continued)

(Amounts in thousands)

(8) Significant Funders and Concentrations of Credit Risk

Grants and contracts revenues were from the following for the years ended September 30, 2023 and 2022:

		2023	2022
U.S. federal and local government agencies	$	587,034	467,187
European agencies		287,010	280,300
United Nations agencies		80,854	96,219
Other agencies		35,273	33,075
	$	990,171	876,781

During the year ended September 30, 2023, 12% and 15% (19% and 15% during fiscal year 2022) 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 Bureau for Humanitarian 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, 2023, approximately 66% of the $92,000 revenues from foundation and private donors comprised grants from seven donors (59% from seven donors during fiscal year 2022).

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, 2023 and 2022, 49% and 40%, respectively, are deposited in banks in foreign locations. At September 30, 2023 and 2022, 39% and 31%, respectively, of grants and contracts receivable are due from the European Union agencies, including EuropeAid, the European Commission Humanitarian Aid Office, and the United Kingdom's Department for International Development, through IRC's subsidiaries and foreign affiliates (note 12).

(9) Grants and Contracts Receivable and Program Advances

Grants and contracts receivable were from the following sources as of September 30, 2023 and 2022:

		2023	2022
U.S. federal and local government agencies	$	71,204	95,288
United Nations agencies		17,529	12,995
European agencies		63,685	50,244
Foundation and private donors		5,819	5,515
Other agencies		2,998	2,496
	$	161,235	166,538

(Amounts in thousands)

Program advances, included in cash and cash equivalents and short-term investments, were received from the following sources as of September 30, 2023 and 2022:

		2023	2022
U.S. federal and local government agencies	$	30,642	8,294
United Nations agencies		13,902	10,162
European agencies		93,356	94,975
Foundation and private donors		38,979	56,430
Other agencies		18,400	18,420
	$	195,279	188,281

In accordance with the terms of certain government contracts, the records of IRC are subject to audit for varying periods after the date of final payment of the contracts. IRC is liable for any disallowed costs. In the opinion of management, adjustments that might result from such audits would not have a significant effect on IRC's consolidated balance sheet or consolidated statement of activities.

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions as of September 30, 2023 and 2022 are as follows:

		2023	2022
Time restrictions:			
Split-interest agreements	$	281	288
General purpose		11,569	10,544
Purpose restrictions:			
Latin America		1,185	1,973
Middle East programs		8,597	4,056
Asian programs		3,312	7,136
Emergency preparedness, technical units, and other		67,577	122,739
African programs		10,408	10,383
Total Crisis Response, Recovery & Development (CRRD)		91,079	146,287
Resettlement, Asylum and Integration (RAI) (U.S and Europe)		27,111	56,024
Supporting services		223	14,891
Donor endowment and emergency funds		55,543	55,543
	$	185,806	283,577

(Amounts in thousands)

The income earned on donor endowment and emergency funds as of September 30, 2023 and 2022 is available for the following purposes:

		2023	2022
Reproductive health	$	9,870	9,870
Emergency response		9,414	9,414
Resettlement, Asylum and Integration (RAI) (U.S. and Europe)		1,203	1,203
President’s office		1,000	1,000
Children’s programs		294	294
International programs		99	99
General purposes		33,663	33,663
	$	55,543	55,543

(11) Freedom Fund

IRC’s Freedom Fund comprises the board-designated endowment and donor endowment funds. As of September 30, 2023, and 2022, the Freedom Fund is categorized on the consolidated balance sheet as follows:

		2023	2022
Assets:			
Cash and cash equivalents (due to operating)	$	82	(7,792)
Investments		119,601	115,840
Total	$	119,683	108,048
Net assets:			
Board-designated endowment	$	52,571	47,571
With donor restrictions – reinvested return		11,569	4,934
With donor restrictions – endowment fund corpus		55,543	55,543
Total	$	119,683	108,048

The IRC endowment consists of 19 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).

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

(Amounts in thousands)

Endowment net assets, which exclude contributions receivable, consist of the following at September 30, 2023 and 2022:

		2023		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted	$	—	67,112	67,112
Board-designated		52,571	—	52,571
Total	$	52,571	67,112	119,683

		2022		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted	$	—	60,477	60,477
Board-designated		47,571	—	47,571
Total	$	47,571	60,477	108,048

Changes in endowment net assets, which exclude contributions receivable, for the fiscal years ended September 30, 2023 and 2022 were as follows:

		2023		
		Without donor restrictions	**With donor restrictions**	**Total**
Net assets, September 30, 2022	$	47,571	60,477	108,048
Investment gains, net		9,388	7,869	17,257
Distributions		(4,388)	(1,234)	(5,622)
Net assets, September 30, 2023	$	52,571	67,112	119,683

		2022		
		Without donor restrictions	**With donor restrictions**	**Total**
Net assets, September 30, 2021	$	58,030	74,185	132,215
Investment loss, net		(6,135)	(12,492)	(18,627)
Distributions		(4,324)	(1,216)	(5,540)
Net assets, September 30, 2022	$	47,571	60,477	108,048

(Continued)

(Amounts in thousands)

(12) Foreign Affiliates

IRC is currently affiliated with two separately incorporated organizations: International Rescue Committee, U.K. (IRC-UK) and International Rescue Committee, Belgium ASBL. Revenue provided by IRC-UK, primarily funded by Department for International Development, was $125,930 and $125,261 for fiscal years 2023 and 2022, respectively, and is included in grants and contracts and contributions in the consolidated statement of activities. Program advances from the IRC-UK were $22,639 and $12,955 as of September 30, 2023 and 2022, respectively.

(13) 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 consolidated balance sheet or consolidated statement of activities of IRC.

(14) Liquidity and Availability of Resources

Financial assets and other liquidity resources available for general expenditure within one year from September 30, 2023 and 2022 are as follows:

		2023	2022
Financial assets:			
Cash and cash equivalents	$	226,258	273,609
Short-term investments		2,775	19,992
Grants and contracts receivable		161,235	166,538
Contributions receivable		20,150	17,012
Total financial assets available		410,418	477,151
Other liquidity resources:			
Board-designated		52,571	47,571
Endowment spending		5,578	5,443
Total financial assets and other liquidity resources	$	468,567	530,165

General expenditure includes program and operational expenses. IRC is able to draw down and receive funds on a monthly basis in advance from donors to implement its programs. IRC Treasury units manage the cash flow and liquidity of its assets in order to meet the cash needs for the organization.

(15) Subsequent Events

In connection with the preparation of the consolidated financial statements, IRC evaluated subsequent events from September 30, 2023 through March 20, 2024, which was the date the consolidated financial statements were available to be issued, and concluded, no additional disclosures are required.