

FINANCIAL STATEMENTS

NORWEGIAN REFUGEE COUNCIL USA

**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

NORWEGIAN REFUGEE COUNCIL USA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Norwegian Refugee Council USA
Washington, D.C.

We have audited the accompanying financial statements of the Norwegian Refugee Council USA (NRC USA), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NRC USA as of December 31, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited NRC USA's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

February 27, 2018

NORWEGIAN REFUGEE COUNCIL USA
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 100,648	\$ 85,122
Contributions receivable	53	2,500
Accounts receivable	14	-
Prepaid expenses	<u>10,687</u>	<u>6,416</u>
Total current assets	<u>111,402</u>	<u>94,038</u>
OTHER ASSETS		
Security deposits	<u>13,798</u>	<u>7,711</u>
TOTAL ASSETS	<u>\$ 125,200</u>	<u>\$ 101,749</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>2,000</u>	\$ <u>15,216</u>
NET ASSETS		
Temporarily restricted	<u>123,200</u>	<u>86,533</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 125,200</u>	<u>\$ 101,749</u>

NORWEGIAN REFUGEE COUNCIL USA

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Grants and contributions:				
Norwegian Refugee Council	\$ 7,410	\$ 606,710	\$ 614,120	\$ 484,850
Individuals	31,293	6,970	38,263	3,750
Contributed services	174,627	-	174,627	64,615
Net assets released from donor restrictions	<u>577,013</u>	<u>(577,013)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>790,343</u>	<u>36,667</u>	<u>827,010</u>	<u>553,215</u>
EXPENSES				
Program Services:				
Advocacy	274,227	-	274,227	201,482
Program Support and Compliance	<u>253,851</u>	<u>-</u>	<u>253,851</u>	<u>145,149</u>
Total program services	<u>528,078</u>	<u>-</u>	<u>528,078</u>	<u>346,631</u>
Supporting Services:				
Board and Committees	25,628	-	25,628	10,723
Fundraising	55,874	-	55,874	-
General and Administrative	<u>180,763</u>	<u>-</u>	<u>180,763</u>	<u>109,328</u>
Total supporting services	<u>262,265</u>	<u>-</u>	<u>262,265</u>	<u>120,051</u>
Total expenses	<u>790,343</u>	<u>-</u>	<u>790,343</u>	<u>466,682</u>
Change in net assets	-	36,667	36,667	86,533
Net assets at beginning of year, as re stated	<u>-</u>	<u>86,533</u>	<u>86,533</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 123,200</u></u>	<u><u>\$ 123,200</u></u>	<u><u>\$ 86,533</u></u>

NORWEGIAN REFUGEE COUNCIL USA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017							2016	
	Program Services			Supporting Services				Total Expenses	Total Expenses
	Advocacy	Program Support and Compliance	Total Program Services	Board and Committees	Fundraising	General and Administrative	Total Supporting Services		
Salaries, payroll taxes and benefits	\$ 195,136	\$ 67,926	\$ 263,062	\$ 15,107	\$ 39,323	\$ 139,437	\$ 193,867	\$ 456,929	\$ 287,106
Printing and production	-	-	-	-	-	97	97	97	1,151
Professional fees	-	147,034	147,034	783	-	53,854	54,637	201,671	86,154
Occupancy	-	-	-	-	-	43,868	43,868	43,868	37,110
Insurance	-	-	-	-	-	4,843	4,843	4,843	3,163
Telephone and internet	621	-	621	-	261	5,489	5,750	6,371	5,570
Travel	12,997	7,767	20,764	447	1,321	4,988	6,756	27,520	15,001
Postage and delivery	263	-	263	-	-	147	147	410	32
Supplies	-	-	-	-	-	4,562	4,562	4,562	3,770
Grants	-	6,970	6,970	-	-	-	-	6,970	-
Subscriptions and membership fees	2,100	5,400	7,500	-	-	41	41	7,541	2,775
Entertainment costs	-	-	-	75	-	298	373	373	4,846
Advertising and promotion	1,477	716	2,193	-	2,898	149	3,047	5,240	589
Events and meetings	3,794	(2,100)	1,694	4,733	71	1,649	6,453	8,147	7,808
Furniture and equipment	-	-	-	-	-	15,142	15,142	15,142	11,203
Bank fees and other	-	-	-	-	340	319	659	659	404
Sub-total	216,388	233,713	450,101	21,145	44,214	274,883	340,242	790,343	466,682
Allocation of general and administrative expenses	57,839	20,138	77,977	4,483	11,660	(94,120)	(77,977)	-	-
TOTAL	\$ 274,227	\$ 253,851	\$ 528,078	\$ 25,628	\$ 55,874	\$ 180,763	\$ 262,265	\$ 790,343	\$ 466,682

See accompanying notes to financial statements.

NORWEGIAN REFUGEE COUNCIL USA

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 36,667	\$ 86,533
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (increase) in:		
Contributions receivable	2,447	(2,500)
Accounts receivable	(14)	-
Prepaid expenses	(4,271)	(6,416)
Security deposits	(6,087)	(7,711)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(13,216)</u>	<u>15,216</u>
Net cash provided by operating activities	<u>15,526</u>	<u>85,122</u>
Net increase in cash and cash equivalents	15,526	85,122
Cash and cash equivalents at beginning of year	<u>85,122</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 100,648</u>	<u>\$ 85,122</u>

NORWEGIAN REFUGEE COUNCIL USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Norwegian Refugee Council USA (NRC USA) is a non-profit organization, incorporated under the laws of the District of Columbia during October, 2015 and commenced operations during 2016. NRC USA was established with two primary objectives; raising money for the Norwegian Refugee Council's (Note 2) overseas programs that meet the needs of conflict-affected refugees and internally displaced people, and providing humanitarian policy advice to the administration, congress and peer non-governmental organizations. NRC USA is also a resource to universities, think tanks, and the general public on refugee issues and seeks financial support and partnerships with U.S. based individuals, foundations and corporations.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NRC USA's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash and cash equivalents -

NRC USA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, NRC USA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Receivables -

Receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Income taxes -

NRC USA 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. NRC USA is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2017, NRC USA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

NORWEGIAN REFUGEE COUNCIL USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Net asset classification -

The net assets are reported in two 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 NRC USA.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of NRC USA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions 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. If the donor stipulation for temporarily restricted grants and contributions are met in the year the notification is received, grants and contributions are shown as unrestricted net assets in the accompanying financial statements. Funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Contributed services -

Contributed services consist of donated legal services which allowed NRC USA to provide additional resources in achieving its mission. Contributed services are recorded at their fair market value as of the date of the gift and have been included in revenue and expense for the year ended December 31, 2017.

Use of estimates -

The preparation of the 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 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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New accounting pronouncements (not yet adopted) -

In August 2016, the 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.

NORWEGIAN REFUGEE COUNCIL USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

New accounting pronouncements (not yet adopted) (continued) -

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 Statement of Activities and Change 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. 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 NRC USA's financial statements, it is not expected to alter the NRC USA's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. NRC USA has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

NRC USA plans to adopt the new ASUs at the respective required implementation dates.

2. AFFILIATION WITH THE NORWEGIAN REFUGEE COUNCIL (CONCENTRATION OF REVENUE)

As discussed in Note 1, NRC USA is affiliated with the Norwegian Refugee Council (NRC), an international non-governmental organization based in Oslo, Norway. NRC USA is affiliated with NRC through a shared programmatic vision and mission, as well as through common staff members and board members. During 2017, NRC provided NRC USA with funding in the amount of \$614,120, which represented approximately 94% of NRC USA's total revenue (excluding contributed services) for the year ended December 31, 2017.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

NRC (Unexpended Funds)	\$ <u>123,200</u>
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NORWEGIAN REFUGEE COUNCIL USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purpose specified by the donor:

NRC (Expended Funds)	\$ 570,043
Individual Contributions (Various Country Programs)	<u>6,970</u>
	<u>\$ 577,013</u>

4. LEASE COMMITMENTS

NRC USA leases office space under a two-year agreement, which originated in April 2016. NRC USA is responsible for the base rent, plus a proportionate share of the building's operating expenses.

On December 15, 2017, NRC USA entered a new lease agreement for furnished office space for three years commencing on May 1, 2018. Base rent is \$73,035 per year, increasing by a factor of 4% per year.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2018	\$ 62,698
2019	74,864
2020	77,671
2021	<u>26,206</u>
	<u>\$ 241,439</u>

Occupancy expense for the year ended December 31, 2017 was \$43,868.

5. RETIREMENT PLAN

NRC USA provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with at least 1,000 hours of service. NRC USA provides a 100% match of each eligible employee's contribution, up to the first three percent (3%) of compensation and 50% of the next two percent (2%) of compensation. All contributions to the plan are immediately vested. Contributions to the plan during the year ended December 31, 2017 totaled \$13,388.

6. CLARIFICATION OF DONATION FROM NRC

During 2018, management of the Norwegian Refugee Council (Note 2) clarified their intent with respect to the funding provided to NRC USA. In accordance with the proposed implementation agreement between NRC and NRC USA, the funding received from NRC is to be recognized as unrestricted revenue only to the extent of unfunded expenses.

NORWEGIAN REFUGEE COUNCIL USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. CLARIFICATION OF DONATION FROM NRC (Continued)

Accordingly, the 2016 financial statements have been retroactively restated to account for this clarification. As a result, the unrestricted net assets balance at December 31, 2016 was decreased to zero and the temporarily restricted net assets balance at December 31, 2016 was increased to \$86,533.

7. SUBSEQUENT EVENTS

In preparing these financial statements, NRC USA has evaluated events and transactions for potential recognition or disclosure through February 27, 2018, the date the financial statements were issued.