

FINANCIAL STATEMENTS

NORWEGIAN REFUGEE COUNCIL USA

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

NORWEGIAN REFUGEE COUNCIL USA

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CPAs & ADVISORS

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

May 5, 2020

NORWEGIAN REFUGEE COUNCIL USA
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS			
		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	837,312	\$ 235,419
Due from NRC Oslo		64,683	-
Contributions receivable		2,136	15,680
Grants receivable		570,026	-
Prepaid expenses		<u>8,923</u>	<u>2,769</u>
Total current assets		<u>1,483,080</u>	<u>253,868</u>
OTHER ASSETS			
Security deposits		<u>6,086</u>	<u>6,086</u>
TOTAL ASSETS	\$	<u>1,489,166</u>	<u>259,954</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	<u>7,714</u>	\$ <u>2,216</u>
NET ASSETS			
Without donor restrictions		-	-
With donor restrictions		<u>1,481,452</u>	<u>257,738</u>
Total net assets		<u>1,481,452</u>	<u>257,738</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,489,166</u>	<u>259,954</u>

NORWEGIAN REFUGEE COUNCIL USA

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions and grants:				
Norwegian Refugee Council	\$ 161,134	\$ 300,000	\$ 461,134	\$ 776,488
Individuals and foundations	150,898	1,555,625	1,706,523	102,771
U.S. Government	10,026	-	10,026	-
Contributed services	7,786	-	7,786	277,908
Net assets released from donor restrictions	<u>631,911</u>	<u>(631,911)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>961,755</u>	<u>1,223,714</u>	<u>2,185,469</u>	<u>1,157,167</u>
EXPENSES				
Program Services:				
Advocacy	255,477	-	255,477	395,790
Program Support and Compliance	226,984	-	226,984	224,986
Other Projects	<u>95,024</u>	<u>-</u>	<u>95,024</u>	<u>-</u>
Total program services	<u>577,485</u>	<u>-</u>	<u>577,485</u>	<u>620,776</u>
Supporting Services:				
Board and Committees	9,791	-	9,791	11,514
Fundraising	12,665	-	12,665	93,939
General and Administrative	<u>361,814</u>	<u>-</u>	<u>361,814</u>	<u>296,400</u>
Total supporting services	<u>384,270</u>	<u>-</u>	<u>384,270</u>	<u>401,853</u>
Total expenses	<u>961,755</u>	<u>-</u>	<u>961,755</u>	<u>1,022,629</u>
Change in net assets	-	1,223,714	1,223,714	134,538
Net assets at beginning of year	<u>-</u>	<u>257,738</u>	<u>257,738</u>	<u>123,200</u>
NET ASSETS AT END OF YEAR	<u>\$ -</u>	<u>\$ 1,481,452</u>	<u>\$ 1,481,452</u>	<u>\$ 257,738</u>

NORWEGIAN REFUGEE COUNCIL USA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019								2018	
	Program Services				Supporting Services					
	Advocacy	Program Support and Compliance	Other Projects	Total Program Services	Board and Committees	Fundraising	General and Administrative	Total Supporting Services	Total Expenses	Total Expenses
Salaries, payroll taxes and benefits	\$ 227,655	\$ 143,128	\$ 78,657	\$ 449,440	\$ 4,024	\$ 4,293	\$ 198,281	\$ 206,598	\$ 656,038	\$ 540,604
Professional fees	-	-	13,320	13,320	292	3,844	37,570	41,706	55,026	312,211
Occupancy	15	-	-	15	-	-	80,884	80,884	80,899	66,965
Insurance	-	-	-	-	-	-	4,688	4,688	4,688	4,374
Telephone and internet	701	342	-	1,043	-	-	5,770	5,770	6,813	7,706
Travel	21,063	9,341	2,890	33,294	498	593	10,481	11,572	44,866	41,755
Postage and delivery	-	-	-	-	-	8	322	330	330	175
Grants to NRC Oslo	-	74,173	-	74,173	-	-	-	-	74,173	19,838
Advertising and promotion	5,629	-	157	5,786	-	1,373	525	1,898	7,684	3,578
Events and meetings	414	-	-	414	4,977	1,420	6,202	12,599	13,013	4,570
Furniture and equipment	-	-	-	-	-	-	3,690	3,690	3,690	10,085
Bank and merchant fees	-	-	-	-	-	1,134	89	1,223	1,223	1,063
Other general and administrative expenses	-	-	-	-	-	-	13,312	13,312	13,312	9,705
TOTAL	\$ 255,477	\$ 226,984	\$ 95,024	\$ 577,485	\$ 9,791	\$ 12,665	\$ 361,814	\$ 384,270	\$ 961,755	\$ 1,022,629

See accompanying notes to financial statements.

NORWEGIAN REFUGEE COUNCIL USA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,223,714	\$ 134,538
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (increase) in:		
Due from NRC Oslo	(64,683)	(150)
Contributions receivable	13,544	(15,613)
Grants receivable	(570,026)	-
Prepaid expenses	(6,154)	7,918
Security deposits	-	7,712
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>5,498</u>	<u>366</u>
Net cash provided by operating activities	<u>601,893</u>	<u>134,771</u>
Net increase in cash and cash equivalents	601,893	134,771
Cash and cash equivalents at beginning of year	<u>235,419</u>	<u>100,648</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 837,312</u>	<u>\$ 235,419</u>

NORWEGIAN REFUGEE COUNCIL USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than NRC USA's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, NRC USA adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. NRC USA adopted the ASU using a modified prospective approach.

NORWEGIAN REFUGEE COUNCIL USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

New accounting pronouncements adopted (continued) -

Also during 2019, NRC USA adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way NRC USA recognized revenue; however, the presentation and disclosures of revenue have been enhanced. NRC USA has elected to opt out of all (or certain) disclosures not required for non public entities and also elected a modified retrospective approach for implementation.

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 within one year. 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 and is only subject to tax on unrelated business income. NRC USA is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, 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.

Contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants qualifying as contributions are recorded by NRC USA upon notification of the contribution and grant award and satisfaction of all conditions, if applicable. Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

NORWEGIAN REFUGEE COUNCIL USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Contributions and grants (continued) -

NRC USA receives awards under grants from the U.S. Government for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs.

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, 2019.

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. Costs incurred which are not specifically identifiable to a specific function have been recorded as administrative expenses and then allocated to the functional areas based upon the percentage of total personnel costs attributable to each function.

New accounting pronouncement not yet adopted -

The FASB issued ASU 2019-01, *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 non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

NRC USA plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. AFFILIATION WITH 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.

NORWEGIAN REFUGEE COUNCIL USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

During 2019, NRC provided NRC USA with funding in the amount of \$461,134, which represented approximately 16% of NRC USA's total revenue (excluding contributed services) for the year ended December 31, 2019. As of December 31, 2019, NRC owed NRC USA \$64,683.

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019:

Programmatic Restrictions	\$ <u>1,481,452</u>
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The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

NRC (Expended Funds - Passage of Time)	\$ 557,738
Individual Contributions and Foundations (Various Country Programs - Purpose Restriction Met)	<u>74,173</u>

NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>631,911</u>
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4. LEASE COMMITMENTS

In December 2017, NRC USA entered a three year lease agreement for furnished office space in Washington, D.C. The lease commenced 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,

2020	\$ 77,671
2021	<u>26,206</u>
	\$ <u>103,877</u>

Rent expense incurred under the aforementioned lease is included in occupancy expense in the accompanying Statement of Functional Expenses.

5. RETIREMENT PLAN

NRC USA provides retirement benefits to all employees through a defined contribution plan. Generally, all non-union employees are eligible to participate in the Plan as of their date of hire. 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, 2019 totaled \$14,761.

NORWEGIAN REFUGEE COUNCIL USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

6. AVAILABILITY OF FINANCIAL ASSETS (LIQUIDITY)

The following reflects NRC USA's financial assets as of the date of the Statement of Financial Position, reduced by amounts not available for general use within one year from the date of the Statement of Financial Position because of contractual or donor imposed restrictions or internal designations. Amounts not available will generally include amounts received with donor restrictions, grants receivable not expected to be collected within one year from the date of the Statement of Financial Position and amounts designated for reserves by the Board of Directors.

An analysis of NRC USA's financial assets available to meet cash needs for general expenditures within one year as of December 31, 2019 is as follows:

Cash and cash equivalents	\$ 837,312
Due from NRC Oslo	64,683
Contributions receivable	2,136
Grants receivable	<u>570,026</u>
Subtotal financial assets	1,474,157
Less: Donor restricted funds for specific purposes	<u>(1,481,452)</u>

**DEFICIENCY OF FINANCIAL ASSETS AVAILABLE TO MEET CASH
NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR**

\$ (7,295)

On occasion, there may be a deficiency of financial assets available to meet cash needs for general expenditures within one year due to the timing of when certain funds are received from donors. Pursuant to an agreement between NRC USA and Norwegian Refugee Council (NRC), NRC has agreed to help fund the 2020 budgeted expenses of NRC USA with the exception of the programs implemented by NRC USA.

7. SUBSEQUENT EVENTS

In preparing these financial statements, NRC USA has evaluated events and transactions for potential recognition or disclosure through May 5, 2020, the date the financial statements were issued.

In March of 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of the COVID-19 disease, economic uncertainties have arisen and the potential financial or operational impacts are unknown as this time.