



AND AFFILIATE

**COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

REFUGEPOINT, INC. AND AFFILIATE

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December 31, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors of
RefugePoint, Inc. and Affiliate:

Opinion

We have audited the combined financial statements of RefugePoint, Inc. (a Massachusetts nonprofit corporation) and Affiliate, RefugePoint International (a non-governmental organization registered in Kenya) (collectively, RefugePoint), which comprise the combined statements of financial position as of December 31, 2022 and 2021, and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

In our opinion, based on our audits and the report of the other auditors, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of RefugePoint, Inc. and Affiliate as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of RefugePoint International, an affiliated organization, which statements reflect total assets constituting one percent of combined total assets at December 31, 2022 and 2021, and total revenues constituting less than one percent of combined total revenues, for the years then ended. Those statements, which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on a conversion adjustment to the financial statements of RefugePoint International, for the financial statements to conform to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for RefugePoint International, prior to this conversion adjustment, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RefugePoint and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 to the combined financial statements, on January 1, 2022, RefugePoint adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, using the optional transition method which does not require prior periods to be recast. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 combined 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 combined 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 combined 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 RefugePoint'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RefugePoint'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.

AAFCPA, Inc.

Westborough, Massachusetts
June 5, 2023

REFUGEPOINT, INC. AND AFFILIATE

Combined Statements of Financial Position
December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash and cash equivalents	\$ 12,782,881	\$ -	\$ 12,782,881	\$ 8,941,190	\$ 245,751	\$ 9,186,941
Pledges and accounts receivable	272,341	1,040,000	1,312,341	100,049	1,773,441	1,873,490
Prepaid expenses and other	142,916	-	142,916	127,395	-	127,395
Total current assets	13,198,138	1,040,000	14,238,138	9,168,634	2,019,192	11,187,826
Pledges Receivable, net of current portion and discount	-	693,368	693,368	-	2,029,684	2,029,684
Property and Equipment, net	361,704	-	361,704	344,397	-	344,397
Right-of-Use Asset - Operating	471,287	-	471,287	-	-	-
Website and Software, net	107,838	-	107,838	137,042	-	137,042
Total assets	<u>\$ 14,138,967</u>	<u>\$ 1,733,368</u>	<u>\$ 15,872,335</u>	<u>\$ 9,650,073</u>	<u>\$ 4,048,876</u>	<u>\$ 13,698,949</u>
Liabilities and Net Assets						
Current Liabilities:						
Current portion of operating lease liability	\$ 101,316	\$ -	\$ 101,316	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	473,382	-	473,382	299,243	-	299,243
Conditional grant advance	-	-	-	1,215,458	-	1,215,458
Total current liabilities	574,698	-	574,698	1,514,701	-	1,514,701
Operating Lease Liability, net of current portion	381,251	-	381,251	-	-	-
Paycheck Protection Program Loan	-	-	-	393,431	-	393,431
Total liabilities	955,949	-	955,949	1,908,132	-	1,908,132
Net Assets:						
Without donor restrictions:						
Operating	12,789,751	-	12,789,751	7,287,120	-	7,287,120
Property and other	458,262	-	458,262	481,439	-	481,439
With donor restrictions	-	1,733,368	1,733,368	-	4,048,876	4,048,876
Cumulative adjustment for foreign currency translation	(64,995)	-	(64,995)	(26,618)	-	(26,618)
Total net assets	13,183,018	1,733,368	14,916,386	7,741,941	4,048,876	11,790,817
Total liabilities and net assets	<u>\$ 14,138,967</u>	<u>\$ 1,733,368</u>	<u>\$ 15,872,335</u>	<u>\$ 9,650,073</u>	<u>\$ 4,048,876</u>	<u>\$ 13,698,949</u>

The accompanying notes are an integral part of these combined statements.

REFUGEPOINT, INC. AND AFFILIATE

Combined Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:						
Grants and contributions	\$ 12,280,125	\$ 146,540	\$ 12,426,665	\$ 7,596,950	\$ 5,172,330	\$ 12,769,280
Donated services	84,504	-	84,504	80,615	-	80,615
Interest income and other	72,936	-	72,936	9,935	-	9,935
Net assets released from restrictions:						
Time restrictions	1,778,042	(1,778,042)	-	750,000	(750,000)	-
Purpose restrictions	684,006	(684,006)	-	1,367,410	(1,367,410)	-
Total operating support and revenue	14,899,613	(2,315,508)	12,584,105	9,804,910	3,054,920	12,859,830
Operating Expenses:						
Program services	8,348,337	-	8,348,337	6,211,594	-	6,211,594
General and administrative	805,491	-	805,491	667,334	-	667,334
Fundraising	659,762	-	659,762	527,585	-	527,585
Total operating expenses	9,813,590	-	9,813,590	7,406,513	-	7,406,513
Changes in net assets from operations	5,086,023	(2,315,508)	2,770,515	2,398,397	3,054,920	5,453,317
Non-Operating Revenue (Expense):						
Paycheck Protection Program Loan forgiveness	393,431	-	393,431	314,500	-	314,500
Currency translation loss	(38,377)	-	(38,377)	(32,733)	-	(32,733)
Total non-operating revenue (expense)	355,054	-	355,054	281,767	-	281,767
Changes in net assets	5,441,077	(2,315,508)	3,125,569	2,680,164	3,054,920	5,735,084
Net Assets:						
Beginning of year	7,741,941	4,048,876	11,790,817	5,061,777	993,956	6,055,733
End of year	\$ 13,183,018	\$ 1,733,368	\$ 14,916,386	\$ 7,741,941	\$ 4,048,876	\$ 11,790,817

The accompanying notes are an integral part of these combined statements.

REFUGEPOINT, INC. AND AFFILIATE

Combined Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 3,125,569	\$ 5,735,084
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	80,069	98,580
Paycheck Protection Program Loan forgiveness	(393,431)	(314,500)
Discount on pledges receivable	56,632	10,316
Non-cash lease expense	66,441	-
Changes in operating assets and liabilities:		
Pledges and accounts receivable	1,840,833	(3,029,908)
Prepaid expenses and other	(15,521)	(74,948)
Change in operating lease liability	(55,161)	-
Accounts payable and accrued expenses	174,139	29,408
Conditional grant advance	(1,215,458)	1,215,458
Net cash provided by operating activities	<u>3,664,112</u>	<u>3,669,490</u>
Cash Flows from Investing Activities:		
Investment in website and software	(46,172)	(47,140)
Acquisition of property and equipment	(22,000)	(3,299)
Net cash used in investing activities	<u>(68,172)</u>	<u>(50,439)</u>
Cash Flows from Financing Activities:		
Proceeds from Paycheck Protection Program loan	-	393,431
Net Change in Cash and Cash Equivalents	<u>3,595,940</u>	<u>4,012,482</u>
Cash and Cash Equivalents:		
Beginning of year	<u>9,186,941</u>	<u>5,174,459</u>
End of year	<u><u>\$ 12,782,881</u></u>	<u><u>\$ 9,186,941</u></u>

REFUGEPOINT, INC. AND AFFILIATE

Combined Statement of Functional Expenses

For the Year Ended December 31, 2022

(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022				2021
	Program Services	General and Adminis- trative	Fundraising	Total	Total
Payroll and Related:					
Salaries	\$ 4,473,171	\$ 456,925	\$ 472,840	\$ 5,402,936	\$ 4,292,645
Payroll taxes and fringe benefits	966,510	148,264	98,217	1,212,991	954,588
Total payroll and related	5,439,681	605,189	571,057	6,615,927	5,247,233
Other Expenses:					
Travel	1,706,545	35,118	31,195	1,772,858	973,149
Refugee assistance	388,604	-	-	388,604	312,825
Professional fees	267,214	100,221	19,359	386,794	249,398
Office supplies	160,017	14,654	13,831	188,502	143,563
Occupancy	147,691	12,591	11,881	172,163	152,731
Depreciation and amortization	80,069	-	-	80,069	98,580
Medical clinic supplies	50,765	-	-	50,765	47,645
Miscellaneous	13,761	30,609	5,936	50,306	49,218
Telephone	42,643	428	403	43,474	39,698
Insurance	22,343	2,627	2,479	27,449	19,333
Training	21,108	2,510	1,302	24,920	53,302
Postage, printing and delivery	6,092	1,544	1,702	9,338	19,838
Special events	1,804	-	617	2,421	-
Total other expenses	2,908,656	200,302	88,705	3,197,663	2,159,280
Total expenses	<u>\$ 8,348,337</u>	<u>\$ 805,491</u>	<u>\$ 659,762</u>	<u>\$ 9,813,590</u>	<u>\$ 7,406,513</u>

REFUGEPOINT, INC. AND AFFILIATE

Combined Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	General and Adminis- trative	Fundraising	Total
Payroll and Related:				
Salaries	\$ 3,470,564	\$ 437,192	\$ 384,889	\$ 4,292,645
Payroll taxes and fringe benefits	752,800	114,618	87,170	954,588
Total payroll and related	4,223,364	551,810	472,059	5,247,233
Other Expenses:				
Travel	966,048	4,484	2,617	973,149
Refugee assistance	312,825	-	-	312,825
Professional fees	192,033	41,011	16,354	249,398
Office supplies	122,362	11,426	9,775	143,563
Occupancy	130,487	11,988	10,256	152,731
Depreciation and amortization	98,580	-	-	98,580
Medical clinic supplies	47,645	-	-	47,645
Miscellaneous	5,646	36,830	6,742	49,218
Telephone	38,540	624	534	39,698
Insurance	15,442	2,097	1,794	19,333
Training	42,517	6,162	4,623	53,302
Postage, printing and delivery	16,105	902	2,831	19,838
Total other expenses	1,988,230	115,524	55,526	2,159,280
Total expenses	<u>\$ 6,211,594</u>	<u>\$ 667,334</u>	<u>\$ 527,585</u>	<u>\$ 7,406,513</u>

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

OPERATIONS

RefugePoint, Inc. (the Organization) is a not-for-profit organization incorporated on December 27, 2004. The Organization is based in Boston, Massachusetts and maintains a presence in Nairobi, Kenya and Geneva, Switzerland. In addition, expert staff are placed in locations worldwide, with an emphasis on Africa, to deliver services and influence policy and systems in the humanitarian field.

The Organization's Affiliate, RefugePoint International, is a non-governmental Kenyan organization (the Kenyan Organization). The Kenyan Organization was established with a mission to offer health care, counseling, social services, protection, livelihood support, and resettlement assistance to refugees registered with The Office of the United Nations High Commissioner for Refugees (UNHCR) in Kenya. The address of its registered office and principal place of business is in Nairobi, Kenya.

The Organization and the Kenyan Organization are related through common control and management, and are collectively referred to as RefugePoint throughout these combined financial statements.

Vision: RefugePoint envisions an inclusive world where refugees are supported to rebuild their lives, reach their full potential and contribute to their communities.

Mission: RefugePoint advances lasting solutions for at-risk refugees and supports the humanitarian community to do the same.

Approach: RefugePoint identifies refugees facing the greatest risk, including children, survivors of torture and trauma, women and girls, etc., and delivers services for their immediate protection while seeking lasting solutions, builds capacity with operational partners for program replication and expansion, and works with global decision-makers to improve humanitarian policies, practices, and systems.

RefugePoint works towards two main solutions for refugees:

1. Third Country Solutions

For refugees that cannot remain safely in their countries of first asylum, RefugePoint connects them with opportunities to relocate safely and legally to third countries. This includes through resettlement programs and other pathways such as work/education-based visas or family reunification. This occurs both through direct referrals to governments and in partnership with UNHCR.

With UNHCR, RefugePoint places staff in key locations to assist with the identification, screening, and processing of refugees eligible for resettlement. Beyond positions funded by UNHCR, RefugePoint adds private funds to extend capacity to locations where unmet needs are identified. In addition to resettlement, staff also engage in child protection assessments to determine the best course of action for minors who are in need of protection, enabling some to qualify for resettlement. While many of the interventions are direct service in nature, RefugePoint also places staff to build the capacity of partner agencies and humanitarian support systems.

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS (Continued)

OPERATIONS (Continued)

1. Third Country Solutions (Continued)

Since 2005, RefugePoint has directly helped more than 100,000 refugees to access resettlement and other pathways. On average, refugees wait more than 20 years before finding a solution to their situation. Refugees are often caught in these protracted situations with whom RefugePoint works. Since 2005, RefugePoint has worked in 250 locations in 52 countries.

RefugePoint has influenced global resettlement policy by focusing attention on the pervasive inequitable distribution of resettlement opportunities. RefugePoint has dedicated its own resources to improving equity of access, building resettlement infrastructure in under-reached locations and influencing larger actors to do the same. The vision is that at-risk refugees should have relatively equal access to resettlement opportunities regardless of where they are located.

In recent years, RefugePoint has been at the forefront of testing other legal pathways for refugees to safely relocate to third countries, including piloting an economic mobility program to Canada and assisting minors in Africa to reunite with relatives in Europe (and beyond) through family-based immigration. The vision is to eventually embed these pathways as regular opportunities for which refugees are referred worldwide.

2. Host Country Solutions (Refugee Self-Reliance)

The vast majority of refugees are not able to access resettlement or return home. It is therefore critical to help equip them to improve their quality of life and increase their self-reliance in their host countries. RefugePoint has established the Urban Refugee Protection Program in Nairobi, Kenya to demonstrate the value in supporting refugees as they work to regain stability and self-reliance. More than half of the world's refugees live in urban areas rather than refugee camps. Most receive little or no humanitarian aid and face numerous risks and impediments due to their refugee status and lack of rights/legal protections in their host countries.

In Nairobi, Kenya, the Urban Refugee Protection Program (URPP) supports refugee households to become stable and to progress towards self-reliance. With a core caseload of approximately 1,500 individuals, our social workers and case managers work with clients to develop individualized action plans. Skilled staff delivers an integrated array of services/supports including food, shelter, individual and group counseling, healthcare and education assistance, livelihoods training and small business grants. Over 3,500 clients have "graduated" from this program with earnings sufficient to cover their basic needs. RefugePoint uses the URPP as a demonstration project and learning hub, sharing its successful approaches and tools to enhance the work of other partners.

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS (Continued)

OPERATIONS (Continued)

RefugePoint values collaboration and is committed to increasing positive outcomes for refugees through partnership. RefugePoint does not intend to greatly expand its footprint in terms of direct programming, but rather works to add value through partnerships and influencing broader policy and practice. Over the past several years, a key initiative that highlights this approach is the global Refugee Self-Reliance Initiative (RSRI), co-created and led by RefugePoint and the Women's Refugee Commission. Participants include representatives from government and non-governmental organizations, community-based organizations led by refugees, UNHCR, foundations, academia, and others. The group jointly created and launched the Self-Reliance Index - the first global tool to measure the progress of refugee households towards self-reliance. Since launching in May 2021, the tool has been downloaded over 900 times; many agencies have begun using it and many more are being trained to begin using it. It will enable the field to collectively identify effective program approaches for replication and scale. With this as an essential foundation for building accountability, the group will begin looking at elements of successful self-reliance programming.

RefugePoint works to impact Third Country and Host Country Solutions through the use of the following tactics:

- Direct services - providing services to meet the needs of individuals and households.
- Field building - supporting other organizations to accelerate and expand programs reaching refugee populations.
- Systems change - influencing policy and decision-makers to drive large-scale change.

A focus on protecting refugee children underpins all of RefugePoint's work.

NONPROFIT STATUS

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization and the Kenyan Organization prepare their combined financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combined financial statements include the accounts of the Organization and the Kenyan Organization. All significant intercompany transactions and balances have been eliminated. The Kenyan Organization prepares separate financial statements, which are combined with the Organization's financial statements. The Kenyan Organization's financial statements include total net assets in U.S. dollars of \$41,177 and \$(9,640) as of December 31, 2022 and 2021, respectively.

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Adoption

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The update requires a lessee to recognize a liability to make lease payments and a right-of-use (ROU) asset representing a right to use the underlying asset for the lease term on the combined statement of financial position. Additionally, this guidance expanded related disclosure requirements. On January 1, 2022, the Organization adopted the new standard and elected the optional transition method, as allowed by ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to apply the new standard as of the effective date. Therefore, the Organization has not applied the new standard to combined financial statements as of and for the year ended December 31, 2021. The Organization elected the package of practical expedients for the leases existing at the date of adoption, which allowed the Organization to skip the reassessment of whether a contract is or contains a lease, the treatment of initial direct costs and lease classification.

Adoption of ASU 2016-02 resulted in the recognition of ROU assets and lease liabilities for operating leases in the amount of \$27,213 on January 1, 2022. The impact on the combined statement of activities and changes in net assets and combined statement of cash flows was immaterial. Furthermore, the Organization expects the impact of adoption to be immaterial to the accompanying combined statement of activities and changes in net assets and combined statement of cash flows on an ongoing basis.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services.

The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the years ended December 31, 2022 and 2021. This ASU has been applied retrospectively to all periods presented.

Foreign Currency Translation

All cash balances in foreign accounts, other foreign assets, except for property and equipment, and liabilities have been translated at foreign exchange rates in effect at December 31, 2022 or 2021. Foreign property and equipment have been translated at historical foreign exchange rates. All of the Kenyan Organization's revenue and expense amounts are converted from Kenyan shillings to U.S. dollars at the average exchange rate for the year.

Use of Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the combined statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

RefugePoint follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that RefugePoint would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

RefugePoint uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of RefugePoint. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Pledges and Accounts Receivable and Allowance for Doubtful Accounts

Pledges receivable are recorded as unconditionally committed and are stated at unpaid balances, less an allowance for doubtful accounts, if any. The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. There was no allowance for doubtful accounts as of December 31, 2022 and 2021. Pledges receivable that are promised to be received more than one year after the combined statement of financial position date are discounted at an appropriate discount rate commensurate with the risks involved. Accounts receivable relate to reimbursements and are stated at unpaid balances.

Property and Equipment and Depreciation

Property and equipment with a value of \$2,500 or more and a useful life greater than one year are recorded at cost, if purchased, or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over three to seven years.

Land is not depreciated.

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

RefugePoint accounts for the carrying value of its property and equipment in accordance with the requirements of ASC Topic, *Impairment and Disposal of Long-Lived Assets*. As of December 31, 2022 and 2021, RefugePoint has not recognized any reduction in the carrying value of its property and equipment in consideration of the requirement.

Website and Software and Amortization

Website and software include the cost of updates to RefugePoint's website, as well as a proprietary software designed to aid in the refugee assistance program. Amortization is computed using the straight-line method over an estimated three-year useful life.

Leases

The Organization currently has one lease agreement that is long-term with a ROU asset and liability recognized under *Topic 842*. Under *Topic 842*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. This agreement meets the criteria for recognition as a lease under *Topic 842*. For this agreement, the Organization recognizes a ROU asset - operating and an operating lease liability based on the present value of the minimum lease payments over the non-cancelable term of the lease. The Organization evaluates many factors, including current and future lease cash flows, when determining if an option to extend or terminate should be included in the non-cancelable period.

The Organization uses the implicit rate when it is readily determinable and a risk-free rate, when the implicit rate is not readily determinable. Lease expense is recognized on a straight-line basis over the lease term.

The Organization has certain leases that are for a period of twelve months or less or contain renewals for periods of twelve months or less. The Organization does not include short-term leases within the combined statement of financial position since it has elected the practical expedient to not include these leases within the operating lease ROU assets and liabilities. The Organization has lease agreements with lease and non-lease components and practical expedient to account for them as a single component was elected.

Combined Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenue and operating expenses in the accompanying combined statements of activities and changes in net assets.

Revenue Recognition

In accordance with ASC Subtopic 958-605 (Topic 958), *Revenue Recognition*, RefugePoint must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement.

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Topic 958 prescribes that RefugePoint should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met (see Note 10).

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are recorded as revenue and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as program costs are incurred or time restrictions lapse. All other revenue is recorded when earned.

Donated Services

RefugePoint receives contributed services which meet the criteria for recording and are reflected in the accompanying combined financial statements as donated services. RefugePoint recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

During the years ended December 31, 2022 and 2021, RefugePoint received donated legal services valued at \$84,504 and \$80,615, respectively. These amounts are included in professional fees in the accompanying combined statements of functional expenses. A member of the Board of Directors of RefugePoint is a partner in one of the law firms that provided donated legal services.

RefugePoint also receives volunteer services relating to its mission. The nature of these services does not meet the criteria for recording under U.S. GAAP. Accordingly, no value is reflected in the accompanying combined financial statements for these services.

Expense Allocation

The combined financial statements present expenses by functional classification in accordance with the overall service mission of RefugePoint. Each functional classification presents all expenses related to the underlying operations by natural classification.

The combined financial statements report certain categories of expenses that are attributable to more than one program or supporting function and require an allocation on a reasonable basis that is consistently applied. Salaries, payroll taxes and fringe benefits are allocated based on estimates of time and effort spent on each program or support function. Occupancy and insurance expenses are allocated based on square footage occupied by programs or supporting services. All other expenses are charged on a direct basis to specific programs or functions.

Marketing and Advertising Costs

RefugePoint expenses marketing and advertising costs as they are incurred.

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by RefugePoint. RefugePoint has grouped its net assets without donor restrictions into the following categories:

- **Operating net assets** represent funds available to carry on the operations of RefugePoint.
- **Property and other net assets** reflect the net book value of RefugePoint's property, equipment, website, software and ROU asset, net of related debt (if any) and lease liability.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions that are designated by donors for specific purposes or time periods. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purpose or over their designated time period. Net assets were restricted as follows at December 31:

	<u>2022</u>	<u>2021</u>
Time	\$ 1,693,368	\$ 3,519,684
Purpose	<u>40,000</u>	<u>529,192</u>
	<u>\$ 1,733,368</u>	<u>\$ 4,048,876</u>

Cumulative adjustment for foreign currency translation net assets represent the cumulative effect of translating the Kenyan Organization's financial activities and net position into RefugePoint's reporting currency (U.S. dollars).

Income Taxes

RefugePoint accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. RefugePoint has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the accompanying combined financial statements at December 31, 2022 and 2021.

Subsequent Events

Subsequent events have been evaluated through June 5, 2023, which is the date the combined financial statements were available to be issued. There were no events which met criteria for disclosures in the accompanying combined financial statements.

3. CONCENTRATIONS

The Organization maintains its cash balances in a bank in Massachusetts, which is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the FDIC insured amounts. Any amounts over the FDIC limit are further insured through the Massachusetts Depositors Insurance Fund (DIF).

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

3. CONCENTRATIONS (Continued)

The Kenyan Organization maintains cash and cash equivalents required for program operations with Kenyan financial institutions, which are not insured. As of December 31, 2022 and 2021, the accompanying combined statements of financial position include approximately \$49,000 and \$7,000, respectively, of cash held in Kenyan financial institutions.

Two donors comprise 90% and 84% of pledges and accounts receivable as of December 31, 2022 and 2021, respectively. Two and three donors comprise 87% and 80% of grants and contributions revenue for the years ended December 31, 2022 and 2021, respectively.

4. PROPERTY AND EQUIPMENT AND WEBSITE AND SOFTWARE

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 329,109	\$ 329,109
Motor vehicle	51,332	51,332
Furniture and fixtures	22,000	-
Computer	<u>3,299</u>	<u>3,299</u>
	405,740	383,740
Less - accumulated depreciation	<u>44,036</u>	<u>39,343</u>
	<u>\$ 361,704</u>	<u>\$ 344,397</u>

Website and software consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Website and software	\$ 405,099	\$ 358,927
Less - accumulated amortization	<u>297,261</u>	<u>221,885</u>
	<u>\$ 107,838</u>	<u>\$ 137,042</u>

Depreciation expense for the years ended December 31, 2022 and 2021, was \$4,693 and \$2,835, respectively. Amortization expense was \$75,376 and \$95,745 for the years ended December 31, 2022 and 2021, respectively. During 2007, RefugePoint purchased land in Kenya for \$329,109. This land is undeveloped (see Note 6).

5. LEASE COMMITMENTS

During 2022, RefugePoint signed a five-year lease agreement for a new office in Boston, Massachusetts. The lease requires escalating monthly payments through the end of the lease term, which is set to expire in May 2027. RefugePoint uses the risk-free rate of 2.94% to discount its future lease liabilities to present value.

RefugePoint leased an office space in Cambridge, Massachusetts under an agreement which expired in April 2022. The lease required monthly payments through the end of the lease term. Under the agreement, RefugePoint was responsible for its proportionate share of common area and shared utility costs.

RefugePoint leases office space in Geneva, Switzerland as a tenant-at-will. The lease agreement requires RefugePoint to provide a three-month notice if it wishes to terminate the lease.

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

5. LEASE COMMITMENTS (Continued)

The Kenyan Organization has two operating leases for its Nairobi clinic facilities. One of the leases expired in February 2022 and the Kenyan Organization has been leasing the same space as a tenant-at-will through December 31, 2022. The second lease ends in October 2023. RefugePoint elected not to apply *Topic 842* to both leases of the Kenyan Organization, since they are immaterial to the combined financial statements.

The total lease expense for all leases was approximately \$144,000 and \$146,500 for the years ended December 31, 2022 and 2021, respectively, and is included in occupancy in the accompanying combined statements of functional expenses.

RefugePoint's lease agreements do not include variable payments and do not contain any material residual value guarantees or material restrictive covenants.

Remaining future minimum lease payments are as follows:

2023	\$ 140,988
2024	114,685
2025	117,908
2026	119,251
2027	<u>49,688</u>
Total future undiscounted payments	542,520
Less - present value discount	<u>(59,953)</u>
Present value of lease obligations	<u>\$ 482,567</u>

Additional information about RefugePoint's leases is as follows for 2022:

Cash paid for amounts included in measuring operating lease liabilities	\$ 55,161
Operating lease assets obtained in exchange for lease liabilities	\$ 529,062

RefugePoint recorded rent on a straight-line basis over the term of the leases in accordance with ASU Topic 840, *Leases*, for the year ended December 31, 2021. Any difference between cash payments in the lease agreements and the related expense for a given year was recorded as deferred rent.

The following is a schedule of future minimum lease payments in accordance with the lease agreements as of December 31, 2021:

2022	\$ 52,228
2023	<u>18,713</u>
	<u>\$ 70,941</u>

6. CONTINGENCIES

In the ordinary course of RefugePoint's business, RefugePoint is from time-to-time involved in disputes concerning business and employment matters of RefugePoint. While damages in connection with these disputes are possible, RefugePoint denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes. It is management's opinion that any potential settlement would not be material to the accompanying combined financial statements.

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

6. CONTINGENCIES (Continued)

RefugePoint has brought suit to enjoin certain parties from trespassing on land purchased in Nairobi, Kenya (see Note 4). The defendants in this action have contested RefugePoint's legal ownership on the basis of false documentation. No settlement has been formally reached as of June 5, 2023, and RefugePoint is unable to estimate the financial impact of any potential settlement.

7. LINE OF CREDIT AGREEMENT

RefugePoint maintains a line of credit agreement with a bank which allows for borrowings up to \$500,000 and \$200,000 at December 31, 2022 and 2021, respectively. Borrowings are payable on demand, bear interest at the bank's base lending rate (7.5% and 4.00% at December 31, 2022 and 2021, respectively), and are secured by all assets of RefugePoint. There was no outstanding balance under this line of credit at December 31, 2022 or 2021. The line of credit has no stated maturity date, and the bank conducts an annual review of the credit relationship on an annual basis, upon receipt of the audited combined financial statements.

8. PAYCHECK PROTECTION PROGRAM LOANS

During 2021 and 2020, RefugePoint applied for and was awarded forgivable loans of \$393,431 and \$314,500, respectively, from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. There were no covenants with which to comply, and the notes were not secured by any collateral. There was no accrued interest on the note payable as of December 31, 2021, as it would be immaterial to the overall combined financial statements. RefugePoint applied for and was awarded full forgiveness of the loans during 2022 and 2021, and accordingly, recognized \$393,431 and \$314,500, respectively, of loan forgiveness in the accompanying combined statements of activities and changes in net assets.

9. RETIREMENT PLANS

RefugePoint maintains an IRC Section 401(k) Retirement Plan for all eligible United States employees. Employees may make contributions to the plan up to the maximum allowed by law. RefugePoint makes matching contributions to the plan as determined by the Board of Directors. Contribution expense under the plan was \$102,685 and \$88,202 for the years ended December 31, 2022 and 2021, respectively, and is included in payroll taxes and fringe benefits in the accompanying combined statements of functional expenses.

The Kenyan Organization maintains a retirement plan for Kenyan-based employees. Employees may contribute to the plan and the Kenyan Organization provides a matching contribution of up to 5% of eligible employees' salaries. The Kenyan Organization's contribution expense under the plan was \$48,236 and \$41,378 for the years ended December 31, 2022 and 2021, respectively, and is included in payroll taxes and fringe benefits in the accompanying combined statements of functional expenses.

10. CONDITIONAL GRANTS

RefugePoint has been awarded conditional grants from certain foundations. Payment of these grants is conditional upon RefugePoint meeting certain progress benchmarks, and the submission and approval of specific financial reports, as defined in the grant agreements. Accordingly, \$345,000 and \$3,679,703 representing the remaining balances of these grants, have not been earned or recognized as revenue in the accompanying combined financial statements as of December 31, 2022 and 2021, respectively.

REFUGEPOINT, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2022 and 2021

10. CONDITIONAL GRANTS (Continued)

RefugePoint did not receive any advanced payments for conditional grants as of December 31, 2022. During 2021, RefugePoint received advance payments totaling \$1,215,458, which were not earned, and accordingly, are reflected as conditional grant advance liability in the accompanying combined statement of financial position as of December 31, 2021.

11. PLEDGES RECEIVABLE

RefugePoint receives pledges from various donors. As of December 31, 2022 and 2021, pledges receivable are expected to be collected as follows:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 1,040,000	\$ 1,773,441
One to three years	<u>750,000</u>	<u>2,040,000</u>
	1,790,000	3,813,441
Less - discount	56,632	10,316
Less - current portion	<u>1,040,000</u>	<u>1,773,441</u>
Non-current pledges receivable	<u>\$ 693,368</u>	<u>\$ 2,029,684</u>

Pledges receivable have been discounted to their net present value using the U.S. Department of the Treasury rate at the time of the award plus an internal risk rate of 0.05%. The discount rate used was 4.81% and 0.24% during 2022 and 2021, respectively.

12. LIQUIDITY

Financial assets available for use by RefugePoint within one year from the combined statements of financial position date are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents without donor restrictions	\$ 12,782,881	\$ 8,941,190
Time restricted pledges to be collected within a year	1,000,000	1,530,000
Pledges and accounts receivable without donor restrictions	<u>272,341</u>	<u>100,049</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,055,222</u>	<u>\$ 10,571,239</u>

RefugePoint has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2022 and 2021, RefugePoint has financial assets equal to approximately sixteen and twelve months of operating expenses, respectively. The majority of operating expenses are funded by donor restricted grants which are made available for operations as expenses are incurred. RefugePoint also has a \$500,000 line of credit which can be used to fund operations, if needed (see Note 7).

13. RECLASSIFICATIONS

Certain amounts in the 2021 combined financial statements have been reclassified to conform with 2022 presentation.