

FINANCIAL STATEMENTS

NORWEGIAN REFUGEE COUNCIL USA

**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

NORWEGIAN REFUGEE COUNCIL USA

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

February 20, 2019

NORWEGIAN REFUGEE COUNCIL USA
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 235,419 | \$ 100,648 |
| Contributions receivable | 15,680 | 53 |
| Accounts receivable | - | 14 |
| Prepaid expenses | <u>2,769</u> | <u>10,687</u> |
| Total current assets | <u>253,868</u> | <u>111,402</u> |
| OTHER ASSETS | | |
| Security deposits | <u>6,086</u> | <u>13,798</u> |
| TOTAL ASSETS | <u>\$ 259,954</u> | <u>\$ 125,200</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ <u>2,216</u> | \$ <u>2,000</u> |
| NET ASSETS | | |
| With donor restrictions | <u>257,738</u> | <u>123,200</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 259,954</u> | <u>\$ 125,200</u> |

NORWEGIAN REFUGEE COUNCIL USA

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

| | 2018 | | | 2017 |
|--|----------------------------------|----------------------------|--------------------------|--------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| REVENUE | | | | |
| Contributions and grants: | | | | |
| Norwegian Refugee Council | \$ 6,500 | \$ 769,988 | \$ 776,488 | \$ 614,120 |
| Individuals and foundations | 82,933 | 19,838 | 102,771 | 38,263 |
| Contributed services | 277,908 | - | 277,908 | 174,627 |
| Net assets released from donor restrictions | <u>655,288</u> | <u>(655,288)</u> | <u>-</u> | <u>-</u> |
| Total revenue | <u>1,022,629</u> | <u>134,538</u> | <u>1,157,167</u> | <u>827,010</u> |
| EXPENSES | | | | |
| Program Services: | | | | |
| Advocacy | 395,790 | - | 395,790 | 274,227 |
| Program Support and Compliance | <u>224,986</u> | <u>-</u> | <u>224,986</u> | <u>253,851</u> |
| Total program services | <u>620,776</u> | <u>-</u> | <u>620,776</u> | <u>528,078</u> |
| Supporting Services: | | | | |
| Board and Committees | 11,514 | - | 11,514 | 25,628 |
| Fundraising | 93,939 | - | 93,939 | 55,874 |
| General and Administrative | <u>296,400</u> | <u>-</u> | <u>296,400</u> | <u>180,763</u> |
| Total supporting services | <u>401,853</u> | <u>-</u> | <u>401,853</u> | <u>262,265</u> |
| Total expenses | <u>1,022,629</u> | <u>-</u> | <u>1,022,629</u> | <u>790,343</u> |
| Change in net assets | - | 134,538 | 134,538 | 36,667 |
| Net assets at beginning of year | <u>-</u> | <u>123,200</u> | <u>123,200</u> | <u>86,533</u> |
| NET ASSETS AT END OF YEAR | <u><u>\$ -</u></u> | <u><u>\$ 257,738</u></u> | <u><u>\$ 257,738</u></u> | <u><u>\$ 123,200</u></u> |

NORWEGIAN REFUGEE COUNCIL USA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

| | 2018 | | | | | | 2017 | | |
|---|-------------------|--------------------------------|------------------------|----------------------|------------------|----------------------------|-------------------|---------------------|---------------------------|
| | 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 | \$ 214,465 | \$ 106,278 | \$ 320,743 | \$ 5,000 | \$ 46,631 | \$ 168,230 | \$ 219,861 | \$ 540,604 | \$ 456,929 |
| Printing and production | - | - | - | - | - | - | - | - | 97 |
| Professional fees | - | 4,008 | 4,008 | - | 8,877 | 299,326 | 308,203 | 312,211 | 201,671 |
| Occupancy | - | - | - | - | - | 66,965 | 66,965 | 66,965 | 43,868 |
| Insurance | - | - | - | - | - | 4,374 | 4,374 | 4,374 | 4,843 |
| Telephone and internet | 1,067 | - | 1,067 | - | 169 | 6,470 | 6,639 | 7,706 | 6,371 |
| Travel | 13,896 | 13,892 | 27,788 | 683 | 1,564 | 11,720 | 13,967 | 41,755 | 27,520 |
| Postage and delivery | - | - | - | - | - | 175 | 175 | 175 | 410 |
| Supplies | - | - | - | - | - | - | - | - | 4,562 |
| Grants | - | 19,838 | 19,838 | - | - | - | - | 19,838 | 6,970 |
| Subscriptions and membership fees | - | - | - | - | - | - | - | - | 7,541 |
| Entertainment costs | - | - | - | - | - | - | - | - | 373 |
| Advertising and promotion | - | - | - | - | 301 | 3,277 | 3,578 | 3,578 | 5,240 |
| Events and meetings | 867 | - | 867 | 1,867 | - | 1,836 | 3,703 | 4,570 | 8,147 |
| Furniture and equipment | - | - | - | - | - | 10,085 | 10,085 | 10,085 | 15,142 |
| Bank and merchant fees | - | - | - | - | 745 | 318 | 1,063 | 1,063 | 659 |
| Other general and administrative expenses | 2,100 | - | 2,100 | 154 | 124 | 7,327 | 7,605 | 9,705 | - |
| Sub-total | 232,395 | 144,016 | 376,411 | 7,704 | 58,411 | 580,103 | 646,218 | 1,022,629 | 790,343 |
| Allocation of general and administrative expenses | 163,395 | 80,970 | 244,365 | 3,810 | 35,528 | (283,703) | (244,365) | - | - |
| TOTAL | \$ 395,790 | \$ 224,986 | \$ 620,776 | \$ 11,514 | \$ 93,939 | \$ 296,400 | \$ 401,853 | \$ 1,022,629 | \$ 790,343 |

See accompanying notes to financial statements.

NORWEGIAN REFUGEE COUNCIL USA

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 134,538 | \$ 36,667 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| (Increase) decrease in: | | |
| Contributions receivable | (15,627) | 2,447 |
| Accounts receivable | 14 | (14) |
| Prepaid expenses | 7,918 | (4,271) |
| Security deposits | 7,712 | (6,087) |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | <u>216</u> | <u>(13,216)</u> |
| Net cash provided by operating activities | <u>134,771</u> | <u>15,526</u> |
| Net increase in cash and cash equivalents | 134,771 | 15,526 |
| Cash and cash equivalents at beginning of year | <u>100,648</u> | <u>85,122</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 235,419</u> | <u>\$ 100,648</u> |

NORWEGIAN REFUGEE COUNCIL USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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 for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018, and applied retrospectively.

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, 2017, 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 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. 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, 2018, 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, 2018**

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

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - net assets without donor restrictions are available for the general operations of NRC USA and are not subject to donor restrictions.
- **Net Assets With Donor Restrictions** – net assets with donor restrictions include contributions and grants restricted by donors and are reported as increases in net assets with donor restrictions during the reporting period in which NRC USA was notified of such contributions or grants by the donors. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying Statement of Activities and Change in Net Assets.

Contributions and grants -

Contributions and grants, whether received with or without donor restrictions are recorded as revenue in the year notification is received from the donor. 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 or the satisfaction (passage) of a time restriction. Contributions and grants for which restrictions have not been met are shown as net assets with donor restrictions in the accompanying Statement of Activities.

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, 2018.

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.

NORWEGIAN REFUGEE COUNCIL USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

New accounting pronouncements (not yet adopted) -

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 June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. NRC USA has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

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 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 2018, NRC provided NRC USA with funding in the amount of \$776,488, which represented approximately 88% of NRC USA's total revenue (excluding contributed services) for the year ended December 31, 2018.

NORWEGIAN REFUGEE COUNCIL USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

| | |
|---|--------------------------|
| NRC (Unexpended Funds - Time Restricted) | \$ <u>257,738</u> |
|---|--------------------------|

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) | \$ 635,450 |
| Individual Contributions (Various Country Programs - Purpose Restriction Met) | <u>19,838</u> |
| NET ASSETS RELEASED FROM DONOR RESTRICTIONS | \$ <u>655,288</u> |

4. LEASE COMMITMENTS

In April 2016, NRC USA entered into a two-year lease agreement for office space in Washington, D.C. NRC USA was 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:

| <u>Year Ending December 31,</u> | |
|---------------------------------|--------------------------|
| 2019 | \$ 74,864 |
| 2020 | 77,671 |
| 2021 | <u>26,206</u> |
| | \$ <u>178,741</u> |

Occupancy expense for the year ended December 31, 2018 was \$66,965.

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, 2018 totaled \$14,581.

NORWEGIAN REFUGEE COUNCIL USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

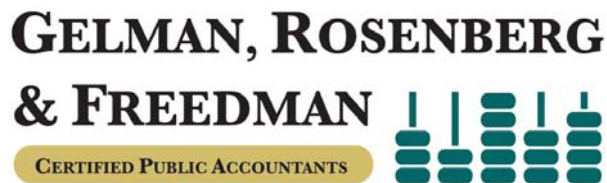
An analysis of NRC USA's financial assets available to meet cash needs for general expenditures within one year as of December 31, 2018 is as follows:

| | |
|---|--------------------------|
| Financial assets as of December 31, | |
| Cash and cash equivalents | \$ 235,419 |
| Contributions receivable | <u>15,680</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | \$ <u>251,099</u> |

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 fund the 2019 budgeted expenses of NRC USA.

7. SUBSEQUENT EVENTS

In preparing these financial statements, NRC USA has evaluated events and transactions for potential recognition or disclosure through February 20, 2019, the date the financial statements were issued.



February 20, 2019

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

We have audited the financial statements of Norwegian Refugee Council USA (NRC USA) for the year ended December 31, 2018, and have issued our report thereon dated February 20, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 10, 2018.

Professional standards also require that we communicate to you the following information related to our audit.

- **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NRC USA are described in Note 1 to the financial statements. One new accounting policy was adopted, FASB ASU 2016-14 *Financial Statement Presentation of Not-for-Profit Entities*, and was applied retrospectively. All other application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by NRC USA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

There are three new accounting standard updates (ASUs) that will be required to be adopted at the respective implementation dates. Following is some brief information on each of the three new accounting standards:

1. ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), effective for fiscal years beginning after December 15, 2018. The ASU dictates revenue recognition to be based on the transfer of promised goods or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

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2. ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, effective for years beginning after December 15, 2018. The ASU clarifies and improves current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional.
3. ASU 2016-02, *Leases* (Topic 842), effective for fiscal years beginning after December 15, 2019. 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, and requires disclosure of key information about leasing arrangements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was management's estimate of the allocation of expenses to programs, which is based on an allocation of the actual time spent on each program. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure contained within the financial statements is Note 2 which describes NRC USA's affiliation with the Norwegian Refugee Committee and the concentration of revenue received during the 2018 fiscal year. All other financial statement disclosures are neutral, consistent and clear.

- **Difficulties Encountered in Performing the Audit**

We encountered no difficulties during the planning, conduct and completion of our audit engagement.

- **Discussions Prior to Retention**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as NRC USA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- **Planned Scope and Timing of the Audit**

We performed our audit according to the planned scope and timing previously communicated to you in our engagement letter and our other letter on planning of the engagement dated October 10, 2018.

- **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated February 20, 2019.

- **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. During the audit, management proposed, and we posted three adjusting journal entries that resulted in an increase in the current year change in net assets of approximately \$13,000. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

- **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to NRC USA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

- **Independence and Non-Audit Services Provided by Audit Firm**

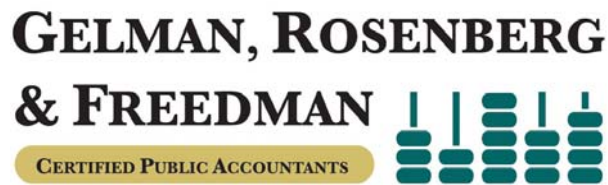
In accordance with professional standards, during the fiscal year and currently, all members of our firm were independent with respect to NRC USA.

During the year under audit, we provided corporate tax preparation services (IRS Form 990) and additional tax advice. All other time and expenses incurred by us were in connection with our annual audit.

This information is intended solely for the use of the Board of Directors and management of Norwegian Refugee Council USA, and is not intended to be, and should not be, used by anyone other than these specified parties.

Gelman Rosenberg & Freedman

February 20, 2019



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

In planning and performing our audit of the financial statements of Norwegian Refugee Council USA (NRC USA) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered NRC USA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NRC USA's internal control. Accordingly, we do not express an opinion on the effectiveness of NRC USA's internal control.

Our consideration of NRC USA's internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in NRC USA's internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified.

We are pleased to report that all recommendations arising during the prior year have been implemented by management of NRC USA. Following are our prior year comments and recommendations with the current year status:

PRIOR YEAR BEST PRACTICE RECOMMENDATIONS WITH CURRENT YEAR STATUS

Personnel Files (Documentation of Salary Increases)

December 31, 2017 Comment and Recommendation: During the course of our audit work we noted instances where information regarding salary increases was not formally documented within each respective employee's personnel file. We recommend that all adjustments to salary be formally documented in writing and maintained in chronological order in each employee's personnel file.

December 31, 2018 Status: Our audit work revealed salary increases were formally documented within each respective employee's personnel file. Accordingly, we consider our prior year recommendation to be resolved.

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Authorized Signatories (Bank Account)

December 31, 2017 Comment and Recommendation: It came to our attention that a former employee is still an authorized signatory on NRC USA's bank account. While we understand that management is aware of the issue, we recommend that the authorized signatories on the bank account only include current employees or members of the governing board and that the authorized signatories on file with the bank be updated as soon as possible.

December 31, 2018 Status: The former employee was properly removed as a signatory on NRC USA's bank account. All authorized signatories on the bank account are current employees of NRC USA.

Allocation of Personnel Expenses

December 31, 2016 Comment and Recommendation: At the end of our audit, salary and related personnel expenses were allocated among program services and supporting services based upon management's estimates. While we believe the current system of management providing estimates of how staff time and salary expense should be allocated is appropriate, we believe NRC USA should consider whether employees will need to formally track their time on a daily/weekly/monthly basis. Many donors, including the U.S. Government, require formal documentation to support the allocation of salary expense to their funded programs; accordingly, we recommend that the management of NRC USA consider implementing a time-keeping system that will satisfy the requirements of all potential donors.

December 31, 2017 Status: While NRC USA did not receive any grants from the U.S. Government or Private Foundations during 2017 that required a formal timekeeping system for tracking employee time, we continue to recommend that management of NRC USA consider implementing such a system.

December 31, 2018 Status: During the current fiscal year, NRC USA implemented a formal timekeeping system for tracking employee time by programmatic area. Accordingly, we consider our prior year comment to have been properly addressed by management of NRC USA.

This communication is intended solely for the information and use of the Board of Directors, management and others within Norwegian Refugee Council USA, and is not intended to be, and should not be, used by anyone other than these specified parties.

Gelman Rosenberg & Freedman

February 20, 2019