

**CONSOLIDATED
FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

RELIEF INTERNATIONAL, INC. AND SUBSIDIARY
Los Angeles, California

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Board of Directors
Relief International, Inc. and Subsidiary
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Relief International, Inc. and Subsidiary ("Organization"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Relief International, Inc. and Subsidiary as of December 31, 2014 and 2013, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
February 28, 2016

RELIEF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 4,076,864	\$ 4,007,627
Investment	50	15,510
Loans receivable, net of allowance of \$1,295,129 and \$903,160 at 2014 and 2013, respectively (Note 3)	3,846,877	6,850,767
Due from Relief International – UK (Note 4)	-	889,995
Grants receivable	3,447,597	1,847,173
Other receivables	558,745	436,056
Prepaid expenses and other assets	350,945	170,823
Inventory	30,050	59,845
Property and equipment, net of accumulated depreciation of \$276,901 and \$614,147 at 2014 and 2013, respectively (Note 5)	32,074	58,343
Security deposits	76,418	281,017
Other assets (Note 12)	<u>490,604</u>	<u>600,924</u>
Total assets	<u>\$ 12,910,224</u>	<u>\$ 15,218,080</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses (Note 8)	\$ 3,516,948	\$ 1,971,659
Refundable advances	138,963	2,023,219
Lines of credit (Note 6)	1,659,098	1,539,631
Due to Relief International - UK (Note 4)	<u>1,458,471</u>	<u>-</u>
Total liabilities	<u>6,773,480</u>	<u>5,534,509</u>
Net assets:		
Unrestricted (Note 13)	5,279,115	8,753,879
Temporarily restricted (Notes 7 and 13)	<u>857,629</u>	<u>929,692</u>
Total net assets	<u>6,136,744</u>	<u>9,683,571</u>
Total liabilities and net assets	<u>\$ 12,910,224</u>	<u>\$ 15,218,080</u>

RELIEF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Grants and contributions (Notes 9 and 10)	\$ 18,481,616	\$ 1,529,875	\$ 20,011,491
Carbon credit income (Note 12)	-	-	-
Private donations	130,476	77,509	207,985
Program income	-	-	-
Loan interest income	938,947	60,681	999,628
Contributed goods and services	-	1,250,377	1,250,377
Other revenue	93,699	319,717	413,416
Net assets released from restrictions (Notes 7 and 13)	<u>3,310,222</u>	<u>(3,310,222)</u>	<u>-</u>
Total revenues and support	<u>22,954,960</u>	<u>(72,063)</u>	<u>22,882,897</u>
Expenses:			
Program services:			
Emergency, Health and Sanitation	11,767,927	-	11,767,927
Food and Agriculture	3,968,999	-	3,968,999
Livelihoods and Enterprise	5,710,238	-	5,710,238
Education and Empowerment	23,081	-	23,081
Protection and Human Rights	<u>544,497</u>	<u>-</u>	<u>544,497</u>
Total program services	<u>22,014,742</u>	<u>-</u>	<u>22,014,742</u>
Supporting services:			
General and Administrative	3,736,480	-	3,736,480
Fundraising	<u>99,704</u>	<u>-</u>	<u>99,704</u>
Total supporting services	<u>3,836,184</u>	<u>-</u>	<u>3,836,184</u>
Total expenses	<u>25,850,926</u>	<u>-</u>	<u>25,850,926</u>
Change in net assets from operations	(2,895,966)	(72,063)	(2,968,029)
Other expense:			
Bad debt expense	<u>(578,798)</u>	<u>-</u>	<u>(578,798)</u>
Change in net assets	(3,474,764)	(72,063)	(3,546,827)
Net assets, January 1, 2014	<u>8,753,879</u>	<u>929,692</u>	<u>9,683,571</u>
Net assets, end of year	<u>\$ 5,279,115</u>	<u>\$ 857,629</u>	<u>\$ 6,136,744</u>

RELIEF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Grants and contributions (Notes 9 and 10)	\$ 21,540,672	\$ 363,288	\$ 21,903,960
Carbon credit income (Note 12)	679,170	-	679,170
Private donations	-	-	-
Program income	109,217	-	109,217
Loan interest income	1,932,184	140,292	2,072,476
Contributed goods and services	58,555	860,494	919,049
Other revenue	190,375	473,411	663,786
Net assets released from restrictions (Notes 7 and 13)	<u>7,695,840</u>	<u>(7,695,840)</u>	<u>-</u>
Total revenues and support	<u>32,206,013</u>	<u>(5,858,355)</u>	<u>26,347,658</u>
Expenses:			
Program services:			
Emergency, Health and Sanitation	11,926,080	-	11,926,080
Food and Agriculture	2,123,083	-	2,123,083
Livelihoods and Enterprise	8,208,057	-	8,208,057
Education and Empowerment	1,986,432	-	1,986,432
Protection and Human Rights	<u>442,474</u>	<u>-</u>	<u>442,474</u>
Total program services	<u>24,686,126</u>	<u>-</u>	<u>24,686,126</u>
Supporting services:			
General and Administrative	4,174,602	-	4,174,602
Fundraising	<u>142,033</u>	<u>-</u>	<u>142,033</u>
Total supporting services	<u>4,316,635</u>	<u>-</u>	<u>4,316,635</u>
Total expenses	<u>29,002,761</u>	<u>-</u>	<u>29,002,761</u>
Change in net assets from operations	3,203,252	(5,858,355)	(2,655,103)
Other income (expense):			
Interest and investment income	3,789	-	3,789
Bad debt expense	<u>(1,154,364)</u>	<u>-</u>	<u>(1,154,364)</u>
Total other income (expense)	<u>(1,150,575)</u>	<u>-</u>	<u>(1,150,575)</u>
Change in net assets	2,052,677	(5,858,355)	(3,805,678)
Net assets, January 1, 2013	<u>6,701,202</u>	<u>6,788,047</u>	<u>13,489,249</u>
Net assets, end of year	<u>\$ 8,753,879</u>	<u>\$ 929,692</u>	<u>\$ 9,683,571</u>

See accompanying notes to consolidated financial statements.

RELIEF INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	2014									
	Program Services					Support Services				
	Emergency Health and Sanitation	Food and Agriculture	Livelihoods and Enterprise	Education and Em- powerment	Protection and Human Rights	Total Program Services	General and Administrative	Fund- raising	Total Support Services	Total Year
Expenses:										
Salaries and related benefits (Note 11)	\$ 3,723,909	\$ 1,792,307	\$ 2,897,643	\$ 101	\$ 127,784	\$ 8,541,744	\$ 2,182,710	\$ 22,987	\$ 2,205,697	\$ 10,747,441
Consultants	126,696	16,832	244,638	-	58,956	447,122	108,790	45,358	154,148	601,270
Depreciation	5,219	-	-	-	95	5,314	19,678	-	19,678	24,992
Donated food and relief - commodities	1,250,377	-	50	-	79	1,250,506	-	-	-	1,250,506
Projects	1,596,808	520,584	227,825	7,474	36,535	2,389,226	1,245	-	1,245	2,390,471
Sub-recipient expenses	895,075	-	487,916	-	195,807	1,578,798	40,522	-	40,522	1,619,320
International freight	15,029	-	-	-	-	15,029	1,254	-	1,254	16,283
Vehicles and equipment expense	233,902	32,939	65,982	-	10,390	343,213	63,662	-	63,662	406,875
Office furniture and fixtures	86,930	15,379	13,259	-	192	115,760	(61)	-	(61)	115,699
Office supplies	80,026	51,720	67,182	-	5,676	204,604	9,975	26	10,001	214,605
Supplies	1,446,747	176,671	24,147	-	12	1,647,577	(51,930)	-	(51,930)	1,595,647
Insurance	250,107	56,014	101,100	-	6,938	414,159	225,386	10,621	236,007	650,166
Interest expense	1,250	8,599	-	-	93	9,942	31,317	3,379	34,696	44,638
New country initiatives	434	-	487	-	-	921	-	-	-	921
Bank charges	29,366	12,514	24,859	-	789	67,528	34,165	239	34,404	101,932
Books and periodicals	2,260	10	46	-	858	3,174	505	-	505	3,679
Communications	91,422	46,611	92,940	-	3,541	234,514	42,726	149	42,875	277,389
Security	18,633	25,468	42,323	-	-	86,424	158	-	158	86,582
Postage	15,438	3,694	7,094	-	1,565	27,791	3,074	34	3,108	30,899
Printing and copying	11,793	46,538	14,514	1	729	73,575	1,440	-	1,440	75,015
Public relations	37,056	171,044	7,073	-	2,375	217,548	6,912	-	6,912	224,460
Office rent and utilities (Note 8)	400,664	178,343	257,454	10,000	14,549	861,010	423,521	36	432,557	1,284,567
Equipment/vehicle rental, maintenance and fuel	373,815	364,372	130,728	4,627	15,715	889,257	48,744	-	48,774	938,001
Training	128,095	120,477	20,324	-	438	269,334	8,627	-	8,627	277,961
Travel	484,629	152,273	366,079	236	28,119	1,031,336	249,693	505	250,198	1,281,534
Membership fees	200	1,100	7,505	-	1	8,806	55,058	-	55,058	63,864
Accounting and audit	36,906	12,712	27,067	-	4,503	81,188	90,841	347	91,188	172,376
Legal fees	40,207	9,802	40,997	-	5,869	96,875	26,830	-	26,830	123,705
Bad debt expense	(120)	-	405,295	-	-	405,175	(1,117)	-	(1,117)	404,058
Other operating expenses	385,054	152,996	135,711	642	22,889	697,292	112,755	16,023	128,778	826,070
Total functional expenses	\$ 11,767,927	\$ 3,968,999	\$ 5,710,238	\$ 23,081	\$ 544,497	\$ 22,014,742	\$ 3,736,480	\$ 99,704	\$ 3,836,184	\$ 25,850,926

See accompanying notes to consolidated financial statements.

RELIEF INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	2013									
	Program Services					Support Services				
	Emergency Health and Sanitation	Food and Agriculture	Livelihoods and Enterprise	Education and Em- powerment	Protection and Human Rights	Total Program Services	General and Administrative	Fund- raising	Total Support Services	Total Year
Expenses:										
Salaries and related benefits (Note 11)	\$ 3,488,277	\$ 795,230	\$ 3,622,006	\$ 370,627	\$ 87,380	\$ 8,363,520	\$ 1,987,012	\$ 81,718	\$ 2,068,730	\$ 10,432,250
Consultants	279,122	62,509	235,904	387,439	31,640	996,614	110,973	6,460	117,433	1,114,047
Depreciation	12,400	-	33	(5,852)	-	6,581	-	-	-	6,581
Donated food and relief commodities	401,436	459,291	303	-	-	861,030	100	41	141	861,171
Projects	2,545,683	255,431	1,558,059	107,214	98,039	4,564,426	49,749	-	49,749	4,614,175
Sub-recipient expenses	2,492,098	-	323,424	841,646	160,689	3,817,857	-	-	-	3,817,857
International freight	7,409	381	9,447	-	-	17,237	191	-	191	17,428
Vehicles and equipment expense	121,770	14,858	197,295	2,422	2,918	339,263	52,144	201	52,345	391,608
Office furniture and fixtures	22,695	1,055	61,130	-	-	84,880	823	-	823	85,703
Office supplies	83,218	12,945	109,542	5,662	4,881	216,248	9,627	58	9,685	225,933
Supplies	386,869	276	311	-	-	387,456	15	-	15	387,471
Insurance	244,389	49,132	191,115	40,862	6,244	531,742	245,500	3,300	248,800	780,542
Interest expense	1,392	-	7,010	-	-	8,402	40,052	4,205	44,257	52,659
New country initiatives	-	9,811	2,039	-	-	11,850	-	-	-	11,850
Bank charges	46,134	3,351	47,320	358	807	97,970	32,004	514	32,518	130,488
Books and periodicals	1,157	100	-	-	-	1,257	1,313	-	1,313	2,570
Communications	83,568	21,829	166,499	18,835	2,694	293,425	30,084	1,084	31,168	324,593
Security	25,882	9,129	139,089	537	-	174,637	-	-	-	174,637
Postage	4,062	636	12,321	2,430	443	19,892	3,981	228	4,209	24,101
Printing and copying	8,399	21,108	17,403	12,968	-	59,878	2,430	943	3,373	63,251
Public relations	2,510	702	9,739	3,422	2,138	18,511	1,180	1,335	2,515	21,026
Office rent and utilities (Note 8)	334,560	67,585	520,847	80,000	10,258	1,013,250	343,944	17,728	361,672	1,374,922
Equipment/vehicle rental, maintenance and fuel	375,372	87,817	530,491	56,213	4,313	1,054,206	24,650	-	24,650	1,078,856
Training	11,825	6,273	10,217	111	-	28,426	-	-	-	28,426
Travel	645,043	120,941	375,137	44,344	9,721	1,195,186	181,672	2,129	183,801	1,378,987
Membership fees	3,043	2,240	4,532	1,322	59	11,196	51,333	247	51,580	62,776
Accounting and audit	81,194	25,422	41,811	528	14,128	163,083	203,578	1,532	205,110	368,193
Legal fees	27,322	2,018	99,574	1,343	1,567	131,824	603,497	1,704	605,201	737,025
Other operating expenses	189,251	93,013	(84,541)	14,001	4,555	216,279	198,750	18,606	217,356	433,635
Total functional expenses	\$ 11,926,080	\$ 2,123,083	\$ 8,208,057	\$ 1,986,432	\$ 442,474	\$ 24,686,126	\$ 4,174,602	\$ 142,033	\$ 4,316,635	\$ 29,002,761

See accompanying notes to consolidated financial statements.

RELIEF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,546,827)	\$ (3,805,678)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized gain on investments, net	15,460	4,239
Change in allowance for bad debt	(391,969)	(1,154,364)
Receipt of donated commodities	(1,250,377)	(919,049)
Distribution of donated commodities	1,250,506	861,171
Depreciation	29,961	6,581
Disposition (recognition) of other assets	110,320	(600,924)
Changes in operating assets and liabilities		
Grants receivable	(1,600,424)	(47,160)
Other receivables	(122,689)	2,685,313
Prepaid expenses and other assets	(180,122)	(42,732)
Inventory	29,795	19,809
Net cash receipts from RI - UK	2,348,466	877,189
Security deposits	204,599	(240,408)
Refundable advances	(1,884,256)	905,977
Accounts payable and accrued expenses	<u>1,545,289</u>	<u>(1,360,040)</u>
Net cash used in operating activities	<u>(3,442,268)</u>	<u>(2,810,076)</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(10,195)	(24,655)
Proceeds from sale of property, plant and equipment	6,374	49,300
Net receipts of micro-credit loans receivable	<u>3,395,859</u>	<u>3,740,880</u>
Net cash provided by investing activities	<u>3,392,038</u>	<u>3,765,525</u>
Cash flows from financing activities:		
Repayments on lines of credit	(15,978,012)	(13,986,025)
Cash drawn on lines of credit	<u>16,097,479</u>	<u>14,128,970</u>
Net cash provided by financing activities	<u>119,467</u>	<u>142,945</u>
Increase in cash and cash equivalents	69,237	1,098,394
Cash and cash equivalents, beginning of the year	<u>4,007,627</u>	<u>2,909,233</u>
Cash and cash equivalents, end of the year	<u>\$ 4,076,864</u>	<u>\$ 4,007,627</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 52,545	\$ 52,659

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 1 – ORGANIZATION AND OPERATION

Relief International was founded in June 1990 and formally incorporated in the State of California on November 30, 1990, as a non-profit charitable organization. Relief International is a humanitarian agency with the aim of saving lives and rebuilding livelihoods in manmade and natural disasters by transitioning relief to development. Relief International is non-sectarian and non-political in its mission. Relief International's transitional programs are holistic and cross-sectoral, including services and capacity development programs in health, shelter, food, education, economic security, community development and rural livelihoods. Past and current programs have included assistance to refugees, displaced and other needy individuals in Afghanistan, Azerbaijan, Bangladesh, Ghana, Guinea, Haiti, Iran, Iraq, Jordan, Kenya, Lebanon, Myanmar, Niger, Pakistan, occupied Palestinian territories, Philippines, Senegal, Somalia, Sudan, Turkey, South Sudan, Uganda and Yemen. MADAD Credit LLC was formed as a wholly-owned subsidiary of Relief International under a Non-banking Credit Limited Liability Company Charter registered in Azerbaijan in 2002.

Relief International also provides internet connectivity to schools in several countries within the Americas, Middle East, Africa, Asia and Europe. Working with its partners, Relief International provides appropriate technology, teacher development workshops and continuous teacher support to engage them in online collaborative projects.

Relief International receives grant funds and contributions from the U.S. Agency for International Development (USAID), the U.S. Department of State (DOS), various foundations, international organizations (such as the United Nations High Commissioner for Refugees and UNICEF) and other foreign governments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Relief International and its wholly-owned subsidiary MADAD Credit LLC. Inter-organization transactions and balances have been eliminated upon consolidation.

Basis of Presentation: The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred.

The financial statement presentation follows the guidance of Financial Accounting Standards Board (the "FASB") *Accounting Standards Codification*[™] ("ASC") 958 - 205, *Not-for-Profit Entities – Presentation of Financial Statements* ("ASC 958 – 205"). Under ASC 958 – 205, the Organization is required to report information regarding its financial position and activities classified as permanently restricted, temporarily restricted, and unrestricted net assets with the change in each of these classes of net assets to be presented in the statements of activities. Relief International has no permanently restricted net assets as of December 31, 2014 and 2013.

Unrestricted Net Assets – The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets – The portion of net assets whose use by Relief International is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Relief International. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For financial statement purposes, cash on hand and deposits in U.S. and foreign banks with maturities of three months or less are considered to be cash equivalents. Relief International had approximately \$4,100,000 and \$4,000,000 in cash and cash equivalents held at financial institutions and on hand in foreign countries at December 31, 2014 and 2013, respectively. The majority of the funds invested in foreign countries is uninsured. At times during the year, Relief International maintains cash balances at financial institutions in excess of the current Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. Management believes the risk in these situations to be minimal.

Other Receivables: Accounts receivable is comprised of interest receivable, advances to staff, and sub-contractors receivable. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Grants Receivable: Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Investments: Investments are recorded at their readily determinable fair value. Common stock is valued at the closing price reported on the active market in which the individual securities are traded (Level 1). Realized and unrealized gains and losses are included in investment income in the statements of activities.

Property and Equipment: Property and equipment purchased with unrestricted funds (with a cost basis exceeding \$5,000 or more) are stated at cost and are depreciated on the straight-line basis over their related estimated useful lives, generally three to five years. Property and equipment (with an estimated fair value exceeding \$5,000) donated to Relief International is recorded as temporarily restricted revenue in the year of receipt.

Relief International purchases equipment for its various programs with funding received from the U.S. Government and other donors. Under the terms of these agreements, title to equipment remains with Relief International, but the donor generally retains control of the equipment until disposition at the end of the award period. In most cases (and under the direction of the donor), Relief International donates this equipment to local relief and humanitarian organizations at the end of the award period. Therefore, equipment purchased under these programs are expensed when incurred and such assets are not reflected as capital assets in the accompanying statements of financial position.

Maintenance, repairs and renewals that neither materially add value to existing property (nor prolong its life) are expensed as incurred.

Impairment of Long-Lived Assets: Relief International evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to forecasted undiscounted future net cash flows expected to be generated by the asset. If the carrying amount exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Once an impairment charge is recorded, the carrying amount cannot be increased. There was no impairment recorded for the years ended December 31, 2014 or 2013.

Revenue Recognition: Contributions are recognized as revenue when they are received or unconditionally promised as prescribed by ASC 958 – 605, *Not-for-Profit Entities – Revenue Recognition* ("ASC 958 – 605"). The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not recorded as contributions until the conditions on which they depend are substantially met.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is recorded are reported as temporarily restricted contributions and net assets released from restrictions as donor restrictions are met.

Grants and contracts that are awarded to Relief International from U.S. Government agencies and pass-through agencies are accounted for as exchange transactions and revenue is recognized when qualifying expenditures related to specified programs are incurred.

When funds are received in advance of incurring qualified expenditures, the unspent funds are recorded as refundable advances. When qualifying expenditures are incurred prior to receiving funds from the U.S. Government (including pass-through agencies), a receivable is recorded as due from U.S. Government or pass-through agencies. Grants and contributions that are awarded to Relief International from Non-Federal organizations are generally accounted for as contributions and are recorded as temporarily restricted grant and contribution revenue upon notice of the award. Temporarily restricted grants and contributions are recognized as unrestricted revenue (released from restrictions) when either qualifying expenditures are incurred or through the passage of time.

Income Taxes: Relief International is a nonprofit corporation exempt from federal income taxes under Internal Revenue Code section 501(c)(3) and from state income taxes. Therefore, these financial statements contain no provision for such taxes. Informational returns are filed annually with federal and state taxing authorities.

Accounting principles generally accepted in the United States of America prescribe recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at December 31, 2014 and 2013.

Relief International would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. Relief International has no amounts accrued for interest or penalties for the years ended December 31, 2014 and 2013. Relief International does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Foreign Currency Translation: The dollar ("dollars") is the functional currency for Relief International's worldwide operations. Transactions in currencies other than U.S. dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Statement of Financial Position. Translation gains and losses were not material to the financial statements taken as a whole and are not reflected separately in the financial statements.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of an allowance for loan losses. The micro-finance loans have been evaluated as a pool of homogeneous loans and are the only segment and class of lending by Relief International.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans are considered impaired at 90 days and completely reserved. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Non-accrual loans include smaller balance homogeneous loans that are collectively evaluated for impairment.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, economic conditions, and other factors. The allowance does not contain specifically identified reserves as the micro-finance loans are evaluated for exposure as a pool of loans.

Factors considered by management in determining impairment include payment status and the probability of collecting scheduled payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays based on the aging of the micro-finance loans in the pool. Loans are not restructured and no troubled debt restructurings are included in the portfolio.

The general component covers loans that are collectively evaluated for impairment. Large groups of smaller balance homogeneous loans, such as micro-finance loans, are collectively evaluated for impairment, and accordingly, they are not included in the separately identified impairment disclosures. The general component is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by Relief International. This actual loss experience is supplemented with other economic factors based on the risks present for the geographic region. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; migration of loans in the past due categories; trends in volume and terms of loans; economic trends and conditions; industry conditions; and effects of changes in credit concentration.

Inventory: Inventory consists of various hygienic supplies, food and other relief commodities, and are recorded at a fair value assigned by the donor on the date of donation. Distributions of inventory are recorded on a first-in, first-out basis. During the year ended December 31, 2013, Relief International distributed \$1,250,506 in commodities to beneficiaries, of which \$1,250,377 was received during the year. During the year ended December 31, 2013, Relief International distributed \$861,171 in commodities to beneficiaries, of which \$841,362 was received during the year.

As of December 31, 2014 and 2013, total inventory on hand aggregated \$30,050 and \$59,845, respectively.

Contributed Goods and Services: Contributed goods and services consisted of donated food, services, supplies and other relief commodities. The value of these contributions are recorded at their fair value as of the date the goods and services were provided. Contributions of \$1,250,377 and \$919,049, representing the fair value of the use of these goods and services have been recorded as revenue in the accompanying financial statements for the years ended December 31, 2014 and 2013, respectively. Relief International also receives additional contributed goods and services for which an estimate of the fair value is not determinable.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Currency Risk: Relief International is exposed to currency risk through transactions in foreign currencies against the U.S. Dollar (USD). There is also a statement of financial position risk that the net monetary liabilities in foreign currencies will take a higher value when translated into USD's as a result of currency movements.

Market Risk: Market risk is defined as external influences, generally outside of the control of the organization's executive management, but which can be identified, assessed and mitigating actions put in place to reduce any adverse impact.

Credit Risk: Credit risk is the risk of financial loss to Relief International if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Relief International's lending activity. Relief International takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Allowances for impairment are accounted for where there is objective evidence that the loans and advances to customers are impaired. Significant changes in the economy, depreciation of local currencies against the currencies of the indexed portfolios, or in the health of a particular industry segment, could result in evidence that the expected future cash flows are different from those provided for at the end of the reporting period. Management, therefore, carefully monitors and manages its exposure to credit risk.

Fair Value of Financial Instruments: Relief International adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

Subsequent Events: The Organization has evaluated subsequent events for recognition and disclosure through February 28, 2016, which is the date the financial statements were available to be issued.

NOTE 3 – LOANS RECEIVABLE

Relief International maintains several "Group Solidarity" loans in Azerbaijan. The loans are unsecured and interest is payable monthly at 3.0% on the declining principal balance. Interest is not charged during the first and second month of the loan period, resulting in an annual interest rate of approximately 16.5% to 20.0%. As of December 31, 2014, total borrowings (including accrued interest), net of allowance of \$22,060, aggregated \$327,501. As of December 31, 2013, total borrowings (including accrued interest), net of allowance of \$8,520, aggregated \$415,742.

Relief International also maintains a significant micro-credit loan portfolio in Iraq (this portfolio represents approximately 91% and 94% of Relief International's net loans receivable worldwide as of December 31, 2014 and 2013, respectively). All loans were provided to individuals in accordance with the terms of Relief International's local programmatic activities. The majority of loans are due within one-year and bear interest of 13.0% to 35.0%. Total micro-credit loans receivable, net of allowance of \$1,233,899, aggregated \$3,505,628 as of December 31, 2014. Total micro-credit loans receivable, net of allowance of \$853,505, aggregated \$6,434,540 as of December 31, 2013.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 3 – LOANS RECEIVABLE (Continued)

Relief International also maintains micro-credit loans in Palestine and Ghana. The loans have been extended to local associations and individuals (including group loans) in accordance with the terms of Relief International's local programmatic activities. The majority of loans are due within one-year and bear interest up to 13.0%.

Following is a schedule, by country, of all loans receivable as of December 31, 2014:

<u>Country</u>	<u>Loans Receivable</u>	<u>Allowance</u>	<u>Net</u>
Iraq	\$ 4,739,527	\$ 1,233,899	\$ 3,505,628
Azerbaijan	349,561	22,060	327,501
Palestine	39,170	39,170	-
Ghana	<u>13,748</u>	<u>-</u>	<u>13,748</u>
Total	<u>\$ 5,142,006</u>	<u>\$ 1,295,129</u>	<u>\$ 3,846,877</u>

Following is a schedule, by country, of all loans receivable as of December 31, 2013:

<u>Country</u>	<u>Loans Receivable</u>	<u>Allowance</u>	<u>Net</u>
Iraq	\$ 7,288,045	\$ 853,505	\$ 6,434,540
Azerbaijan	424,262	8,520	415,742
Palestine	<u>41,620</u>	<u>41,135</u>	<u>485</u>
Total	<u>\$ 7,753,927</u>	<u>\$ 903,160</u>	<u>\$ 6,850,767</u>

The following tables presents the activity in the allowance for loan losses for the years ending December 31, 2014 and 2013:

	<u>2014</u>
Beginning balance, January 1, 2014	\$ 903,160
Provision for loan losses	970,767
Loans charged off	<u>(578,798)</u>
Ending balance, December 31, 2014	<u>\$ 1,295,129</u>
	<u>2013</u>
Beginning balance, January 1, 2013	\$ 1,481,035
Provision for loan losses	1,123,377
Loans charged off	(1,707,555)
Recoveries	<u>6,303</u>
Ending balance, December 31, 2013	<u>\$ 903,160</u>

At December 31, 2014 Relief International had \$1,179,556 in loans that were considered impaired with an allowance of \$1,179,556 allocated to all loans over 90 days. At December 31, 2013 Relief International had \$288,347 in loans that were considered impaired with an allowance of \$288,347 allocated to all loans over 90 days.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 3 – LOANS RECEIVABLE (Continued)

The following tables present the aging of the recorded investment in past-due loans as of December 31, 2014 and 2013 by class of loans:

December 31, 2014

	30 – 59 Days <u>Past Due</u>	60 – 89 Days <u>Past Due</u>	Greater Than 89 Days <u>Past Due</u>	Total <u>Past Due</u>	Loans Not <u>Past Due</u>	<u>Total</u>
Micro-finance loans	\$ <u>111,167</u>	\$ <u>68,267</u>	\$ <u>1,179,556</u>	\$ <u>1,358,990</u>	\$ <u>3,783,016</u>	\$ <u>5,142,006</u>

December 31, 2013

	30 – 59 Days <u>Past Due</u>	60 – 89 Days <u>Past Due</u>	Greater Than 89 Days <u>Past Due</u>	Total <u>Past Due</u>	Loans Not <u>Past Due</u>	<u>Total</u>
Micro-finance loans	\$ <u>163,050</u>	\$ <u>26,059</u>	\$ <u>288,347</u>	\$ <u>477,566</u>	\$ <u>7,276,361</u>	\$ <u>7,753,927</u>

NOTE 4 – RELIEF INTERNATIONAL - UK

Relief International - UK (RI-UK), a separately incorporated not-for-profit entity in the United Kingdom, is part of the global family of Relief International agencies through which international programmatic activities are coordinated. On occasion, Relief International provides short-term interest-free financing and other support to RI-UK. Conversely, RI-UK will provide short-term interest-free financing, and other support, to Relief International. As of December 31, 2014 the aggregate amount due to RI-UK totaled \$1,458,471. As of December 31, 2013, the aggregate amount due from RI-UK totaled \$889,995.

NOTE 5 – PROPERTY AND EQUIPMENT

As of December 31, 2014 and 2013, property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ -	\$ 4,955
Office equipment	17,000	21,119
Computer equipment	141,704	226,761
Vehicles	<u>150,271</u>	<u>419,655</u>
Total	308,975	672,490
Less: accumulated depreciation	<u>(276,901)</u>	<u>(614,147)</u>
Property and equipment, net	<u>\$ 32,074</u>	<u>\$ 58,343</u>

Depreciation expense for the years ended December 31, 2014 and 2013 amounted to \$29,961 and \$6,581, respectively.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 6 – LINES OF CREDIT

As of December 31, 2014 and 2013, Relief International had the following lines of credit:

- Relief International maintains a \$1,625,000 line of credit with a local financial institution. This line of credit was originated on December 1, 2011 and due in December 2013. The terms were modified effective December 12, 2013 and extended to be due on April 5, 2014, then modified again effective April 22, 2014 to be extended to April 5, 2015. Relief International has negotiated a new agreement effective April 2015 for the same principal amount of \$1,625,000, whereby the maturity was extended to April 5, 2016. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 0.25% (4.70% and 4.50% at December 31, 2014 and 2013, respectively). Interest is assessed on a monthly basis. All inventory, including all returned inventory, equipment, general intangibles, and all proceeds (cash and non-cash) and products of the foregoing have been pledged as collateral. At December 31, 2014 and 2013, the total amount due on the line of credit aggregated \$1,567,280 and \$1,352,225, respectively.
- On July 21, 2010, Relief International entered into a revolving line of credit agreement with the Azerbaijan Ministry of Agriculture for the purpose of providing additional lending capital to the beneficiaries of its rural micro-lending activities. The line of credit bears quarterly interest of 2.00%, is secured by its loans receivable portfolio in Azerbaijan and matures in March 2016 with the ability to be extended. As of December 31, 2014 and 2013, the total amount due on the line of credit aggregated \$91,818 and \$187,406, respectively.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$857,629 were available for purpose-restricted programs including approximately \$350,000 for micro finance and \$500,000 for other program services at December 31, 2014.

Net assets of \$3,310,222 were released during 2014 in accordance with the following purposes:

Sudan	\$ 2,156,826
Myanmar	617,054
Microfinance program	310,069
Others	<u>226,073</u>
Total	<u>\$ 3,310,222</u>

Temporarily restricted net assets of \$929,692 were available for purpose-restricted programs including approximately \$400,000 for micro finance and \$500,000 for other program services at December 31, 2013.

Net assets of \$7,695,840 were released during 2013 in accordance with the following purposes:

Microfinance program	\$ 5,087,691
Sudan	860,494
Rainwater	845,767
Others	<u>901,888</u>
Total	<u>\$ 7,695,840</u>

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 8 – LEASE COMMITMENTS

Relief International leases its principal office space in Los Angeles, California, under an operating rental agreement which expires on March 31, 2016. On January 13, 2015, Relief International entered into an agreement for a new office space in Washington, D.C. which expires in July 2026. Relief International also leases offices and guest houses in several foreign countries under short-term lease agreements. Total rent expense (including foreign country offices utilities and related costs) for the years ended December 31, 2014 and 2013 was \$1,344,575 and \$ 1,374,922, respectively.

Future minimum lease payments required under the long-term lease agreements are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2015	\$ 369,445
2016	314,965
2017	302,483
2018	310,019
2019	324,079
Thereafter	<u>2,406,796</u>
	<u>\$ 4,027,786</u>

NOTE 9 –CONTINGENCIES

Relief International is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of Relief International.

United States Government Funding Relief International receives grants and contracts from various agencies of the United States Government. Such awards are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2013. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Overseas Operations Relief International administers its various programs in numerous developing countries through its field offices in each of those countries. Relief International also maintains cash accounts as well as loan portfolios in certain of those countries. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate.

As of December 31, 2014, Relief International had assets in Afghanistan, Azerbaijan, Bangladesh, Ghana, Guinea, Haiti, Iran, Iraq, Jordan, Kenya, Lebanon, Myanmar, Niger, Nigeria, Pakistan, occupied Palestinian territories, Philippines, Turkey, Senegal, Somalia, Sudan, Uganda and Yemen, totaling approximately \$10,070,000, which represents 80% of Relief International's total assets as of December 31, 2014.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 10 – ECONOMIC DEPENDENCY

Approximately 80% of Relief International's unrestricted support and revenue (excluding contributed food and relief commodities) for the years ended December 31, 2014 and 2013, was derived from grants and contracts awarded by the United States Government and various pass-through entities. Relief International has no reason to believe that relationships with these entities will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew agreements or withholding of funds) would adversely affect Relief International's ability to finance ongoing operations.

NOTE 11 – RETIREMENT PLANS

Relief International has adopted a retirement plan under Section 403(b)(7) of the Internal Revenue Code. Employees are eligible to participate in the plan after one year of service with the organization. Employee contributions are limited to current Internal Revenue Services (IRS) limitations, and Relief International will match those annual contributions initially at 25%. The employer match percentage increases based on years of service. Relief International contributions are vested at 20% after two years of service, rising to 100% after six years of service. During the years ended December 31, 2014 and 2013, the retirement plan expense totaled \$151,420 and \$64,431, respectively.

Relief International has established a Supplemental Executive Retirement and Retention Plan for the executive director effective as of March 17, 2014 for the purpose of providing certain supplemental retirement and retention benefits, in addition to any other retirement and retention benefits available under any other plan sponsored and maintained by Relief International. The balance of funds credited under the terms of the Plan totaled \$25,000 as of December 31, 2014.

NOTE 12 – OTHER ASSETS

Relief International is the beneficiary under a program (managed by JPMorgan Ventures Energy) related to the sale of carbon credits earned from Relief International's production of fuel efficient stoves (in Ghana). In order for carbon credits to be considered real and verifiable they must be evaluated to the Gold Standard. Relief International contracts with RINA Services S.p.A. to provide a Gold Standard Verification of their carbon credits.

According to the RINA Services, S.p.A. Gold Standard Verification/Certification Report dated April 15, 2014 for Relief International, 238,176 and 101,409 credits were earned and verified for the periods of January 1, 2012 – December 31, 2012 and January 1, 2013 – May 31, 2013, respectively, for a total 339,585 credits. Relief International has sold credits for at a rate of \$3.00 per unit to \$8.00 per unit, generating an average of \$5.50 per unit. Relief International estimated an asset value \$600,924 based on a conservative assumption of a voluntary emission reduction (VER) value \$2.00 per unit of their Gold Standard Certified carbon credits as of December 31, 2013. Carbon credit sales totaled \$110,320 and \$78,246 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014, \$490,604 was recorded as an asset for the remaining unsold, certified carbon credits.