



Financial Statements

For the Years Ended December 31, 2018 and 2017

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 17

Independent Auditor's Report

**To the Board of Directors
Relief International, Inc.
Wilmington, Delaware**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Relief International, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
September 26, 2019

RELIEF INTERNATIONAL, INC.

Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 8,489,451	\$ 4,246,986
Grants receivable	2,607,403	5,549,138
Prepaid expenses, other receivables and other	1,258,043	1,499,253
Inventory		42,773
Microfinance loans receivable, net	2,939,557	2,484,548
Other assets, net		92,077
Security deposits	196,297	145,179
Property and equipment, net	5,697	66,746
Total Assets	<u>\$ 15,496,448</u>	<u>\$ 14,126,700</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,351,991	\$ 4,707,682
Refundable advances	1,609,618	87,518
Funds held for related party, net	3,294,507	7,040,244
Other liabilities, net		92,077
Total Liabilities	12,256,116	11,927,521
Net Assets:		
Net assets without donor restrictions	2,812,999	1,584,343
Net assets with donor restrictions	427,333	614,836
Total Net Assets	<u>3,240,332</u>	<u>2,199,179</u>
Total Liabilities and Net Assets	<u>\$ 15,496,448</u>	<u>\$ 14,126,700</u>

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Grants and contributions	\$ 45,820,890	\$ 178,757	\$ 45,999,647
Private donations	682,209	58,736	740,945
Microfinance loan interest	1,095,021		1,095,021
Contributed goods and services	155,951		155,951
Other	749,480		749,480
Net assets released from restrictions	424,996	(424,996)	
Total Revenues and Support	48,928,547	(187,503)	48,741,044
Expenses:			
Program services-			
Economic opportunity	1,449,025		1,449,025
Education	100,482		100,482
Health	7,697,846		7,697,846
Multi-sectoral	29,627,617		29,627,617
WASH	43,935		43,935
Other	1,585,558		1,585,558
Total program services	40,504,463		40,504,463
Supporting services-			
General and administrative	7,195,428		7,195,428
Total supporting services	7,195,428		7,195,428
Total Expenses	47,699,891		47,699,891
Change in Net Assets	1,228,656	(187,503)	1,041,153
Net assets, beginning of year	1,584,343	614,836	2,199,179
Net Assets, End of Year	\$ 2,812,999	\$ 427,333	\$ 3,240,332

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Statement of Activities
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Grants and contributions	\$ 40,104,346	\$ 419,119	\$ 40,523,465
Private donations	637,843	36,140	673,983
Microfinance loan interest	948,277		948,277
Contributed goods and services	335,655	9,547	345,202
Other	641,687		641,687
Net assets released from restrictions	650,074	(650,074)	
Total Revenues and Support	43,317,882	(185,268)	43,132,614
Expenses:			
Program services-			
Economic opportunity	2,064,909		2,064,909
Education	274,643		274,643
Health	6,477,173		6,477,173
Multi-sectoral	26,237,060		26,237,060
Other	1,246,973		1,246,973
Total program services	36,300,758		36,300,758
Supporting services-			
General and administrative	6,795,937		6,795,937
Total supporting services	6,795,937		6,795,937
Total Expenses	43,096,695		43,096,695
Change in Net Assets	221,187	(185,268)	35,919
Net assets, beginning of year	1,363,156	800,104	2,163,260
Net Assets, End of Year	\$ 1,584,343	\$ 614,836	\$ 2,199,179

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services						Support Services		Total	
	Economic Opportunity	Education	Health	Multi-Sectoral	WASH	Other	Total Program Services	General and Administrative		Total Support Services
Allowances	\$ 4,071	\$ 1,724	\$ 186,435	\$ 709,350	\$ 5,000	\$ 56,205	\$ 962,785	\$ 117,093	\$ 117,093	\$ 1,079,878
Benefits	30,769	5,301	300,249	1,167,791	1,182	65,795	1,571,087	655,385	655,385	2,226,472
Communications, outreach and media	538		62,194	20,122		1,422	84,276	10,118	10,118	94,394
Equipment purchases	15,585		215,565	628,474	11,833	37,097	908,554	47,129	47,129	955,683
Events and meetings	3,538	169	57,102	441,260		36,999	539,068	82,661	82,661	621,729
Insurance		460	3,625	11,990		41	16,116	197,239	197,239	213,355
Items distributed to beneficiaries		13,223	168,913	1,635,215		115,242	1,932,593			1,932,593
Operating costs								874,784	874,784	874,784
Other payroll costs				2,587			2,587	58,057	58,057	60,644
Other project costs	172,173	417	2,800,894	7,578,763		130,237	10,682,484	317	317	10,682,801
Payroll related costs			3,583	50		96	3,729	71,314	71,314	75,043
Professional fees	206,549	142	204,589	465,849	3,263	199,616	1,080,008	1,218,217	1,218,217	2,298,225
Project operating costs	151,468	7,077	502,366	2,374,559	19,448	159,375	3,214,293	1,472	1,472	3,215,765
Rentals and freight	20	40	103,252	675,775	38	46,632	825,757	28,357	28,357	854,114
Retirement plan	26,030	3,691	61,576	343,771		27,216	462,284	168,909	168,909	631,193
Salary and wages	744,497	55,023	2,817,808	12,253,121	2,500	501,827	16,374,776	2,784,178	2,784,178	19,158,954
Taxes and social security	2,174	7,715	52,507	241,660		27,019	331,075	230,345	230,345	561,420
Travel	91,613	5,500	157,188	1,077,280	671	180,739	1,512,991	649,853	649,853	2,162,844
Total Expenses	\$ 1,449,025	\$ 100,482	\$ 7,697,846	\$ 29,627,617	\$ 43,935	\$ 1,585,558	\$ 40,504,463	\$ 7,195,428	\$ 7,195,428	\$ 47,699,891

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services					Support Services		Total	
	Economic Opportunity	Education	Health	Multi-Sectoral	Other	Total Program Services	General and Administrative		Total Support Services
Allowances	\$ 31,009	\$ -	\$ 153,157	\$ 454,207	\$ 37,135	\$ 675,508	\$ 99,718	\$ 99,718	\$ 775,226
Benefits	79,524	322	233,263	1,021,740	118,437	1,453,286	582,268	582,268	2,035,554
Communications, outreach and media	1,300		4,277	23,140	3,454	32,171	4,360	4,360	36,531
Equipment purchases	22,919	6,387	314,640	464,377	39,971	848,294	24,353	24,353	872,647
Events and meetings	14,384	4,319	38,688	322,683	16,228	396,302	66,595	66,595	462,897
Insurance	4,374		42	5,357	268	10,041	57,347	57,347	67,388
Items distributed to beneficiaries		82,745	1,410,948	1,055,837	24,117	2,573,647	(616)	(616)	2,573,031
Operating costs							1,442,587	1,442,587	1,442,587
Other	(4,955)	23,608	61,464	144,793	2,648	227,558	118,566	118,566	346,124
Other payroll costs	11			2,122	72	2,205	66,359	66,359	68,564
Other project costs	525,381	1,640	987,674	8,021,275	149,770	9,685,740	93,811	93,811	9,779,551
Payroll related costs				15,578	60	15,638	72,310	72,310	87,948
Professional fees	184,888	333	67,842	347,540	62,245	662,848	858,688	858,688	1,521,536
Project operating costs	178,543	32,936	478,130	2,113,519	121,804	2,924,932	1,243	1,243	2,926,175
Rentals and freight	620	138	268,931	608,098	25,712	903,499	14,786	14,786	918,285
Retirement plan	38,682	2,044	14,794	270,676	13,910	340,106	127,557	127,557	467,663
Salary and wages	873,338	69,183	2,167,394	10,282,910	534,053	13,926,878	2,509,495	2,509,495	16,436,373
Taxes and social security	8,290	8,014	28,805	122,497	25,574	193,180	202,466	202,466	395,646
Travel	106,601	42,974	247,124	960,711	71,515	1,428,925	454,044	454,044	1,882,969
Total Expenses	\$ 2,064,909	\$ 274,643	\$ 6,477,173	\$ 26,237,060	\$ 1,246,973	\$ 36,300,758	\$ 6,795,937	\$ 6,795,937	\$ 43,096,695

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash From Operating Activities:		
Change in net assets	\$ 1,041,153	\$ 35,919
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Receipt of contributed goods and services	(155,951)	(345,202)
Distribution of contributed goods and services	155,951	345,202
Depreciation	61,049	218,907
Noncash investing and financing activities:		
Change in provision for microloan losses	28,469	
Changes in operating assets and liabilities:		
Accounts receivable		112,075
Grants receivable	2,941,735	(2,443,936)
Prepaid expenses, other receivables and other	241,210	(486,813)
Inventory	42,773	(21)
Other assets	92,077	332,923
Security deposits	(51,118)	(45,964)
Accounts payable and accrued expenses	2,644,309	239,300
Refundable advances	1,522,100	(629,306)
Funds due from/held for related party, net	(3,745,737)	1,615,297
Other liabilities	(92,077)	(332,923)
Net Cash Provided by (Used in) Operating Activities	4,725,943	(1,384,542)
Cash Flows From Investing Activities:		
Net advances for microfinance loans	(483,478)	(493,196)
Net Cash Used in Investing Activities	(483,478)	(493,196)
Net Change in Cash and Cash Equivalents	4,242,465	(1,877,738)
Cash and cash equivalents, beginning of year	4,246,986	6,124,724
Cash and Cash Equivalents, End of Year	\$ 8,489,451	\$ 4,246,986

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 1 - Organization and Summary of Accounting Policies

Relief International, Inc. (the Organization) is a leading humanitarian nonprofit agency committed to achieving relief from poverty, building resilience, and promoting dignity and well-being of the world's most vulnerable populations. By partnering with people in the communities where we work, we bridge the gap between immediate relief and long-term community development. The Organization is non-sectarian and non-political in its mission. The Organization's programs focus on four sectors: health; education; water, sanitation and hygiene (WASH); and economic opportunity. We design every program to follow "The RI Way", which includes global participation, integration across sectors, partnerships, and civic skills development. Past and current programs have included assistance to refugees, displaced, and other vulnerable communities in Afghanistan, Azerbaijan, Bangladesh, Ghana, Guinea, Haiti, Iran, Iraq, Jordan, Kenya, Lebanon, Myanmar, Niger, Pakistan, Palestinian territories, Philippines, Senegal, Somalia, Sudan, Turkey, South Sudan, Uganda and Yemen.

Relief International receives awards, grants and contributions from the United States Agency for International Development (USAID), the United States Department of State (DOS), various foundations, and other international organizations.

Relief International, Inc. was founded in June 1990 and formally incorporated in the State of California on November 30, 1990, as a nonprofit charitable organization. Relief International, Inc. (RIDEL), a Delaware nonprofit, nonstock corporation, was incorporated on January 3, 2017. Effective December 31, 2017, Relief International, Inc. merged with RIDEL, the surviving corporation, which continues to operate as Relief International, Inc. (the Organization). The Organization continues to be recognized under Relief International, Inc.'s Federal tax identification number and continues as the same reporting entity for financial reporting purposes.

Basis of Presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting under accounting principles generally accepted in the United States of America (U.S. GAAP). The Organization has presented an unclassified statement of financial position which sequences assets according to their nearness of conversion to cash and sequences liabilities according to the nearness of their maturity and resulting use of cash.

For the purposes of financial reporting, the Organization classifies resources into two net asset categories pursuant to donor-imposed restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Revenue and support are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Donor restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of donor restrictions result in the reclassification of net assets with donor restrictions to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers cash on hand and deposits in U.S. and foreign banks with maturities of three months or less to be cash equivalents.

RELIEF INTERNATIONAL, INC.

**Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

Note 1 - Continued

Other Assets and Other Liabilities - Accounts receivable is stated at the amount management expects to collect from outstanding balances and consist of amounts billed for voluntary emissions reductions (VERs) that have been certified and delivered to the purchaser of the credits (Note 9). Other assets consist of VERs that have been certified and obligated by contract for release in the future. Other liabilities reflect the Organization's obligation to deliver the VERs at a future date. The VERs that have been certified and obligated are recorded at the price specified in the applicable contract, net of an allowance to reflect a present value discount and fluctuations in market prices.

Grants and Other Receivables - Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants or other receivables. Management considers all amounts to be fully collectible as of December 31, 2018 and 2017.

Grants receivable consists of amounts due from the U.S. Government and pass-through entities. Other receivables consist of: accrued interest on microfinance loans; advances to field offices; advances to staff; subcontractor receivables; and pledges receivable. There were no pledges receivable at December 31, 2018. Pledges receivable outstanding at December 31, 2017, totaled approximately \$98,000, and were collected in 2018.

Inventory - Inventory consists of various hygienic supplies, food and other relief commodities, and are recorded at fair value on the date of donation and are evaluated for impaired value at year end. Distributions of inventory are recorded on a first-in, first-out basis.

Microfinance Loans Receivable - Microfinance loans receivable consists of loans made under the Organization's microfinance programs (Note 2). Loans that management has the intent and ability to hold for the foreseeable future, until maturity or until payoff, are reported at the principal balance outstanding, net of an allowance for loan losses.

Property and Equipment - The Organization capitalizes property and equipment with a cost or donated value of \$5,000 or greater. The cost of property and equipment is depreciated over the estimated useful life of the asset and is computed using the straight-line method over three to five years. Maintenance and repairs are charged to expense as incurred.

The Organization 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 the Organization; however, the donor generally retains control of the equipment until disposition at the end of the award period. In most cases, under the direction of the donor, the Organization donates this equipment to local relief and humanitarian organizations at the end of the award period. The majority of the awards are for terms of less than two years; therefore, equipment purchased under these programs is expensed when purchased, and such assets are not reflected as capital assets in the statements of financial position.

Vulnerability From Certain Concentrations and Risks - Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents and microfinance loans receivable (Note 2). The Organization had approximately \$4,571,400 and \$3,100,000 in cash and cash equivalents held at financial institutions and on hand in foreign countries as of December 31, 2018 and 2017, respectively. The majority of the funds invested in foreign countries is uninsured. Cash and cash equivalents held by financial institutions in the U.S. at times exceed Federal Deposit Insurance Corporation insured limits. Management believes the risk in these situations to be minimal.

RELIEF INTERNATIONAL, INC.

**Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

Note 1 - Continued

The Organization's credit risk arises primarily from its lending activity through its microfinance programs (Note 2) and results when a borrower or counterparty to a financial instrument fails to meet its contractual obligations. Allowances for impairment are accounted for when there is objective evidence that the loans and advances to borrowers 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 has implemented processes to monitor and manage its exposure to credit risk. Microfinancing loans receivable, net, account for 19% and 18% of the Organization's total assets as of December 31, 2018 and 2017, respectively.

For the years ended December 31, 2018 and 2017, 92% and 94%, respectively, of the Organization's total revenues and support consist of awards from agencies of the U.S. Government and pass-through entities. As of December 31, 2018 and 2017, 100% of grants receivable are from the U.S. Government and pass-through entities. Management 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 the Organization's ability to finance ongoing operations.

Revenue Recognition - Unconditional grants and contributions are recognized as revenue in the period committed or received. Donor-restricted contributions are reported as contributions with donor restrictions and as net assets released from restrictions when donor restrictions are met. Conditional promises to give are not recognized as revenue until the conditions upon which they depend are substantially satisfied.

Grants and contracts that are awarded to the Organization 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 in the statements of financial position 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.

Contributed Goods and Services - Contributed goods and services consist of donated food, services, supplies and other relief commodities. These contributions are recorded at their fair value on the date the goods and services are provided. The Organization also receives contributed goods and services for which an estimate of the fair value is not determinable; therefore, these contributed goods and services are not reflected in the statements of activities.

Functional Expenses - The costs of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. Wherever appropriate, costs are charged directly to programs by functional area, and shared costs are allocated based upon a variety of cost drivers that measure relative effort, shared space, or some other appropriate basis upon which to allocate costs.

Financial Statement Reclassifications - Certain reclassifications have been made to 2017 amounts to conform to the 2018 presentation. The reclassifications have no effect on the previously reported total assets, liabilities, net assets or change in net assets for 2017.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 1 - Continued

New Accounting Pronouncement - During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) required for fiscal years beginning after December 15, 2017. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets are reported as net assets with donor restrictions. The Organization has also included a footnote on liquidity and availability of financial assets (Note 6).

Tax Exempt Status - The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) and is not classified as a private foundation. Prior to its merger with RIDEL (Note 1), the Organization was incorporated in the state of California and was recognized by the California Franchise Tax Exempt Board and, under the California Revenue and Taxation Code Section 23701d, exempt from California income and franchise taxes on operations related to its exempt purpose. Accordingly, the Organization has not made any provision for income tax expense in the accompanying financial statements.

Foreign Currency Translation - Substantially all assets and liabilities of the Organization that are held in foreign currencies are translated at year end exchange rates. Revenues, gains and other support and expenses are translated at the average monthly exchange rates during the year. Gains and losses from foreign currency translation were not material to the financial statements taken as a whole and are not reflected separately in the financial statements.

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

Note 2 - Microfinance Loans Receivable

Loans issued under the Organization's microfinance programs have been evaluated as a pool of homogeneous loans and are the only segment and class of lending by the Organization. Loans are considered impaired at 180 days and are generally completely reserved. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans generally consist of smaller balance homogeneous loans that are collectively evaluated for impairment.

The allowance for loan losses has been established for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance 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 microfinance loans are evaluated for exposure as a pool of loans.

RELIEF INTERNATIONAL, INC.

**Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

Note 2 - Continued

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 microfinance loans in the pool. Loans are not restructured, and no troubled debt restructurings are included in the portfolio.

Large groups of smaller balance homogeneous loans, such as microfinance loans, are collectively evaluated for impairment, and accordingly, they are not included in the separately identified impairment disclosures. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Organization. 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.

The Organization's entire microfinance loan portfolio consisted of loans made in Iraq as of December 31, 2018 and 2017. All loans were provided to individuals in accordance with the terms of the Organization's local programmatic activities. The majority of loans are due within one year and bear interest of 13.0% to 35.0%. As of December 31, 2018, and 2017, microfinance loans receivable balances on the statements of financial position were net of allowances of \$113,947 and \$85,478, respectively, and the gross microfinance loans receivable balances were \$3,053,504 and \$2,570,026, respectively.

Activity in the allowance for microfinance loans losses was as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 85,478	\$ 85,478
Provision for loan losses	<u>28,469</u>	
Balance, End of Year	<u>\$ 113,947</u>	<u>\$ 85,478</u>

As of December 31, 2018, the Organization had \$97,199 in loans that were considered impaired with an allowance of \$113,947 allocated to all loans over 180 days. As of December 31, 2017, the Organization had \$74,432 in loans that were considered impaired with an allowance of \$85,478 allocated to all loans over 180 days.

The aging of the recorded investment in past-due microfinance loans, was as follows:

<u>December 31, 2018</u>						
<u>31 - 60 Days Past Due</u>	<u>61 - 90 Days Past Due</u>	<u>Greater Than 90 Days Past Due</u>	<u>Total Past Due</u>	<u>Loans Not Past Due</u>	<u>Total</u>	
\$ 11,440	\$ 13,849	\$ 125,715	\$ 151,004	\$ 2,902,500	\$	3,053,504

RELIEF INTERNATIONAL, INC.

**Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

Note 2 - Continued

The aging of the recorded investment in past-due microfinance loans, was as follows:

December 31, 2017					
31 - 60 Days Past Due	61 - 90 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
\$ 12,179	\$ 12,593	\$ 96,634	\$ 121,406	\$ 2,448,620	\$ 2,570,026

Note 3 - Relief International - UK

Relief International - UK (RI-UK) is a nongovernmental organization (NGO) headquartered in London. It is separately incorporated as a company limited by guarantee in England and Wales and registered as a charitable organization with the Charity Commission. RI-UK is an independent affiliate of the Organization and is part of the global family of Relief International agencies through which international programmatic activities are coordinated. RI-UK and the Organization have common board members and collaborate closely by sharing the use of all staff and systems. However, neither entity has a residual interest in the net assets of the other, nor is either entity responsible for the obligations or debts of the other. The aggregate amounts held by the Organization on behalf of RI-UK totaled \$3,294,507 and \$7,040,244 as of December 31, 2018 and 2017, respectively, and consist primarily of cash as well as expenses incurred by RI-UK to be paid by the Organization. These amounts are included in cash and cash equivalents and funds held for related party on the statements of financial position. All support costs are paid by the Organization, and a portion of those costs are allocated to RI-UK based on management's detailed analysis of level of effort spent, headcount or revenues, depending on the basis most applicable to specific costs. Costs allocated to RI-UK for support staff and systems totaled \$4,378,407 and \$3,557,445 for the years ended December 31, 2018 and 2017, respectively.

Note 4 - Property and Equipment

Property and equipment consisted of the following as of December 31:

	2018	2017
Office equipment	\$ 17,000	\$ 17,000
Computer equipment	25,536	25,536
Software	424,025	424,025
Vehicles	150,271	150,271
	616,832	616,832
Less accumulated depreciation	(611,135)	(550,086)
Property and Equipment, Net	\$ 5,697	\$ 66,746

Depreciation expense totaled \$61,049 and \$218,907 for the years ended December 31, 2018 and 2017, respectively.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following as of December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purposes:		
Program activities - relief support	\$ 361,682	\$ 495,843
Subject to the passage of time:		
Program activities - relief support	<u>65,651</u>	<u>118,993</u>
Total Net Assets With Donor Restrictions	<u>\$ 427,333</u>	<u>\$ 614,836</u>

Note 6 - Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 8,489,451	\$ 4,246,986
Grants receivable	2,607,403	5,549,138
Microfinance loans receivable, net	<u>2,939,557</u>	<u>2,484,548</u>
Total financial assets	14,036,411	12,280,672
Less funds held for related party	(3,294,507)	(7,040,244)
Less microfinance loans receivable, net	<u>(2,939,557)</u>	<u>(2,484,548)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 7,802,347</u>	<u>\$ 2,755,880</u>

The majority of the Organization's funding is from the U.S. government with additional amounts raised from private and other donors and its micro-financing program. In general, the vast majority of the Organization's funding is fully available for use when received or within one year of receipt primarily because of the duration of its grants and the nature of its private donations.

Because the Organization has agreements with, and provides technical and other support for, its affiliate, RI-UK (Note 3), a portion of the Organization's expenses are allocated to, and reimbursed by, RI-UK based upon actual expenses incurred and an allocation of staff time. The amount of the receivable and payable between the two organizations fluctuates over time.

RELIEF INTERNATIONAL, INC.

**Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

Note 7 - Commitments and Contingencies

Leases - The Organization leases office space in Los Angeles, California and Washington, DC, under operating rental agreements which expire on March 31, 2021 and July 31, 2026, respectively. Both agreements provide for escalating rent payments over the terms of the leases. Rent expense is recognized on a straight-line basis over the terms of the agreements, and deferred rent liabilities totaling approximately \$397,500 and \$407,000 are included in accounts payable and accrued liabilities on the statements of financial position as of December 31, 2018 and 2017, respectively. The Organization also leases offices and guest houses in several foreign countries under short-term lease agreements. Rent expense, including foreign country offices, utilities and related costs, totaled approximately \$1,300,000 and \$1,222,700, for the years ended December 31, 2018 and 2017, respectively.

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

For the years ending December 31:		
2019	\$	425,387
2020		439,531
2021		368,949
2022		349,553
2023		358,287
Thereafter		<u>1,064,348</u>
Total Future Rent Payments	\$	<u>3,006,055</u>

Legal Proceedings - In the normal course of business, the Organization has various claims in process, matters in litigation, and other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

Potential Disallowed Costs - Expenses incurred under certain programs are subject to audit by the awarding agencies, including programs funded by the U.S. federal government. If, as a result of such an audit, certain expenses incurred are determined to be nonreimbursable, the Organization may be liable for repayment of disallowed expenses previously claimed or received. The Organization has accrued a liability totaling \$411,065 and \$243,322, as of December 31, 2018 and 2017, respectively, included on the statements of financial position in accounts payable and accrued expenses, for the difference between its negotiated indirect cost recovery rate and the rate calculated based on actual costs incurred for the years ended December 31, 2018 and 2017, respectively.

Overseas Operations - The Organization administers its various programs in numerous developing countries through its field offices in each of those countries. The Organization 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, 2018 and 2017, the Organization has assets in Afghanistan, Bangladesh, Ghana, Iran, Iraq, Jordan, Kenya, Lebanon, Myanmar, Nigeria, Pakistan, occupied Palestinian territories, Philippines, Turkey, Senegal, Somalia, Sudan, Uganda and Yemen. These assets totaled approximately \$7,750,000 and \$7,250,000, which represents 50% and 51% of the Organization's total assets as of December 31, 2018 and 2017, respectively.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 8 - Retirement Plans

The Organization maintains a retirement plan under Section 403(b)(7) of the IRC, and employees are eligible to participate in the plan after one year of service. Employee contributions are limited to current Internal Revenue Services (IRS) limitations. The Organization contributes to the plan on the employee's behalf, initially at 4% with increases based on years of service. The Organization's contributions are vested at 20% after two years of service, rising to 100% after five years of service. During the years ended December 31, 2018 and 2017, the retirement plan expense totaled \$631,193 and \$467,663, respectively.

The Organization has established a nonqualified deferred compensation plan (the Plan) under Section 457(f) of the IRC 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 the Organization. Until the withdrawal date, the contributions to the Plan are legal assets of the Organization and subject to its creditors. The balance of funds credited under the terms of the Plan totaled \$11,250 and \$22,500 as of December 31, 2018 and 2017, respectively.

Note 9 - Other Assets

The Organization is the beneficiary under a program, "Gyapa Improved Stoves in Ghana," related to the sale of voluntary emissions reductions (VERs) earned from its production of fuel-efficient stoves in Ghana. The Organization contracts with Carbon Check (India) Private Ltd. to verify the greenhouse gas emission reductions reported for the program activity and to certify VERs earned in accordance with Gold Standard Verification, consistent with industry practice.

The most recent Carbon Check (India) Private Ltd. Gold Standard Verification Report, dated February 13, 2018, covered the verification period of June 17, 2015 through July 31, 2017 and certified 1,150,576 VERs, of which 480,000 were obligated by contract to a third party as of December 31, 2017. Obligated but yet to be delivered VERs as of December 31, 2017 are reported as other assets in the statements of financial position, valued at the stated contract price less an allowance to reflect a present value discount and market fluctuations. A liability is also reflected in the statements of financial position for the Organization's obligation to release the remaining obligated VERs. The remaining certified but unobligated VERs will be recognized at the time they are obligated under contract.

During the year ended December 31, 2018, the obligated and certified VERs were sold. Revenue totaling approximately \$712,000 and \$611,000 was recognized during the years ended December 31, 2018 and 2017, respectively, for VERs that were released and invoiced to the third party.

Note 10 - Subsequent Events

The Organization has evaluated subsequent events through September 26, 2019, the date on which the financial statements were available to be issued.

On January 1, 2019, MRCA, a French nongovernmental organization (NGO) joined the Relief International alliance as MRCA/Relief International-France. In addition to adding its existing projects in Afghanistan to the RI Alliance portfolio, MRCA/Relief International-France is eligible to receive European Commission funding. This allows the Relief International Alliance to continue to execute projects funded by European Commission donors.