



Financial Statements

For the Years Ended December 31, 2017 and 2016

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## Independent Auditor's Report

**To the Board of Directors  
Relief International, Inc.  
Los Angeles, California**

### 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, 2017 and 2016, 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.



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## 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, 2017 and 2016, 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.

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, 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 PS*  
Certified Public Accountants  
September 28, 2018

RELIEF INTERNATIONAL, INC.

Statements of Financial Position  
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,246,986	\$ 6,124,724
Accounts receivable, net		112,075
Grants receivable	5,549,138	3,105,202
Prepaid expenses, other receivables and other	1,671,038	1,184,225
Inventory	42,773	42,752
Microfinance loans receivable, net	2,484,548	1,991,352
Other assets, net	92,077	425,000
Security deposits	145,179	99,215
Property and equipment, net	66,746	285,653
<b>Total Assets</b>	<b><u>\$ 14,298,485</u></b>	<b><u>\$ 13,370,198</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 8,375,139	\$ 8,135,839
Refundable advances	87,518	716,824
Funds held for related party	3,544,572	1,929,275
Other liabilities, net	92,077	425,000
<b>Total Liabilities</b>	<b>12,099,306</b>	<b>11,206,938</b>
<b>Net Assets:</b>		
Unrestricted	1,584,343	1,363,156
Temporarily restricted	614,836	800,104
<b>Total Net Assets</b>	<b><u>2,199,179</u></b>	<b><u>2,163,260</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 14,298,485</u></b>	<b><u>\$ 13,370,198</u></b>

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Statement of Activities  
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Support:</b>			
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)	
<b>Total Revenues and Support</b>	<b>43,317,882</b>	<b>(185,268)</b>	<b>43,132,614</b>
<b>Expenses:</b>			
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
<b>Total Expenses</b>	<b>43,096,695</b>		<b>43,096,695</b>
<b>Change in Net Assets</b>	<b>221,187</b>	<b>(185,268)</b>	<b>35,919</b>
Net assets, beginning of year	1,363,156	800,104	2,163,260
<b>Net Assets, End of Year</b>	<b>\$ 1,584,343</b>	<b>\$ 614,836</b>	<b>\$ 2,199,179</b>

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Statement of Activities  
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Support:</b>			
Grants and contributions	\$ 23,797,262	\$ 21,723	\$ 23,818,985
Private donations	305,765	179,436	485,201
Microfinance loan interest	876,546		876,546
Contributed goods and services	14,418		14,418
Other	390,784		390,784
Net assets released from restrictions	818,963	(818,963)	
<b>Total Revenues and Support</b>	<b>26,203,738</b>	<b>(617,804)</b>	<b>25,585,934</b>
<b>Expenses:</b>			
Program services-			
Economic opportunity	886,024		886,024
Education	525,577		525,577
Health	8,058,152		8,058,152
Multi-sectoral	10,387,129		10,387,129
Other	2,238,987		2,238,987
Total program services	22,095,869		22,095,869
Supporting services-			
General and administrative	4,845,481		4,845,481
Total supporting services	4,845,481		4,845,481
<b>Total Expenses</b>	<b>26,941,350</b>		<b>26,941,350</b>
<b>Change in Net Assets Before Loss</b>	<b>(737,612)</b>	<b>(617,804)</b>	<b>(1,355,416)</b>
Loss on sale of MADAD Credit, LLC	(111,883)	(178,102)	(289,985)
<b>Total Change in Net Assets</b>	<b>(849,495)</b>	<b>(795,906)</b>	<b>(1,645,401)</b>
Net assets, beginning of year	2,212,651	1,596,010	3,808,661
<b>Net Assets, End of Year</b>	<b>\$ 1,363,156</b>	<b>\$ 800,104</b>	<b>\$ 2,163,260</b>

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
<b>Total Expenses</b>	<b>\$ 2,064,909</b>	<b>\$ 274,643</b>	<b>\$ 6,477,173</b>	<b>\$ 26,237,060</b>	<b>\$ 1,246,973</b>	<b>\$ 36,300,758</b>	<b>\$ 6,795,937</b>	<b>\$ 6,795,937</b>	<b>\$ 43,096,695</b>

See accompanying notes.



RELIEF INTERNATIONAL, INC.

Statement of Functional Expenses  
For the Year Ended December 31, 2016

	Program Services					Support Services			Total
	Economic Opportunity	Education	Health	Multi-Sectoral	Other	Total Program Services	General and Administrative	Total Support Services	
Allowances	\$ 34,278	\$ 3,664	\$ 236,933	\$ 117,481	\$ 38,712	\$ 431,068	\$ 61,415	\$ 61,415	\$ 492,483
Benefits	113,827	11,689	379,182	413,620	113,107	1,031,425	448,812	448,812	1,480,237
Communications, outreach and media	731	4,584	2,237	2,540	1,610	11,702	1,587	1,587	13,289
Equipment purchases	25,061	334,497	121,815	63,502	51,312	596,187	64,439	64,439	660,626
Events and meetings	15,257	740	254,118	132,472	26,895	429,482	33,475	33,475	462,957
Insurance	615	656	6,720	5,164	935	14,090	102,685	102,685	116,775
Items distributed to beneficiaries		14,498	1,337,475	1,873,142	13,912	3,239,027			3,239,027
Operating costs							683,835	683,835	683,835
Other	2,698	219	24,260	12,180	258,055	297,412	19,785	19,785	317,197
Other payroll costs	6	43			25	74	61,560	61,560	61,634
Other project costs	2,735		845,052	1,787,329	104,139	2,739,255	1,940	1,940	2,741,195
Payroll related costs	61	136	685	206	322	1,410	105,427	105,427	106,837
Professional fees	116,280	6,157	258,142	62,614	32,400	475,593	522,346	522,346	997,939
Project operating costs	97,189	50,528	510,135	1,433,440	261,075	2,352,367			2,352,367
Rentals and freight	7,307	3,620	305,693	218,405	33,091	568,116	19,786	19,786	587,902
Retirement plan	24,922	2,354	45,543	91,430	54,757	219,006	127,925	127,925	346,931
Salary and wages	374,368	80,521	3,294,308	3,739,106	1,081,984	8,570,287	2,095,605	2,095,605	10,665,892
Taxes and social security	2,009	2,969	55,509	46,637	6,936	114,060	191,492	191,492	305,552
Travel	68,680	8,702	380,345	387,861	159,720	1,005,308	303,367	303,367	1,308,675
<b>Total Expenses</b>	<b>\$ 886,024</b>	<b>\$ 525,577</b>	<b>\$ 8,058,152</b>	<b>\$ 10,387,129</b>	<b>\$ 2,238,987</b>	<b>\$ 22,095,869</b>	<b>\$ 4,845,481</b>	<b>\$ 4,845,481</b>	<b>\$ 26,941,350</b>

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Statements of Cash Flows  
For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>Cash From Operating Activities:</b>		
Change in net assets	\$ 35,919	\$ (1,645,401)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Receipt of contributed goods and services	(345,202)	(14,418)
Distribution of contributed goods and services	345,202	14,418
Depreciation	218,907	47,770
Noncash investing and financing activities:		
Change in allowance for bad debt		253,995
Loss on disposal of property and equipment		30,950
Transfer of line-of-credit and liabilities related to MADAD Credit, LLC		(757,690)
Transfer of loans and interest receivable related to MADAD Credit, LLC		1,047,675
Changes in operating assets and liabilities:		
Accounts receivable	112,075	(112,075)
Grants receivable	(2,443,936)	(949,984)
Prepaid expenses, other receivables and other	(486,813)	(166,853)
Inventory	(21)	(29,830)
Other assets	332,923	(31,329)
Security deposits	(45,964)	(9,837)
Accounts payable and accrued expenses	239,300	3,151,471
Refundable advances	(629,306)	642,513
Funds held for related party	1,615,297	1,771,471
Other liabilities	(332,923)	425,000
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(1,384,542)</b>	<b>3,667,846</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of property and equipment		(219,349)
Proceeds from sale of investments		5,140
Net receipts from (advances for) microfinance loans	(493,196)	889,805
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(493,196)</b>	<b>675,596</b>
<b>Cash Flows From Financing Activities:</b>		
Net payments on lines of credit		(949,638)
<b>Net Cash Used in Financing Activities</b>		<b>(949,638)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(1,877,738)</b>	<b>3,393,804</b>
Cash and cash equivalents, beginning of year	6,124,724	2,730,920
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,246,986</b>	<b>\$ 6,124,724</b>
<b>Supplementary Disclosure of Cash Flow:</b>		
Interest paid	\$ 2,841	\$ 147,049

See accompanying notes.

## RELIEF INTERNATIONAL, INC.

### Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

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#### Note 1 - Organization and Summary of Accounting Policies

Relief International, Inc. (the Organization) was founded in June 1990 and formally incorporated in the State of California on November 30, 1990, as a non-profit charitable organization. On January 3, 2018, the Organization was reincorporated in the State of Delaware. The Organization is a leading humanitarian non-profit 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.

MADAD Credit, LLC was formed as a wholly-owned subsidiary of the Organization under a Non-Banking Credit Limited Liability Company Charter registered in Azerbaijan in 2002. The Organization sold MADAD, LLC during the year ended December 31, 2016 (Note 2).

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.

**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).

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - 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.

Permanently Restricted Net Assets - Net assets restricted by donor-imposed stipulations to be invested in perpetuity. The Organization had no permanently restricted net assets as of December 31, 2017 and 2016.

Revenue and support are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Temporary restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets 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, 2017 and 2016**

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**Note 1 - Continued**

**Accounts Receivable, Other Assets and Other Liabilities** - Accounts receivable are 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 10). 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, 2017 and 2016.

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, 2017. Pledges receivable outstanding at December 31, 2016, totaled approximately \$98,000, and were collected in 2017. At December 31, 2016, approximately 70% of pledges receivable were due from two individuals who are also board members.

**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 consist of loans made under the Organization's microfinance programs (Note 3). 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.

**Impairment of Assets** - The Organization evaluates 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 for 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, 2017 or 2016.

**RELIEF INTERNATIONAL, INC.**

**Notes to Financial Statements  
For the Years Ended December 31, 2017 and 2016**

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**Note 1 - Continued**

**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 3). The Organization had approximately \$3,100,000 and \$5,000,000 in cash and cash equivalents held at financial institutions and on hand in foreign countries as of December 31, 2017 and 2016, 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.

The Organization's credit risk arises primarily from its lending activity through its microfinance programs (Note 3) 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 17% and 15% of the Organization's total assets as of December 31, 2017 and 2016, respectively.

For the years ended December 31, 2017 and 2016, 94% and 93%, 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, 2017 and 2016, 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 temporarily restricted contributions 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 have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## RELIEF INTERNATIONAL, INC.

### Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

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#### Note 1 - Continued

**Tax Exempt Status** - Relief International, Inc. is a nonprofit corporation exempt from federal income taxes under Internal Revenue Code (IRC) Section 501 (c)(3) and is classified as an organization that is not a private foundation under Section 501(a) of the IRC. Until January 3, 2018, when the Organization was reincorporated in the State of Delaware, the Organization was also recognized by the California Franchise Tax Exempt Board as exempt in California under the California Revenue and Taxation Code Section 23701d and is exempt from California income and franchise taxes on operations related to its exempt purpose.

**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.

**Reclassifications** - Certain reclassifications have been made to 2016 amounts to conform to the 2017 presentation. The reclassifications have no effect on the previously reported total assets, liabilities, net assets or change in net assets for 2016.

**Subsequent Events** - The Organization has evaluated subsequent events through September 28, 2018, the date on which the financial statements were available to be issued.

#### Note 2 - Sale of MADAD Credit, LLC

MADAD Credit, LLC was formed as a wholly-owned subsidiary of the Organization under a Non-Banking Credit Limited Liability Company Charter registered in Azerbaijan in 2002. During the year ended December 31, 2016, the Organization's board of directors determined that local ownership of MADAD Credit, LLC is in the best interests of servicing the financial needs of the people of Azerbaijan. Therefore, the board elected to sell the Organization's interest in MADAD Credit, LLC to a local entity. Under the terms of the sale, the purchasers assumed all responsibilities and liabilities of MADAD Credit, LLC, including loans, a line of credit and other obligations owed to creditors, employees and borrowers. At the time of sale, the Organization transferred to the purchasers assets totaling \$1,047,675 and liabilities totaling \$757,690, and recognized a loss on the sale of \$289,985 (Note 3).

#### Note 3 - 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 90 days and are 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 include smaller balance homogeneous loans that are collectively evaluated for impairment.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements  
For the Years Ended December 31, 2017 and 2016

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**Note 3 - Continued**

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.

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, 2017 and 2016. 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, 2017 and 2016, microfinance loans receivable balances on the statements of financial position were net of an allowance of \$85,478, and the gross microfinance loans receivable balances were \$2,570,026 and \$2,076,830, respectively.

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 85,478	\$ 1,531,777
Provision for loan losses		253,995
Loans charged off		(1,705,723)
Allowance transferred with sale of MADAD, LLC		5,429
<b>Balance, End of Year</b>	<b><u>\$ 85,478</u></b>	<b><u>\$ 85,478</u></b>

As of December 31, 2017, the Organization had \$96,634 in loans that were considered impaired with an allowance of \$85,478 allocated to all loans over 90 days. As of December 31, 2016, the Organization had \$27,863 in loans that were considered impaired with an allowance of \$27,863 allocated to all loans over 90 days.

**RELIEF INTERNATIONAL, INC.**

**Notes to Financial Statements  
For the Years Ended December 31, 2017 and 2016**

**Note 3 - 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	

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

December 31, 2016						
31 - 60 Days Past Due	61 - 90 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total	
\$ 47,264	\$ 13,333	\$ 27,863	\$ 88,460	\$ 1,988,370	\$ 2,076,830	

**Note 4 - Relief International - UK**

Relief International - UK (RI-UK) is a nongovernmental organization 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 \$3,544,572 and \$1,929,275 as of December 31, 2017 and 2016, respectively, and consist primarily of cash. 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 analysis of level of effort spent. Costs allocated to RI-UK for support staff and systems totaled \$3,557,445 and \$2,595,057 for the years ended December 31, 2017 and 2016, respectively.



RELIEF INTERNATIONAL, INC.

Notes to Financial Statements  
For the Years Ended December 31, 2017 and 2016

**Note 5 - Property and Equipment**

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

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 17,000	\$ 17,000
Computer equipment	25,536	25,536
Software	424,025	424,025
Vehicles	<u>150,271</u>	<u>150,271</u>
	616,832	616,832
Less accumulated depreciation	<u>(550,086)</u>	<u>(331,179)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 66,746</u></b>	<b><u>\$ 285,653</u></b>

Depreciation expense totaled \$218,907 and \$47,770 for the years ended December 31, 2017 and 2016, respectively.

**Note 6 - Lines of Credit**

The Organization had a revolving line of credit for up to \$1,625,000 with a local financial institution. This line of credit was originated in 2011, matured in July 2016 and was not renewed. Interest on the line of credit was at the bank's prime rate plus 0.25%, which was 4.50% as of December 31, 2016. Interest was assessed on a monthly basis. All inventory, including all returned inventory, equipment, general intangibles and all cash and noncash proceeds and products of the Organization were pledged as collateral.

**Note 7 - Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$614,836 and \$800,104 were available for purpose restricted program services as of December 31, 2017 and 2016, respectively. As of December 31, 2017, \$614,836 was available entirely for program services. As of December 31, 2016, approximately \$100,160 was available for microfinance and \$699,944 for other program services. Net assets released from restrictions upon satisfaction of purpose restrictions totaled \$650,074 and \$818,963 for the years ended December 31, 2017 and 2016, respectively.

**Note 8 - 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 \$407,000 are included in accounts payable and accrued liabilities on the statements of financial position as of December 31, 2017 and 2016, 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 \$1,222,700 and \$1,177,300, for the years ended December 31, 2017 and 2016, respectively.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements  
For the Years Ended December 31, 2017 and 2016

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**Note 8 - Continued**

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

For the Year Ending December 31,

2018	\$	414,488
2019		425,387
2020		439,531
2021		368,949
2022		349,553
Thereafter		<u>1,422,635</u>
<b>Total Minimum Lease Payments</b>	<b>\$</b>	<b><u>3,420,543</u></b>

**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. 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 also accrued a liability totaling \$243,322, 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 for 2017 based on actual costs incurred. There was no liability as of December 31, 2016.

**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, 2017 and 2016, 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 \$7,250,000 and \$7,600,000, which represents 51% and 57% of the Organization's total assets as of December 31, 2017 and 2016, respectively.

**Note 9 - 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 six years of service. During the years ended December 31, 2017 and 2016, the retirement plan expense totaled \$467,663 and \$346,931, respectively.

**RELIEF INTERNATIONAL, INC.**

**Notes to Financial Statements  
For the Years Ended December 31, 2017 and 2016**

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**Note 9 - Continued**

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 \$22,500 and \$45,000 as of December 31, 2017 and 2016, respectively.

**Note 10 - 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 RINA Services, S.p.A. 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 RINA Services, S.p.A. Gold Standard Verification Report, dated February 2, 2016, covered the verification periods of 2016 and 2014 and certified 824,977 VERs, of which 538,022 were subsequently obligated by contract to a third party. Revenue totaling approximately \$611,000 and \$534,000 was recognized during the years ended December 31, 2017 and 2016, respectively, for VERs that were released and invoiced to the third party. The remaining obligated VERs 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 other asset and liability related to the obligated VERs totaled \$92,077, net of an allowance of \$67,923 as of December 31, 2017. The other asset and liability related to obligated VERs totaled \$425,000, net of an allowance of \$235,542 as of December 31, 2016. The remaining certified but unobligated VERs will be recognized at the time they are obligated under contract. During the year ended December 31, 2016, the Organization elected to write off VERs that had been recognized but not yet released in a prior year totaling approximately \$216,000.



Single Audit Reports

For the Year Ended December 31, 2017

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

**To the Board of Directors  
Relief International, Inc.  
Los Angeles, California**

We have audited, in accordance with the 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, the financial statements of Relief International, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2018.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of audit findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the



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deficiencies described in the accompanying schedule of audit findings and questioned costs to be a material weakness, finding 2017-001.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Organization's Response to Findings**

The Organization's response to the finding identified in our audit is described in the accompanying management's corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark Nuber PS*

Certified Public Accountants  
September 28, 2018

**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance;  
Report on the Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance; and the Schedule of  
Indirect Cost Rate Calculation**

**Independent Auditor's Report**

**To the Board of Directors  
Relief International, Inc.  
Los Angeles, California**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Relief International, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.



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## **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

## **Other Matter**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of audit findings and questioned costs as items 2017-002, 2017-003, 2017-004 and 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of audit findings and questioned costs as items 2017-002, 2017-003, 2017-004 and 2017-005 that we consider to be significant deficiencies.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying management's corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF INDIRECT COST RATE CALCULATION**

We have audited the financial statements of the Organization as of and for the year ended December 31, 2017, and have issued our report thereon dated September 28, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by the audit requirements of the Uniform Guidance, and the schedule of indirect cost rate calculation are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards required by the Uniform Guidance and the schedule of indirect cost rate calculation are fairly stated in all material respects in relation to the financial statements as a whole.

*Clark Nuber PS*  
Certified Public Accountants  
September 28, 2018

**RELIEF INTERNATIONAL, INC. AND SUBSIDIARY**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Federal Agency/Pass-Through Grantor/Program Title	Federal CFDA Number	Award/ Pass-Through Number	Passed-Through to Subrecipients	Total Federal Expenditures
<b>United States Agency for International Development:</b>				
USAID Foreign Assistance for Programs Overseas-				
Emergency WASH and Nutrition Program for Upper Nile	98.001	AID-OFDA-G-16-00165	\$ -	\$ 993,391
HEAL - Phase IV: Multi Sector Assist Conflict Affected Communities	98.001	AID-OFDA-A-16-00054	537,539	16,466,703
Emergency Health and Nutrition in South Central Somalia	98.001	AID-OFDA-G-16-00033		3,146,415
Expanded Relief and Protection Project - Phase IV	98.001	AID-OFDA-A-16-00016	1,268,258	1,932,599
Basic Emergency Assistance II in North Darfur	98.001	AID-OFDA-G-16-00050	15,421	2,327,955
Primary Healthcare in Southern Syria (PHSS) Program	98.001	AID-OFDA-G-16-00027		4,349,159
WASH, Health, and Integrated Protection	98.001	AID-OFDA-G-16-00178	20,000	3,155,236
Expanded Relief and Protection Project - Phase V	98.001	AID-OFDA-A-17-00019	958,960	1,389,917
Emergency Health, WASH and Nutrition Response Program	98.001	AID-OFDA-G-17-00107		1,271,544
Pass-through programs-				
Pass-through from International Rescue Committee				
USAID Foreign Assistance for Programs Overseas				
Rakhine Early Recovery Activity	98.001	GA 310-Relief International		400,310
Subtotal - CFDA #98.001			2,800,178	35,433,229
Pass-Through Programs-				
Pass-through from DAI				
Biodiv Result and Integrated Dev Gain Enhanced (BRIDGE)	98.1002328-IQC- 13S-22460-00	1002328-IQC- 13S-22460-00		41,945
Pass-through from DAI				
Regional Agricultural Development Program (RADP) - East	98.1002896-S16- 26711	1002896-S16- 26711		293,846
<b>Total United States Agency for International Development</b>			<b>2,800,178</b>	<b>35,769,020</b>
<b>United States Department of State:</b>				
Overseas Refugee Assistance Program for Near East and South Asia-				
Cash and Communication for Protection and Education (CCPE)	19.519	S-PRMCO-16-CA-1277	207,500	2,558,011
Supporting the Turkish Ministry of Health to Provide Specialized and Preventive Health Care to Refugees	19.519	S-PRMCO-17-CA-2137	48,287	101,351
Cash and Communication for Protection - Phase IV	19.519	S-PRMCO-17-CA-2197		502,415
Subtotal - CFDA #19.519			255,787	3,161,777
Overseas Refugee Assistance Programs for Africa-				
Integrated Primary Health Care and Nutrition Services for Refugees	19.517	S-PRMCO-17-CA-2038		15,611
International Programs to Support Democracy, Human Rights and Labor				
Strengthening Women in Iran Program (SWIP)	19.345	S-LMAQM-15-GR-1043		351,662
Iran Assistance Program-				
Empowering Iranian Civil Society through Capacity-Building Training and Projects	19.221	S-NEAAC-15-CA-1003		635,164
International Programs to Combat Human Trafficking-				
Combating Human Trafficking in Bangladesh	19.019	S-SITIP-15-GR-1019		205,855
<b>Total United States Department of State</b>			<b>255,787</b>	<b>4,370,069</b>
<b>Total Federal Expenditures</b>			<b>\$ 3,055,965</b>	<b>\$ 40,139,089</b>

See independent auditor's report and notes to schedule of expenditures of federal awards.

**RELIEF INTERNATIONAL, INC.**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

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**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of Relief International, Inc. (the Organization) under programs of the Federal government for the year ended December 31, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported on the Schedule reflect the provisional indirect cost rate in effect for the year ended December 31, 2017.

Expenses incurred under federal programs are subject to audit by the awarding agencies. 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.

Pass-through entity identifying numbers are presented where available.

The Organization has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

RELIEF INTERNATIONAL, INC.

Schedule of Indirect Cost Rate Calculation  
For the Year Ended December 31, 2017

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**Indirect Expenses:**

Allowances	\$ 99,718
Benefits	582,268
Communications, outreach and media	4,360
Equipment purchases	24,353
Events and meetings	66,595
Insurance	57,347
Operating costs	1,441,971
Other	118,566
Other payroll costs	66,359
Other project costs	93,811
Payroll related costs	72,311
Professional fees	858,688
Project operating costs	1,243
Rentals and freight	14,786
Retirement plan	127,557
Salary and wages	2,509,495
Taxes and social security	202,466
Travel	454,043
<b>Total Indirect Expenses Per Audited Financial Statements</b>	<b>6,795,937</b>
Unallowable expenses-	
Bad debt expense	(136,570)
Donated commodities	(144,805)
Interest expense	(2,199)
International freight	(3,398)
Other	(43,640)
<b>Total Allowable Indirect Expenses</b>	<b>\$ 6,465,325</b>

See independent auditor's report.

RELIEF INTERNATIONAL, INC.

Schedule of Indirect Cost Rate Calculation (Continued)  
For the Year Ended December 31, 2017

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**Direct Expenses:**

Program services and fundraising per audited financial statements-

Economic opportunity	\$ 2,064,909
Education	274,643
Health	6,477,173
Multi-sectoral	26,237,060
Other	<u>1,246,973</u>

Total program service expenses 36,300,758

Unallowable costs (3,515)

**Total Direct Expenses Per Audited Financial Statements 36,297,243**

Exclusions (Note 2)-

Donated food and relief commodities	(190,675)
International freight	(25,456)
Subrecipients in excess of \$25,000	(2,811,230)
Capital acquisitions	<u>(334,388)</u>

Total exclusions (3,361,749)

Unallowable expenses (Note 3)-

Bad debt expense	(195,527)
Interest	(642)
Other	<u>(31,389)</u>

Total unallowable expenses (227,558)

**Total Allowable Direct Expenses \$ 32,707,936**

**Indirect Rate Calculation:**

Total Allowable Indirect Costs  $\frac{\$ 6,465,325}{\$ 32,707,936} = 19.77\%$   
Total Allowable Direct Costs

**RELIEF INTERNATIONAL, INC.**

**Notes to the Schedule of Indirect Cost Rate Calculation  
For the Year Ended December 31, 2017**

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**Note 1 - Basis of Presentation**

The accompanying Schedule of Indirect Cost Rate Calculation has been prepared in accordance with accounting principles generally accepted in the United States of America and cost principles contained in Title 2 U.S. *Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Note 2 - Basis of Accounting**

The accompanying schedule of indirect cost rate calculation is prepared using the accrual basis of accounting.

**Note 3 - Exclusions and Unallowable Expenses**

In accordance with the Organization's provisional indirect cost rate used by the United States Agency for International Development, the base of application excludes: donated food and relief commodities, including procurement of supplies per the financial statements; related freight and capital acquisition; and the portion of subrecipient costs in excess of the first \$25,000 of each subrecipient per year.

In accordance with the Uniform Guidance, interest, public relations, undocumented expenses and bad debt and loan allowances have been considered unallowable and excluded from the calculation of the Organization's indirect cost rate.

RELIEF INTERNATIONAL, INC.

Schedule of Audit Findings and Questioned Costs  
For the Year Ended December 31, 2017

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported.

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported.

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
98.001	USAID Foreign Assistance for Programs Overseas
19.519	United States Department of State Overseas Refugee Assistance Program for Near East and South Asia

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,204,173

Auditee qualified as low-risk auditee?  Yes  No



RELIEF INTERNATIONAL, INC.

Schedule of Audit Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2017

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Section II - Financial Statement Audit Findings

**Finding 2017-001:**

Material weakness in internal control over financial reporting and general ledger account reconciliation.

Criteria

Financial reporting requirements contained in Title 2 U.S. Code of Federal Regulations (CFR) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, (Uniform Guidance) Section 200.302 requires that organizations must maintain a financial management system that allows for accurate, current and complete financial results.

Condition/Context/Questioned Costs

The Organization implemented a new enterprise resource planning (ERP) financial management and business system, effective January 1, 2017. The ERP system was also implemented in each of the country offices. As part of the implementation, the general ledger chart of accounts was redesigned. However, the general ledger balances from the previous chart of accounts was not fully reconciled to the new ERP chart of accounts until mid-2018, after the audit had begun. Reconciliation of 2017 activity also extended well into the audit.

Cause

The Organization's internal controls over financial reporting, which includes account reconciliation on a regular basis throughout the year and at year end, was not implemented during 2017. In addition, it appears adequate resources were not applied to ensure a smooth implementation of the new ERP in the U.S. offices and country offices. Both matters significantly increased the risk of financial statement misstatement.

Effect

Beginning balances in the new ERP system and 2017 activity recorded to certain general ledger accounts were not reconciled timely.

Repeat Finding

A significant deficiency in internal controls over financial reporting was reported as Finding 2016-001 in the 2016 audit.

Recommendation

We recommend management ensure that internal controls over general ledger account reconciliations and adequate supervisor review be implemented and enforced. We also recommend that management monitor the financial activity recorded by country offices to ensure the entries follow the prescribed procedures developed by the Global Support Office.

Views of Responsible Officials and Corrective Action Plan

Management agrees with the finding and has provided the accompanying corrective action plan.

RELIEF INTERNATIONAL, INC.

Schedule of Audit Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2017

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Section III - Federal Award Audit Findings and Questioned Costs

**Finding 2017-002**

Significant deficiency in internal control over compliance and compliance for compensation-personal services.

**Federal Agency:** United States Agency for International Development  
**CFDA Number:** 98.001  
**CFDA Name:** USAID Foreign Assistance for Programs Overseas  
**Award Number:** AID-OFDA-A-16-00054 award period August 1, 2016 to July 31, 2017

Criteria

Compensation-personal services requirements contained in Title 2 U.S. *Code of Federal Regulations Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, Subpart E - Cost Principles, Section 200.430 - Standards for Documentation of Personnel Expenses, and 22 CFR 226, *Administration of Assistance Awards to U.S. Non-Governmental Organizations*, requires that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed and be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Condition/Context/Questioned Costs

The Organization's internal controls over salaries costs charged to a Federal award requires that only allowable time be charged to Federal awards. Internal controls also require that timesheets be completed by each employee and reviewed and approved by the appropriate supervisor for accuracy. Changes to timesheets after the original approval is made must be documented and approved in writing.

During our audit we tested 60 salaries costs. Of the salaries costs tested, we noted 7 instances in Turkey in which the amount charged to the award was based on an estimated percentage rather than based on actual hours of work performed. The net impact of variance noted for these 7 selections is that the Federal award was undercharged.

Cause

The Organization's internal controls over review and approval of changes to time charged to Federal awards were not consistently implemented.

Effect

In some instances, salaries costs were charged to Federal awards based on estimates rather than on actual time worked.

Repeat Finding

Not applicable, as no similar finding was noted in the prior year Single Audit of the Organization.

Recommendation

We recommend management enforce its internal controls policies requiring that salaries charges to Federal awards be based on timesheets and that all timesheets and changes to timesheets are reviewed and approved to ensure only allowable costs are charged to Federal awards.

Views of Responsible Officials and Corrective Action Plan

Management agrees with the finding and has provided the accompanying corrective action plan.

RELIEF INTERNATIONAL, INC.

Schedule of Audit Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2017

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**Finding 2017-003**

Significant deficiency in internal control over compliance and compliance for allocability of costs.

**Federal Agency:** United States Agency for International Development  
**CFDA Number:** 98.001  
**CFDA Name:** USAID Foreign Assistance for Programs Overseas  
**Award Number:** AID-OFDA-A-16-00016 award period May 19, 2016 to May 18, 2017

Criteria

Allocable costs requirements contained in Title 2 U.S. *Code of Federal Regulations Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, Subpart E - Cost Principles, Section 200.405 requires that charges to Federal awards are allocated in accordance with relative benefits received.

Condition/Context/Questioned Costs

The Organization's policy is that costs incurred in the implementing country offices are directly allocated to projects conducted from each respective office. If the cost is not a direct project expense, then it is to be allocated equitably among all projects receiving benefit from incurring the expense. When a cost benefits a non-U.S. Federal project, but the particular project budget does not allow for that cost, an unallowable project code is to be used for that project's portion of the cost to ensure U.S. Federal projects do not bear an unfair burden of the cost.

During our audit we tested 60 expenses charged directly to Federal awards under CFDA 98.001. Of the items tested, we noted 2 instances in which the expense benefited projects funded by donors other than the United States Government; however, the expenses were allocated 100% to the U.S. Federal project. The total amount charged to the U.S. Federal awards for the 2 items totaled \$1,985.19.

Cause

The Organization's internal controls over allocation of costs benefiting multiple projects in implementing country offices were not fully implemented; therefore, certain expenses were not allocated to all projects that received a benefit from the cost.

Effect

A U.S. Federal award was charged more than the relative benefit received for the costs incurred.

Repeat Finding

Not applicable, as no similar finding was noted in the prior year Single Audit of the Organization.

Recommendation

We recommend that management enhance its internal control policies to a) ensure that costs that are not direct program costs are equitably charged to all projects receiving benefit, and b) ensure implementing country finance staff have the ability and are adequately trained to charge a portion of costs to a disallowed cost code for situations in which a cost is incurred that indirectly benefits multiple projects but select projects do not allow that type of cost.

Views of Responsible Officials and Corrective Action Plan

Management agrees with the finding and has provided the accompanying corrective action plan.

RELIEF INTERNATIONAL, INC.

Schedule of Audit Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2017

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**Finding 2017-004**

Significant deficiency in internal control over compliance and compliance for subrecipient monitoring.

**Federal Agency:** United States Agency for International Development  
**CFDA Number:** 98.001  
**CFDA Name:** USAID Foreign Assistance for Programs Overseas  
**Award Number:** AID-OFDA-A-17-00019 award period May 19, 2017 to May 18, 2018

Criteria

Subrecipient requirements contained in Title 2 U.S. *Code of Federal Regulations Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, Subpart D - Subrecipient Monitoring and Management, Section 200.331 requires that pass-through entities verify that every subrecipient is audited if required by Subpart F -Audit Requirements. USAID Standard Provisions for Non-U.S. Nongovernmental Organizations mandatory provision M2 applies the audit requirement to subrecipients who are not US organizations but expend \$750,000 or more of USAID funding in a fiscal year.

Condition/Context/Questioned Costs

The Organization's internal control structure is to obtain the audit report for any subrecipient that passes the respective threshold for U.S. or non-U.S. based subrecipients.

During our audit we tested subrecipients under USAID CFDA 98.001. Of the subrecipients tested, only one exceeded the threshold for the audit requirement. The Organization's internal controls were not designed or implemented to ensure the Organization obtained the subrecipient's audit report. Upon further inquiry, management determined that the subrecipient had not obtained an audit, as required.

Cause

The Organization's internal controls over subrecipient monitoring were not designed or implemented to detect the need to obtain the subrecipient's audit report.

Effect

The Organization did not obtain the subrecipient's audit report and review for any compliance issues related to the subaward.

Repeat Finding

Not applicable, as no similar finding was noted in the prior year Single Audit of the Organization.

Recommendation

We recommend management enhance its internal control policies to a) ensure that a robust process is developed and put in place to assess which subrecipients meet the threshold for the audit requirement, and b) ensure those subrecipients provide the audit report so the Organization can review and assess what impact, if any, findings reported in the subrecipient's audit have over the funds passed through by the Organization to the subrecipient.

Views of Responsible Officials and Corrective Action Plan

Management agrees with the finding and has provided the accompanying corrective action plan.

RELIEF INTERNATIONAL, INC.

Schedule of Audit Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2017

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**Finding 2017-005**

Significant deficiency in internal control over compliance and compliance for procurement.

**Federal Agency:** United States Agency for International Development  
**CFDA Number:** 98.001  
**CFDA Name:** USAID Foreign Assistance for Programs Overseas  
**Award Number:** AID-OFDA-A-16-00054 award period August 1, 2016 to July 31, 2017  
**Pass-Through:** GA 310-Relief International, award period January 4, 2016 to July 3, 2018, passed-through International Rescue Committee

Criteria

Procurement requirements contained in Title 2 U.S. *Code of Federal Regulations Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, Subpart E - Cost Principles, Section 200.320 requires that noncompetitive procurements must meet one of four requirements as noted in 200.320 paragraph (f).

Condition/Context/Questioned Costs

The Organization's internal controls over noncompetitive procurements charged to a Federal award requires adequate justification to support the noncompetitive procurement.

During our audit we tested 25 procurements under CFDA 98.001. Of the procurements tested, we noted 3 instances in which noncompetitive methods were used that did not follow the Organization's procurement policy. In two instances, the Organization awarded contracts to individuals with whom the Organization had previously worked. The work performed was either a continuation or subsequent phase of work in process. The Organization documented the rationale for the noncompetitive procurement, which relied on familiarity with and knowledge of the contractor with the work. However, the Organization's policy states that "exceptions will not be approved to give further work to a supplier because they have won a tender before." In the third instance, no justification was documented. The total amount charged to the U.S. Federal awards for the 3 items totaled \$31,529 (AID-OFDA-A-16-00054 - \$13,917; GA 310-Relief International - \$17,612).

Cause

The Organization's internal controls over review and approval of procurements for Federal awards were not consistently implemented.

Effect

The Organization awarded contracts charged to Federal awards that did not strictly comply with the Organization's policy for noncompetitive procurement under 2 CFR 200.230.

Repeat Finding

Not applicable, as no similar finding was noted in the prior year Single Audit of the Organization.

Views of Responsible Officials and Corrective Action Plan

Management agrees with the finding and has provided the accompanying corrective action plan.

**MANAGEMENT'S CORRECTIVE ACTION PLAN  
AND  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**



**Finding 2017-001**

Significant deficiency in internal control over financial reporting and general ledger account reconciliation

Management Response: We agree with the finding and provide below corrective action plan

**Corrective Action Plan:**

- Increase the number of staffs responsible for checking and reviewing financial activities recorded by country offices
- Developed and disseminated additional guidelines and procedures for monthly reconciliations of complicated transactions
- Increase the control over the monthly review of account reconciliations and supporting documentation

**Anticipated completion date:** 2019 – Quarter Ending June 30.

**Name(s) of the contact person(s) responsible for corrective action:**

Eric Fullilove  
Chief Financial Officer

**Finding 2017-002**

Significant deficiency in internal control over compliance and compliance for compensation-personal services.

Management Response - We agree with the finding

**Corrective Action Plan:**

- Reinforce control activities for compensation charges to an award
- Increase the control over review and approval of labor hours recorded and subsequence changes for accuracy and validity.

**Anticipated completion date:** 2019 – Quarter Ending June 30.

**Name(s) of the contact person(s) responsible for corrective action:**

Eric Fullilove  
Chief Financial Officer



**Finding 2017-003**

Significant deficiency in internal control over compliance for allocability of costs

Management Response: We agree with the finding

**Corrective Action Plan:**

- Implement additional staff training on Project and Account structure as well as coding for a disallowed portion of project costs
- Increase the control over the review of transactions coding and approval

**Anticipated completion date:** 2019 – Quarter Ending June 30.

**Name(s) of the contact person(s) responsible for corrective action:**

Eric Fullilove  
Chief Financial Officer

**Finding 2017-004**

Significant deficiency in internal control over compliance and compliance for subrecipient monitoring

Management Response: We agree with the finding

**Corrective Action Plan:**

- Management has corrected the finding by including the required USAID Provision (M2) in all active subgrantee awards receiving Federal grants of \$750k and above.
- Increase the control on subrecipient compliance and monitoring

**Anticipated completion date:** December 31, 2018

**Name(s) of the contact person(s) responsible for corrective action:**

Eric Fullilove  
Chief Financial Officer





**Finding 2017-005**

Significant deficiency in internal control over compliance and compliance for procurement.

Management Response: We agree with the finding

**Corrective Action Plan:**

- Management will review current Policy on Sole Source regarding procurement of goods and services to ensure consistent application across all functional areas
- Increase the control on the procurement of consulting services and supporting documentation for Sole Source determination

**Anticipated completion date:** 2019 – Quarter Ending June 30.

**Name(s) of the contact person(s) responsible for corrective action:**

Eric Fullilove  
Chief Financial Officer



**Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2017**

Following is the Organization's responses to audit finding 2016-001 for the year ended December 31, 2016, with the accompanying implemented corrective action plan.

**Section II - Financial Statement Finding**

Finding 2016-001: Significant Deficiency - Straight-line Rent Expense and Deferred Rent Liability.

Corrective action plan implemented related to straight-line rent expense.

Responsible Official: Eric Fullilove, Chief Financial Officer