



Financial Statements

For the Years Ended December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 November 12, 2020, 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
November 12, 2020

RELIEF INTERNATIONAL, INC.

Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 5,844,847	\$ 8,489,451
Grants receivable	3,580,807	2,607,403
Prepaid expenses and other assets	2,680,806	1,258,043
Microfinance loans receivable, net	2,581,338	2,939,557
Security deposits	124,416	196,297
Property and equipment, net	55,343	5,697
Total Assets	<u>\$ 14,867,557</u>	<u>\$ 15,496,448</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,747,487	\$ 7,351,991
Refundable advances	1,739,300	1,609,618
Funds held for affiliates, net	1,952,868	3,294,507
Total Liabilities	13,439,655	12,256,116
Net Assets:		
Net assets without donor restrictions	1,208,863	2,812,999
Net assets with donor restrictions	219,039	427,333
Total Net Assets	<u>1,427,902</u>	<u>3,240,332</u>
Total Liabilities and Net Assets	<u>\$ 14,867,557</u>	<u>\$ 15,496,448</u>

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Grants and contributions	\$ 41,853,924	\$ 83,000	\$ 41,936,924
Private donations	475,732	202,136	677,868
Contributed goods and services	321,585		321,585
Microfinance loan interest	1,052,337		1,052,337
Voluntary emissions reduction sales	554,230		554,230
Other	197,931		197,931
Net assets released from restrictions	493,430	(493,430)	
Total Revenues and Support	44,949,169	(208,294)	44,740,875
Expenses:			
Program services-			
Economic opportunity	1,656,880		1,656,880
Education	586,086		586,086
Health	3,686,050		3,686,050
Multi-sectoral	26,490,864		26,490,864
WASH	717,957		717,957
Other	4,725,163		4,725,163
Total program services	37,863,000		37,863,000
Supporting services-			
General and administrative	8,493,696		8,493,696
Fundraising	196,609		196,609
Total supporting services	8,690,305		8,690,305
Total Expenses	46,553,305		46,553,305
Change in Net Assets	(1,604,136)	(208,294)	(1,812,430)
Net assets, beginning of year	2,812,999	427,333	3,240,332
Net Assets, End of Year	\$ 1,208,863	\$ 219,039	\$ 1,427,902

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
Contributed goods and services	155,951		155,951
Microfinance loan interest	1,095,021		1,095,021
Voluntary emissions reduction sales	712,274		712,274
Other	37,206		37,206
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-sectorial	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 Functional Expenses
For the Year Ended December 31, 2019

	Program Services						Support Services			Total	
	Economic Opportunity	Education	Health	Multi-Sectorial	WASH	Other	Total Program Services	General and Administrative	Fundraising		Total Support Services
Allowances	\$ 13,704	\$ 8,392	\$ 78,846	\$ 677,050	\$ 37,025	\$ 98,025	\$ 913,042	\$ 130,238	\$ -	\$ 130,238	\$ 1,043,280
Benefits	32,090	24,347	209,813	1,605,643	72,683	161,885	2,106,461	748,802	47,478	796,280	2,902,741
Communications, outreach and media		2,665	9,944	10,829	2,146	1,092	26,676	4,237		4,237	30,913
Equipment purchases	8,720	30,233	15,020	980,258	24,473	165,215	1,223,919	61,766		61,766	1,285,685
Events and meetings	1,320	17,687	7,499	421,140	20,622	78,295	546,563	127,101		127,101	673,664
Insurance	970	778	7	68,967		1,131	71,853	170,096		170,096	241,949
Items distributed to beneficiaries			90,881	953,614		1,565,731	2,610,226				2,610,226
Operating costs	468,608	12,670	1,710,398	4,633,250	51,361	503,430	7,379,717	1,136,615		1,136,615	8,516,332
Payroll related costs		247					247	73,656		73,656	73,903
Professional fees	88,730	21,030	110,772	357,543	14,186	158,489	750,750	1,348,926		1,348,926	2,099,676
Project operating costs	174,366	34,149	111,015	2,176,396	78,586	372,726	2,947,238	2,103		2,103	2,949,341
Rentals and freight	134	24,502	19,019	603,434	16,519	145,937	809,545	29,292		29,292	838,837
Retirement plan	30,170	13,335	89,685	598,625	2,703	95,640	830,158	215,766		215,766	1,045,924
Salary and wages	737,180	354,901	1,108,790	12,094,117	348,159	1,205,598	15,848,745	3,381,711	149,131	3,530,842	19,379,587
Taxes and social security	2,107	28,891	18,618	126,812	23,399	92,329	292,156	320,379		320,379	612,535
Travel	98,781	12,259	105,743	1,183,186	26,095	79,640	1,505,704	743,008		743,008	2,248,712
Total Expenses	\$ 1,656,880	\$ 586,086	\$ 3,686,050	\$ 26,490,864	\$ 717,957	\$ 4,725,163	\$ 37,863,000	\$ 8,493,696	\$ 196,609	\$ 8,690,305	\$ 46,553,305

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-Sectorial	WASH	Other	Total Program Services	General and Administrative	Fundraising		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.

Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash From Operating Activities:		
Change in net assets	\$ (1,812,430)	\$ 1,041,153
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Receipt of contributed goods and services	(321,585)	(155,951)
Distribution of contributed goods and services	321,585	155,951
Depreciation	27,786	61,049
Noncash investing and financing activities:		
Change in provision for microloan losses	9,369	28,469
Loss on disposal of property and equipment	35,709	
Changes in operating assets and liabilities:		
Grants receivable	(973,404)	2,941,735
Prepaid expenses, other receivables and other	(1,422,763)	241,210
Inventory		42,773
Other assets		92,077
Security deposits	71,881	(51,118)
Accounts payable and accrued expenses	2,395,496	2,644,309
Refundable advances	129,682	1,522,100
Funds held for affiliates, net	(1,341,639)	(3,745,737)
Other liabilities		(92,077)
Net Cash (Used in) Provided by Operating Activities	(2,880,313)	4,725,943
Cash Flows From Investing Activities:		
Purchases of property and equipment	(113,141)	
Net advances for microfinance loans	348,850	(483,478)
Net Cash Provided by (Used in) Investing Activities	235,709	(483,478)
Net Change in Cash and Cash Equivalents	(2,644,604)	4,242,465
Cash and cash equivalents, beginning of year	8,489,451	4,246,986
Cash and Cash Equivalents, End of Year	\$ 5,844,847	\$ 8,489,451

See accompanying notes.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

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 was originally founded in June 1990 and is a Delaware nonprofit, nonstock corporation.

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. Grants and contributions for which restrictions are satisfied within the same year are reported as revenues without donor 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.

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, 2019 and 2018.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 1 - Continued

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; and subcontractor receivables.

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 \$4,148,000 and \$4,571,000 in cash and cash equivalents held at financial institutions and on hand in foreign countries as of December 31, 2019 and 2018, respectively, of which approximately \$1,550,000 and \$1,145,000 was held in foreign currencies, 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 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 17% and 19% of the Organization's total assets as of December 31, 2019 and 2018, respectively.

For the years ended December 31, 2019 and 2018, 91% and 92%, 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, 2019 and 2018, 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.

RELIEF INTERNATIONAL, INC.

**Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 1 - Continued

Revenue Recognition - Unconditional grants and contributions are recognized as revenue in the period committed or received. Conditional promises to give are recognized as revenue in the period in which the conditions upon which they depend have been substantially satisfied.

Grants and contracts that are awarded to the Organization from U.S. Government, foreign government agencies and pass-through agencies are accounted for as conditional grants, and revenue without donor restrictions is recognized when qualifying expenditures related to specified programs are incurred and other conditions have been satisfied. When funds are received in advance of conditions being satisfied, the unspent funds are recorded in the statements of financial position as refundable advances. When conditions have been satisfied prior to receiving funds from the U.S. Government and foreign government agencies, including pass-through agencies, a receivable is recorded.

Conditional grants and contributions outstanding totaled approximately \$43,200,000 as of December 31, 2019. The conditions contained in the grants and contributions are expected to be satisfied and the related revenue is expected to be recognized generally within one year from the date of the statements of financial position.

Revenue from the sale of voluntary emissions reductions (VERs) (Note 9) is recognized in the period the VERs are delivered and the point in time Organization's performance obligation has been completed. Contract assets and contract liabilities consist of contracts or forward contracts which obligate the Organization to deliver VERs to a buyer. The VERs have been certified and 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.

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 based on observable pricing in the market of highest and best use. 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.

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 under Section 501(a) of the IRC. 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.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 1 - Continued

Recent Accounting Pronouncements - During the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The Organization elected to adopt the changes from this ASU for grants and contributions received prospectively, and accordingly, no changes have been made to balances reported in the 2018 financial statements. The primary change resulting from the adoption of this ASU is that grants and contracts awarded to the Organization from U.S. Government, foreign government agencies, and pass-through agencies were previously accounted for as exchange transactions, and revenue was recognized in the period in which qualifying expenditures were incurred. Effective in 2019, these grants and contracts are accounted for as conditional grants with revenue recognized in the period in which qualifying expenditures related to specified programs are incurred and other conditions have been satisfied. The amount of revenue recognized for grants and contracts did not change as a result of implementing these changes. The Organization will adopt the changes from the ASU for contributions made to other organizations prospectively in 2020.

During the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board's ASU No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)* and other related ASUs. These ASUs replaced the existing revenue recognition guidance in U.S. GAAP and require entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. These ASUs pertain primarily to the Organization's sale of VERs (Note 9). The amount of revenue recognized for the VERs did not change as a result of implementing these changes.

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.

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.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 2 - Continued

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, 2019 and 2018. 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 5.0% to 35.0%. As of December 31, 2019, and 2018, microfinance loans receivable balances on the statements of financial position were net of allowances of \$123,316 and \$113,947, respectively, and the gross microfinance loans receivable balances were \$2,704,654 and \$3,053,504, respectively.

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

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 113,947	\$ 85,478
Provision for loan losses	9,369	28,469
Balance, End of Year	<u>\$ 123,316</u>	<u>\$ 113,947</u>

As of December 31, 2019, the Organization had \$72,212 in loans that were considered impaired with an allowance of \$123,316 allocated to all loans over 180 days. 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.

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

<u>December 31, 2019</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>	
\$ 22,366	\$ 4,980	\$ 87,453	\$ 114,799	\$ 2,589,855	\$ 2,704,654	
<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	\$ 125,714	\$ 151,003	\$ 2,902,501	\$ 3,053,504	

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 3 - Affiliates

The Organization works with several independent affiliates as part of the global family of Relief International agencies through which international programmatic activities are coordinated.

Relief International UK (RI-U.K.) is a charitable company limited by guarantee incorporated under the laws of England and Wales and is registered as a charitable organization with the Charity Commission.

MRCA/Relief International France (MRCA/RI-France) is a non-profit association established under the laws of France.

Relief International Europe (RI-Europe) is a non-profit association incorporated in accordance with Belgian law and governed by the provisions of the Law and Non-Profit Associations.

As registered charities in the U.S., U.K., France, and Belgium, respectively, each organization remains a separate legal entity and complies with applicable charities law and regulation in its respective jurisdiction of incorporation. The entities have common boards and members and collaborate closely by sharing the use of staff and systems. However, none of the entities has a residual interest in the net assets of the other, nor are any of the entities responsible for the obligations or debts of the others.

The aggregate amounts due (to) from the Organization on behalf of the other entities is as follows as of December 31:

	<u>2019</u>	<u>2018</u>
RI-U.K.	\$ (2,176,697)	\$ (3,294,507)
MRCA/RI-France	<u>223,829</u>	<u></u>
Funds Held for Affiliates, Net	<u>\$ (1,952,868)</u>	<u>\$ (3,294,507)</u>

The amounts due (to) from the Organization consist primarily of cash held by the Organization, net of expenses incurred by the affiliated entities, to be paid to or by the Organization. These amounts are included in cash and cash equivalents and funds held for affiliates, net on the statements of financial position. Support costs are paid by the Organization, and a portion of those costs are allocated to the affiliates 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 the affiliates for support staff and systems were as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
RI-U.K.	\$ 3,376,411	\$ 4,378,407
MRCA/RI-France	<u>930,996</u>	<u></u>
Total Costs Allocated	<u>\$ 4,307,407</u>	<u>\$ 4,378,407</u>

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 3 - Continued

During the year ended December 31, 2019, the Organization also made a contribution to RI-U.K. totaling \$200,000 and to MRCA/RI-France totaling \$300,000 to support their programmatic work. No contributions were made by the Organization during the year ended December 31, 2018.

Note 4 - Property and Equipment

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

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 85,141	\$ 17,000
Computer equipment	25,540	25,536
Software	424,006	424,025
Vehicles	<u>195,271</u>	<u>150,271</u>
	729,958	616,832
Less accumulated depreciation	<u>(674,615)</u>	<u>(611,135)</u>
Property and Equipment, Net	<u>\$ 55,343</u>	<u>\$ 5,697</u>

Depreciation expense totaled \$27,786 and \$61,049 for the years ended December 31, 2019 and 2018, respectively.

Note 5 - Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purposes	\$ 211,438	\$ 361,682
Subject to the passage of time	<u>7,601</u>	<u>65,651</u>
Total Net Assets With Donor Restrictions	<u>\$ 219,039</u>	<u>\$ 427,333</u>

Note 6 - Liquidity and Availability of Financial Assets

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. Accordingly, the Organization holds its funds in interest bearing cash and cash equivalent accounts to ensure maximum liquidity.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 6 - Continued

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,844,847	\$ 8,489,451
Grants receivable	3,580,807	2,607,403
Microfinance loans receivable, net	<u>2,581,338</u>	<u>2,939,557</u>
Total financial assets	12,006,992	14,036,411
Less funds held for affiliates	(1,952,868)	(3,294,507)
Less microfinance loans receivable, net	<u>(2,581,338)</u>	<u>(2,939,557)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 7,472,786</u>	<u>\$ 7,802,347</u>

The majority of the Organization's funding is from the U.S. government with additional amounts raised from private and philanthropic donors and its micro-finance and carbon credits programs. The U.S. federal government funding, which represents over 90% of revenues, is available for drawdown in advance of spending; thus, working capital requirements are minimal. Additionally, the Organization received a loan under the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) (Note 10), of which a portion may be eligible for forgiveness and is expected to be recognized as revenue in 2020 or 2021.

Because the Organization has agreements with and provides technical and other support for its affiliates, RI-U.K. and RI-MRCA/France (Note 3), a portion of the Organization's expenses are allocated to and reimbursed by RI-U.K. and RI/MRCA-France based on actual expenses incurred and an allocation of staff time. The amount of the receivable and payable between the entities fluctuates over time.

The Organization experienced a negative change in net assets for the year ended December 31, 2019. There are two main components of the Organization's plan to rebuild its net assets without donor restrictions in 2020 and beyond. They concern growing the private and philanthropic donor base and maintaining and growing the Carbon Credit business in Ghana.

During 2020, the Organization has experienced a significant increase in philanthropic donations to support its work in fragile contexts, particularly in conjunction with addressing the impacts of COVID-19 (Note 10). The amount raised and received is over \$3 million as of October 2020 versus \$678,000 for all of 2019, and the total is expected to be close to \$4 million by the end of 2020 (unaudited). To date, these amounts consist of several large donations; however, the Organization fully expects to continue to build on the fundraising momentum gained in 2020 into 2021. Based on relationships being built by the fundraising team and the publicity generated by the Organization's successful work in fragile environments, management is confident in the ability to continue to raise levels of philanthropic revenue in excess of \$1.5 million per year. This revenue is a combination of gifts that are both with donor restrictions and without donor restrictions, and their net effect will help the Organization rebuild its net assets without donor restrictions.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 6 - Continued

The Ghana Gyapa Carbon Credits business has suffered in 2020 due to the COVID-19 restrictions but remains profitable and is again expected to deliver a surplus of close to \$200,000 during the year ending December 31, 2020. Talks are currently underway with further potential stakeholders which are expected to generate a gradual expansion of this business with potential to expand into other territories. The funds generated deliver small but significant additional net assets without donor restrictions.

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 \$376,600 and \$397,500 are included in accounts payable and accrued expenses on the statements of financial position as of December 31, 2019 and 2018, 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 \$1,402,000 and \$1,300,000, for the years ended December 31, 2019 and 2018, respectively.

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

For the Year Ending December 31,

2020	\$	439,531
2021		368,949
2022		349,553
2023		358,287
2024		367,273
Thereafter		<u>697,075</u>

Total Future Rent Payments

\$ 2,580,668

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 non-reimbursable, the Organization may be liable for repayment of disallowed expenses previously claimed or received. During the year ending December 31, 2020, the Organization negotiated its finalized indirect cost recovery rates with the U.S. federal government for 2014 through 2018. During that process, certain costs totaling approximately \$913,000 were determined by the U.S. federal government to be non-reimbursable. The Organization's provisional indirect cost recovery rate for 2019 was also approved by the U.S. federal government at a rate higher than that used for cost recovery during 2019. Management estimates the Organization will recover approximately \$545,000 through indirect cost recovery for 2019 expenses in 2020. Additionally, a liability for unrecoverable costs totaling \$411,000 is reflected in the statements of financial position as of December 31, 2019. Any remaining estimated liability will be recognized during the year ended December 31, 2020.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Note 7 - Continued

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, 2019 and 2018, 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 \$7,997,000 and \$7,750,000, which represents 54% and 50% of the Organization's total assets as of December 31, 2019 and 2018, respectively.

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, 2019 and 2018, the retirement plan expense totaled \$1,011,514 and \$631,193, 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 \$0 and \$11,250 as of December 31, 2019 and 2018, respectively.

Note 9 - Voluntary Emissions Reductions

The Organization is the beneficiary under a program, "Gyapa Improved Stoves in Ghana," related to the sale of VERs earned from its production of fuel-efficient stoves in Ghana. The Organization contracts with Carbon Check (India) Private Ltd. (the Company) 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 verification report from the Company, dated December 5, 2019, covered the verification period of August 1, 2017 through January 31, 2019, and certified 1,021,735 VERs with vintages for the same period. The verification report from the Company dated February 13, 2018, covered the period of June 17, 2015 through July 31, 2017, and certified 1,150,576 VERs with vintages for the same period.

The Organization records a contract asset and offsetting contract liability on the statements of financial position in the period in which a contract or forward contract is signed and the Organization has an obligation to perform. The contract asset and liability are recorded at the stated contract price less an allowance to reflect a present value discount and market fluctuations. Contract assets and liabilities totaled \$51,511 as of December 31, 2019. There were no contract assets or liabilities as of December 31, 2018.

RELIEF INTERNATIONAL, INC.

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Continued

The Organization recognizes revenue on the statements of activities in the period in which the VERs are delivered and the point in time Organization's performance obligation has been completed. Revenue from the sale of VERs totaled \$554,230 and \$712,274 for the years ended December 31, 2019 and 2018, respectively.

VERs activity, by unit, is as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
VERs certified, beginning of year	\$ 516,400	\$ 1,150,576
VERs certified	1,021,735	
VERs sold and delivered	<u>(567,105)</u>	<u>(634,176)</u>
VERs Certified, End of Year	<u>\$ 971,030</u>	<u>\$ 516,400</u>
The number of VERs obligated under contract, end of year	\$ 66,191	\$ -

Note 10 - Subsequent Events

The Organization has evaluated subsequent events through November 12, 2020, the date on which the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements, nor have any events occurred, the nature of which would require disclosure, except as follows.

In early 2020, a novel strain of coronavirus (COVID-19) became prevalent throughout the world. The COVID-19 outbreak has caused business disruption through mandated social distancing, and voluntary closings of multiple businesses. As a result, the Organization's employees have been instructed to work remotely from home or within the guidelines and requirements imposed by their respective locations' governments. Management continues to monitor events and conditions as they unfold and has established strategies to respond accordingly. However, the financial impact to the Organization cannot be reasonably estimated at this time.

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act is the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 21, 2020, the Organization obtained a loan under the PPP with a principal balance of \$764,515 and an annual interest rate of 1%. Principal and interest are payable in monthly installments over two year amortization period beginning in July 2021. All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met.