

**CONSOLIDATED
FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

RELIEF INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT.....	I (3-4)
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	I (5)
CONSOLIDATED STATEMENTS OF ACTIVITIES	I (6-7)
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	I (8-9)
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	I (10)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	I (11-20)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Relief International, Inc. and Subsidiary ("Organization"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Relief International, Inc. and Subsidiary as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
June 1, 2016

RELIEF INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 2,730,920	\$ 4,076,864
Investment	5,140	50
Loans receivable, net of allowance of \$1,531,777 and \$1,295,129 at 2015 and 2014, respectively (Note 3)	4,013,857	3,846,877
Grants receivable	2,155,218	3,447,597
Other receivables	562,013	558,745
Prepaid expenses and other assets	624,329	350,945
Inventory	12,922	30,050
Property and equipment, net of accumulated depreciation of \$286,066 and \$276,901 at 2015 and 2014, respectively (Note 5)	145,024	32,074
Security deposits	89,379	76,418
Other assets (Note 12)	<u>393,671</u>	<u>490,604</u>
Total assets	<u>\$ 10,732,472</u>	<u>\$ 12,910,224</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses (Note 8)	\$ 4,984,368	\$ 3,516,948
Refundable advances	74,312	138,963
Lines of credit (Note 6)	1,707,328	1,659,098
Due to Relief International - UK (Note 4)	<u>157,804</u>	<u>1,458,471</u>
Total liabilities	<u>6,923,812</u>	<u>6,773,480</u>
Net assets:		
Unrestricted	2,212,651	5,279,115
Temporarily restricted (Note 7)	<u>1,596,010</u>	<u>857,629</u>
Total net assets	<u>3,808,661</u>	<u>6,136,744</u>
Total liabilities and net assets	<u>\$ 10,732,472</u>	<u>\$ 12,910,224</u>

See accompanying notes to consolidated financial statements.

RELIEF INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Grants and contributions (Notes 9 and 10)	\$ 22,321,096	\$ 633,262	\$ 22,954,358
Private donations	76,867	845,751	922,618
Loan interest income	1,554,105	166,580	1,720,685
Contributed goods and services	-	188,241	188,241
Other revenue	84,768	102,304	187,072
Net assets released from restrictions (Note 7)	<u>1,197,757</u>	<u>(1,197,757)</u>	<u>-</u>
Total revenues and support	<u>25,234,593</u>	<u>738,381</u>	<u>25,972,974</u>
Expenses:			
Program services:			
Economic Opportunity	8,134,759	-	8,134,759
Health	12,541,088	-	12,541,088
Multi-Sectoral	2,130,322	-	2,130,322
Protection and Human Rights	70,236	-	70,236
Water, Sanitation and Hygiene	297,223	-	297,223
Other	<u>496,957</u>	<u>-</u>	<u>496,957</u>
Total program services	<u>23,670,585</u>	<u>-</u>	<u>23,670,585</u>
Supporting services:			
General and Administrative	4,336,325	-	4,336,325
Fundraising	<u>294,147</u>	<u>-</u>	<u>294,147</u>
Total supporting services	<u>4,630,472</u>	<u>-</u>	<u>4,630,472</u>
Total expenses	<u>28,301,057</u>	<u>-</u>	<u>28,301,057</u>
Change in net assets from operations	(3,066,464)	738,381	(2,328,083)
Other expense:			
Bad debt expense	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(3,066,464)	738,381	(2,328,083)
Net assets, January 1, 2015	<u>5,279,115</u>	<u>857,629</u>	<u>6,136,744</u>
Net assets, end of year	<u>\$ 2,212,651</u>	<u>\$ 1,596,010</u>	<u>\$ 3,808,661</u>

See accompanying notes to consolidated financial statements.

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

	2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Grants and contributions (Notes 9 and 10)	\$ 18,481,616	\$ 1,529,875	\$ 20,011,491
Private donations	130,476	77,509	207,985
Loan interest income	938,947	60,681	999,628
Contributed goods and services	-	1,250,377	1,250,377
Other revenue	93,699	319,717	413,416
Net assets released from restrictions (Note 7)	<u>3,310,222</u>	<u>(3,310,222)</u>	<u>-</u>
Total revenues and support	<u>22,954,960</u>	<u>(72,063)</u>	<u>22,882,897</u>
Expenses:			
Program services:			
Economic Opportunity	6,181,763	-	6,181,763
Health	13,059,205	-	13,059,205
Multi-Sectoral	798,427	-	798,427
Protection and Human Rights	264,673	-	264,673
Water, Sanitation and Hygiene	695,816	-	695,816
Other	<u>1,014,858</u>	<u>-</u>	<u>1,014,859</u>
Total program services	<u>22,014,742</u>	<u>-</u>	<u>22,014,742</u>
Supporting services:			
General and Administrative	3,736,480	-	3,736,480
Fundraising	<u>99,704</u>	<u>-</u>	<u>99,704</u>
Total supporting services	<u>3,836,184</u>	<u>-</u>	<u>3,836,184</u>
Total expenses	<u>25,850,926</u>	<u>-</u>	<u>25,850,926</u>
Change in net assets from operations	(2,895,966)	(72,063)	(2,968,029)
Other expense:			
Bad debt expense	<u>(578,798)</u>	<u>-</u>	<u>(578,798)</u>
Change in net assets	(3,474,764)	(72,063)	(3,546,827)
Net assets, January 1, 2014	<u>8,753,879</u>	<u>929,692</u>	<u>9,683,571</u>
Net assets, end of year	<u>\$ 5,279,115</u>	<u>\$ 857,629</u>	<u>\$ 6,136,744</u>

See accompanying notes to consolidated financial statements.

RELIEF INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	2015										
	Program Services						Support Services				
	Economic Opportunity	Health	Multi- Sectoral	Protection and Human Rights	Water Sanitation and Hygiene	Other	Total Program Services	General and Administrative	Fund- Raising	Total Support Services	Total Year
Expenses:											
Salaries and related benefits (Note 11)	\$ 2,918,616	\$ 3,470,315	\$ 438,052	\$ 55,749	\$ 154,531	\$ 126,475	\$ 7,163,738	\$ 2,602,953	\$ 25,148	\$ 2,628,101	\$ 9,791,839
Consultants	267,935	302,483	66,745	242	1,540	41,580	680,525	123,738	151,750	275,488	956,013
Depreciation	895	348	133	-	-	315	1,691	9,275	(1,801)	7,474	9,165
Donated food and relief - commodities	1,953	188,366	-	-	-	-	190,319	-	666	666	190,985
Projects	-	4,261	-	-	-	-	4,261	-	(1,560)	(1,560)	2,701
Sub-recipient expenses	1,183,260	2,862,235	792,153	-	-	93,864	4,931,512	-	-	-	4,931,512
International freight	126	10,868	153	-	-	51	11,198	69	(54)	15	11,213
Vehicles and equipment expense	104,069	115,314	107,506	1,850	42,398	2,116	373,789	53,098	7	53,105	426,894
Office furniture and fixtures	26,213	59,290	1,698	424	100	1,549	89,274	5,558	513	6,071	95,345
Office supplies	111,442	116,569	25,526	1,570	3,874	8,261	267,242	15,711	3,631	19,342	286,584
Supplies	6,617	1,983,833	219,294	-	-	20,523	2,230,267	42	65,269	65,311	2,295,578
Insurance	110,113	173,536	8,754	2,694	17,028	5,575	317,700	321,759	377	322,136	639,836
Interest expense	13,855	35,336	9,277	247	-	-	58,715	54,861	2,111	56,972	115,687
New country initiatives	-	-	-	-	-	-	-	-	-	-	-
Bank charges	18,379	39,365	726	-	5,864	633	64,967	55,333	574	55,907	120,874
Books and periodicals	143	51	-	-	-	-	194	396	-	396	590
Communications	93,582	91,367	18,498	144	1,387	7,165	212,143	34,238	1,076	35,314	247,457
Security	25,318	48,822	-	-	-	843	74,983	-	1,472	1,472	76,455
Postage	5,051	2,467	563	26	-	2,970	11,077	4,506	796	5,302	16,379
Printing and copying	16,223	53,600	9,307	106	3,653	723	83,612	902	2,813	3,715	87,327
Public relations	11,339	51,806	3,017	-	3,019	1,036	70,217	11,844	8,701	20,545	90,762
Office rent and utilities (Note 8)	268,847	318,834	57,173	3,603	5,421	24,449	678,327	246,866	2,236	249,102	927,429
Equipment/vehicle rental, maintenance and fuel	154,023	667,963	51,699	453	11,040	21,660	906,838	21,064	(25)	21,039	927,877
Training	15,637	268,803	5,159	-	6,936	27,540	324,075	35,764	4,843	40,607	364,682
Travel	459,551	392,288	25,128	2,058	17,171	25,758	921,954	264,867	2,004	266,871	1,188,825
Membership fees	2,400	725	-	-	-	46	3,171	45,669	-	45,669	48,840
Accounting and audit	58,584	70,421	7,636	652	1,963	3,459	142,715	163,225	961	164,186	306,901
Legal fees	78,249	37,185	8,400	175	2,130	4,567	130,706	15,539	-	15,539	146,245
Bad debt expense	622,885	(24)	38	-	-	5,285	622,899	1,002	-	1,002	623,901
Contract labor	113,917	941,015	41,199	-	-	-	1,101,416	2,263	-	2,263	1,103,679
Beneficiaries	1,232,228	-	223,475	-	-	-	1,455,703	-	-	-	1,455,703
Other operating expenses	213,309	233,646	9,013	243	18,632	70,514	545,357	245,783	22,639	268,422	813,779
Total functional expenses	\$ 8,134,759	\$12,541,088	\$ 2,130,322	\$ 70,236	\$ 297,223	\$ 496,957	\$23,670,585	\$ 4,336,325	\$ 294,147	\$ 4,630,472	\$28,301,057

See accompanying notes to consolidated financial statements.

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

	2014										
	Program Services						Support Services				
	Economic Opportunity	Health	Multi- Sectoral	Protection and Human Rights	Water Sanitation and Hygiene	Other	Total Program Services	General and Administrative	Fund- Raising	Total Support Services	Total Year
Expenses:											
Salaries and related benefits (Note 11)	\$ 3,064,181	\$ 4,653,998	\$ 153,567	\$ 21,440	\$ 176,115	\$ 472,443	\$ 8,541,744	\$ 2,182,710	\$ 22,987	\$ 2,205,697	\$10,747,441
Consultants	260,381	119,021	4,530	43,213	-	19,977	447,122	108,790	45,358	154,148	601,270
Depreciation	-	852	-	-	-	4,462	5,314	19,678	-	19,678	24,992
Donated food and relief - commodities	50	1,250,377	-	-	-	79	1,250,506	-	-	-	1,250,506
Projects	227,825	1,711,280	-	-	162,431	287,690	2,389,226	1,245	-	1,245	2,390,471
Sub-recipient expenses	515,418	351,929	321,318	168,305	221,828	-	1,578,798	40,522	-	40,522	1,619,320
International freight	-	8,997	-	-	-	6,032	15,029	1,254	-	1,254	16,283
Vehicles and equipment expense	75,003	259,055	6,137	1,215	455	1,348	343,213	63,662	-	63,662	406,875
Office furniture and fixtures	13,451	92,095	9,027	-	-	1,187	115,760	(61)	-	(61)	115,699
Office supplies	73,115	123,315	2,859	468	1,547	3,300	204,604	9,975	26	10,001	214,605
Supplies	24,159	1,411,940	211,366	-	-	112	1,647,577	(51,930)	-	(51,930)	1,595,647
Insurance	103,134	281,477	7,985	2,016	3,487	16,060	414,159	225,386	10,621	236,007	650,166
Interest expense	8,677	421	829	-	-	15	9,942	31,317	3,379	34,696	44,638
New country initiatives	487	434	-	-	-	-	921	-	-	-	921
Bank charges	25,618	40,075	1,564	332	(2,725)	2,664	67,528	34,165	239	34,404	101,932
Books and periodicals	46	1,991	-	-	-	1,137	3,174	505	-	505	3,679
Communications	94,324	128,944	3,296	1,629	2,521	3,800	234,514	42,726	149	42,875	277,389
Security	42,323	40,800	250	-	3,000	51	86,424	158	-	158	86,582
Postage	6,729	4,700	323	1,347	129	14,563	27,791	3,074	34	3,108	30,899
Printing and copying	22,149	50,437	-	-	-	989	73,575	1,440	-	1,440	75,015
Public relations	106,605	73,645	-	881	12,489	23,928	217,548	6,912	-	6,912	224,460
Office rent and utilities (Note 8)	293,058	519,601	28,330	4,390	3,062	12,569	861,010	423,521	36	432,557	1,284,567
Equipment/vehicle rental, maintenance and fuel	175,905	645,058	5,873	916	38,464	23,041	889,257	48,744	-	48,774	938,001
Training	38,626	230,173	96	14,491	-	439	269,334	8,627	-	8,627	277,961
Travel	379,587	495,311	23,426	-	31,802	86,719	1,031,336	249,693	505	250,198	1,281,534
Membership fees	7,505	1,300	-	4,030	-	1	8,806	55,058	-	55,058	63,864
Accounting and audit	26,351	38,797	2,334	-	-	9,676	81,188	90,841	347	91,188	172,376
Legal fees	46,866	42,545	7,223	-	-	241	96,875	26,830	-	26,830	123,705
Bad debt expense	405,295	-	(120)	-	-	-	405,175	(1,117)	-	(1,117)	404,058
Contract labor	-	-	-	-	-	-	-	-	-	-	-
Beneficiaries	-	-	-	-	-	-	-	-	-	-	-
Other operating expenses	144,895	480,637	8,214	-	41,211	22,335	697,292	112,755	16,023	128,778	826,070
Total functional expenses	\$ 6,181,763	\$13,059,205	\$ 798,427	\$ 264,673	\$ 695,816	\$ 1,014,858	\$22,014,742	\$ 3,736,480	\$ 99,704	\$ 3,836,184	\$25,850,926

See accompanying notes to consolidated financial statements.

RELIEF INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,328,083)	\$ (3,546,827)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized (loss) gain on investments, net	(5,090)	15,460
Change in allowance for bad debt	236,648	(391,969)
Receipt of donated commodities	(188,241)	(1,250,377)
Distribution of donated commodities	188,241	1,250,506
Depreciation	9,165	29,961
(Recognition) disposition of other assets	96,933	110,320
Changes in operating assets and liabilities		
Grants receivable	1,292,379	(1,600,424)
Other receivables	(3,268)	(122,689)
Prepaid expenses and other assets	(273,384)	(180,122)
Inventory	17,128	29,795
Net cash (distributions) receipts from RI - UK	(1,300,667)	2,348,466
Security deposits	(12,961)	204,599
Refundable advances	(64,651)	(1,884,256)
Accounts payable and accrued expenses	<u>1,467,420</u>	<u>1,545,289</u>
Net cash used in operating activities	<u>(868,431)</u>	<u>(3,442,268)</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(122,174)	(10,195)
Proceeds from sale of property, plant and equipment	59	6,374
Net receipts of micro-credit loans receivable	<u>(403,628)</u>	<u>3,395,859</u>
Net cash (used in) provided by investing activities	<u>(525,743)</u>	<u>3,392,038</u>
Cash flows from financing activities:		
Repayments on lines of credit	(22,283,801)	(15,978,012)
Cash drawn on lines of credit	<u>22,332,031</u>	<u>16,097,479</u>
Net cash provided by financing activities	<u>48,230</u>	<u>119,467</u>
(Decrease) increase in cash and cash equivalents	(1,345,944)	69,237
Cash and cash equivalents, beginning of the year	<u>4,076,864</u>	<u>4,007,627</u>
Cash and cash equivalents, end of the year	<u>\$ 2,730,920</u>	<u>\$ 4,076,864</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 40,180	\$ 52,545

See accompanying notes to consolidated financial statements.

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND OPERATION

Relief International, Inc. and subsidiary (“Relief International”) was founded in June 1990 and formally incorporated in the State of California on November 30, 1990, as a non-profit charitable organization. Relief International is a 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, Relief International bridges the gap between immediate relief and long-term community development. Relief International is non-sectarian and non-political in its mission. Relief International's programs focus on four sectors: Health, Education, Water, Sanitation & 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 Relief International under a Non-banking Credit Limited Liability Company Charter registered in Azerbaijan in 2002. Relief International also includes the legacy programs of Enterprise Works/VITA, with which it merged in 2009.

Relief International receives grant funds and contributions from the U.S. Agency for International Development (USAID), the U.S. Department of State (DOS), various foundations, and other international organizations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statement presentation follows the guidance of Financial Accounting Standards Board (the “FASB”) *Accounting Standards Codification*™ (“ASC”) 958 - 205, *Not-for-Profit Entities – Presentation of Financial Statements* (“ASC 958 – 205”). Under ASC 958 – 205, Relief International is required to report information regarding its financial position and activities classified as permanently restricted, temporarily restricted, and unrestricted net assets with the change in each of these classes of net assets to be presented in the statements of activities. Relief International has no permanently restricted net assets as of December 31, 2015 and 2014.

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

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

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For financial statement purposes, cash on hand and deposits in U.S. and foreign banks with maturities of three months or less are considered to be cash equivalents. Relief International had approximately \$2,700,000 and \$4,100,000 in cash and cash equivalents held at financial institutions and on hand in foreign countries at December 31, 2015 and 2014, respectively. The majority of the funds invested in foreign countries is uninsured. At times during the year, Relief International maintains cash balances at financial institutions in excess of the current Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. Management believes the risk in these situations to be minimal.

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

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

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

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

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

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

Impairment of Long-Lived Assets: Relief International evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to forecasted undiscounted future net cash flows expected to be generated by the asset. If the carrying amount exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Once an impairment charge is recorded, the carrying amount cannot be increased. There was no impairment recorded for the years ended December 31, 2015 or 2014.

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

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Accounting principles generally accepted in the United States of America prescribe recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at December 31, 2015 and 2014.

Relief International would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. Relief International has no amounts accrued for interest or penalties for the years ended December 31, 2015 and 2014. Relief International does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

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

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

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

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Inventory: Inventory consists of various hygienic supplies, food and other relief commodities, and are recorded at a fair value assigned by the donor on the date of donation. Distributions of inventory are recorded on a first-in, first-out basis. During the year ended December 31, 2015, Relief International distributed \$226,239 in commodities to beneficiaries, of which \$188,241 was received during the year. During the year ended December 31, 2014, Relief International distributed \$1,250,506 in commodities to beneficiaries, of which \$1,250,377 was received during the year.

As of December 31, 2015 and 2014, total inventory on hand aggregated \$12,922 and \$30,050, respectively.

Contributed Goods and Services: Contributed goods and services consisted of donated food, services, supplies and other relief commodities. The value of these contributions are recorded at their fair value as of the date the goods and services were provided. Contributions of \$188,241 and \$1,250,377, representing the fair value of the use of these goods and services have been recorded as revenue in the accompanying financial statements for the years ended December 31, 2015 and 2014, respectively. Relief International also receives additional contributed goods and services for which an estimate of the fair value is not determinable.

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

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

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Reclassifications: Some items in the prior year financial statements have been reclassified to conform to the current presentation, with no effect on the prior year change in, classification of restriction for, or ending balance of net assets of Relief International.

Subsequent Events: Relief International has evaluated subsequent events for recognition and disclosure through June 1, 2016, which is the date the financial statements were available to be issued.

NOTE 3 – LOANS RECEIVABLE

Azerbaijan: Relief International maintains several "Group Solidarity" loans in Azerbaijan. The loans are unsecured and interest is payable monthly at 3.0% on the declining principal balance. Interest is not charged during the first and second month of the loan period, resulting in an annual interest rate of approximately 16.5% to 20.0%. As of December 31, 2015, total borrowings (including accrued interest), net of allowance of \$5,429, aggregated \$830,748. As of December 31, 2014, total borrowings (including accrued interest), net of allowance of \$22,060, aggregated \$327,501.

Iraq: Relief International also maintains a significant micro-credit loan portfolio in Iraq (this portfolio represents approximately 79% and 91% of Relief International's net loans receivable worldwide as of December 31, 2015 and 2014, respectively). All loans were provided to individuals in accordance with the terms of Relief International's local programmatic activities. The majority of loans are due within one-year and bear interest of 13.0% to 35.0%. Total micro-credit loans receivable, net of allowance of \$1,487,178, aggregated \$3,183,109 as of December 31, 2015. Total micro-credit loans receivable, net of allowance of \$1,233,899, aggregated \$3,505,628 as of December 31, 2014.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 3 – LOANS RECEIVABLE (Continued)

Palestine and Ghana: Relief International also maintains micro-credit loans in Palestine and Ghana. The loans have been extended to local associations and individuals (including group loans) in accordance with the terms of Relief International's local programmatic activities. The majority of loans are due within one-year and bear interest up to 13.0%. As of December 31, 2015 these loans have been fully repaid, written-off, or reserved against with allowance.

Following is a schedule, by country, of all loans receivable as of December 31, 2015:

<u>Country</u>	<u>Loans Receivable</u>	<u>Allowance</u>	<u>Net</u>
Iraq	\$ 4,670,287	\$ 1,487,178	\$ 3,183,109
Azerbaijan	836,177	5,429	830,748
Palestine	<u>39,170</u>	<u>39,170</u>	<u>-</u>
Total	<u>\$ 5,545,634</u>	<u>\$ 1,531,777</u>	<u>\$ 4,013,857</u>

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

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

The following tables presents the activity in the allowance for loan losses for the years ending December 31, 2015 and 2014:

	<u>2015</u>
Beginning balance, January 1, 2015	\$ 1,295,129
Provision for loan losses	493,363
Loans charged off	<u>(256,715)</u>
Ending balance, December 31, 2015	<u>\$ 1,531,777</u>
	<u>2014</u>
Beginning balance, January 1, 2014	\$ 903,160
Provision for loan losses	970,767
Loans charged off	<u>(578,798)</u>
Ending balance, December 31, 2014	<u>\$ 1,295,129</u>

At December 31, 2015 Relief International had \$1,374,397 in loans that were considered impaired with an allowance of \$1,374,397 allocated to all loans over 90 days. At December 31, 2014 Relief International had \$1,179,556 in loans that were considered impaired with an allowance of \$1,179,556 allocated to all loans over 90 days.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 3 – LOANS RECEIVABLE (Continued)

The following tables present the aging of the recorded investment in past-due loans as of December 31, 2015 and 2014 by class of loans:

December 31, 2015

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
Micro-finance loans	\$ 57,536	\$ 18,942	\$ 1,374,397	\$ 1,450,874	\$ 4,094,759	\$ 5,545,634

December 31, 2014

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

NOTE 4 – RELIEF INTERNATIONAL - UK

Relief International - UK (RI-UK), a separately incorporated not-for-profit entity in the United Kingdom, is part of the global family of Relief International agencies through which international programmatic activities are coordinated. On occasion, Relief International provides short-term interest-free financing and other support to RI-UK. Conversely, RI-UK will provide short-term interest-free financing, and other support, to Relief International. As of December 31, 2015, the aggregate amount due from RI-UK totaled \$157,804. As of December 31, 2014 the aggregate amount due to RI-UK totaled \$1,458,471.

NOTE 5 – PROPERTY AND EQUIPMENT

As of December 31, 2015 and 2014, property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 470	\$ -
Office equipment	17,474	17,000
Computer equipment	247,639	141,704
Vehicles	<u>165,507</u>	<u>150,271</u>
Total	431,090	308,975
Less: accumulated depreciation	<u>(286,066)</u>	<u>(276,901)</u>
Property and equipment, net	\$ <u>145,024</u>	\$ <u>32,074</u>

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to \$9,165 and \$29,961, respectively.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 6 – LINES OF CREDIT

As of December 31, 2015 and 2014, Relief International had the following lines of credit:

- Relief International maintains an annual \$1,625,000 line of credit with a local financial institution. This line of credit was originated in 2011 and currently matures in July 2016. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 0.25% (4.5% and 4.70% at December 31, 2015 and 2014, respectively). Interest is assessed on a monthly basis. All inventory, including all returned inventory, equipment, general intangibles, and all proceeds (cash and non-cash) and products of the foregoing have been pledged as collateral. At December 31, 2015 and 2014, the total amount due on the line of credit aggregated \$969,058 and \$1,567,280, respectively.
- On July 21, 2010, Relief International entered into a revolving line of credit agreement with the Azerbaijan Ministry of Agriculture for the purpose of providing additional lending capital to the beneficiaries of its rural micro-lending activities. The line of credit bears quarterly interest of 2.00%, is secured by its loans receivable portfolio in Azerbaijan and was originally set to mature in March 2016, but was extended to July 2020 during the year ended December 31, 2015. As of December 31, 2015 and 2014, the total amount due on the line of credit aggregated \$738,270 and \$91,818, respectively.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$1,596,010 were available for time or purpose-restricted programs including approximately \$430,000 for micro-finance and \$1,170,000 for other program services at December 31, 2015.

Net assets of \$1,197,757 were released during 2015 in accordance with the following purposes:

Rainwater	\$ 430,495
Microfinance program	257,932
Sudan	164,668
Others	<u>344,662</u>
Total	<u>\$ 1,197,757</u>

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

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

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

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 8 – LEASE COMMITMENTS

Relief International leases its principal office space in Los Angeles, California, under an operating rental agreement which expires on March 31, 2021. On January 13, 2015, Relief International entered into an agreement for a new office space in Washington, D.C. which expires in July 2026. Relief International also leases offices and guest houses in several foreign countries under short-term lease agreements. Total rent expense (including foreign country offices utilities and related costs) for the years ended December 31, 2015 and 2014 was \$870,022 and \$1,344,575, respectively.

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

<u>Year Ending</u> <u>December 31,</u>	
2016	\$ 391,794
2017	406,389
2018	428,016
2019	428,016
2020	444,558
Thereafter	<u>2,028,609</u>
	<u>\$ 4,127,382</u>

NOTE 9 – CONTINGENCIES

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

United States Government Funding: Relief International receives grants and contracts from various agencies of the United States Government. Such awards are subject to audit under the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance). The ultimate determination of amounts received under the United States Government awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2014, and with Uniform Guidance for 2015. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

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

As of December 31, 2015, Relief International had assets in Afghanistan, Azerbaijan, Bangladesh, Ghana, Guinea, Haiti, Iran, Iraq, Jordan, Kenya, Lebanon, Myanmar, Niger, Nigeria, Pakistan, occupied Palestinian territories, Philippines, Turkey, Senegal, Somalia, Sudan, Uganda and Yemen, totaling approximately \$9,500,000, which represents 87% of Relief International's total assets as of December 31, 2015.

(Continued)

RELIEF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 10 – ECONOMIC DEPENDENCY

Approximately 88% of Relief International's unrestricted support and revenue (excluding contributed food and relief commodities) for the years ended December 31, 2015 and 2014, respectively, was derived from grants and contracts awarded by the United States Government and various pass-through entities. Relief International has no reason to believe that relationships with these entities will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew agreements or withholding of funds) would adversely affect Relief International's ability to finance ongoing operations.

NOTE 11 – RETIREMENT PLANS

Relief International maintains a retirement plan under Section 403(b)(7) of the Internal Revenue Code, 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. Relief International will contribute to the plan on the employee's behalf initially at 4%, with increases based on years of service. Relief International contributions are vested at 20% after two years of service, rising to 100% after six years of service. During the years ended December 31, 2015 and 2014, the retirement plan expense totaled \$158,839 and \$151,420, respectively.

Relief International has established a nonqualified deferred compensation plan (the "Plan") for the executive director, effective as of March 17, 2014, for the purpose of providing certain supplemental retirement and retention benefits, in addition to any other retirement and retention benefits available under any other plan sponsored and maintained by Relief International. The balance of funds credited under the terms of the Plan totaled \$37,000 and \$25,000 as of December 31, 2015 and 2014, respectively.

NOTE 12 – OTHER ASSETS

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

According to the RINA Services, S.p.A. Gold Standard Verification Report dated April 15, 2014, 238,176 and 101,409 credits were earned for the periods of January 1, 2012 to December 31, 2012 to January 1, 2013 through May 31, 2013, respectively, for a total 339,585 credits. For vintages covering the period June 1, 2013 through June 30, 2015, the Gold Standard Verification was in the final stages of verification as of December 31, 2015.

As of January 1, 2015, Relief International had 329,644 verified credits in inventory, of which 192,988 were sold during the year at prices ranging from \$0.70 to \$2.00 per unit, leaving an ending balance of 136,656 unsold verified credits as of December 31, 2015. During the year ended December 31, 2015 and 2014, carbon credit sales totaled \$96,933 and \$110,320, respectively.

As of December 31, 2015 and 2014, \$393,671 and \$490,604, respectively, was recorded as an asset for the remaining unsold, verified carbon credits.