

IOCC Foundation, Incorporated

Financial Report
December 31, 2018

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
IOCC Foundation, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of IOCC Foundation, Incorporated, which comprise the statement of financial position as of December 31, 2018, the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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.

Opinion

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

Emphasis of Matter

As disclosure in Note 1 to the financial statements, the Foundation adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in the issuance of the statement of functional expenses, additional footnote disclosures and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

Other Matter***Report on Summarized Comparative Information***

We have previously audited IOCC Foundation, Incorporated's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Baltimore, Maryland
April 12, 2019

IOCC Foundation, Incorporated

**Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)**

	2018	2017
Assets		
Cash	\$ 28,285	\$ 29,855
Investments	<u>2,384,269</u>	<u>2,444,058</u>
	<u><u>\$ 2,412,554</u></u>	<u><u>\$ 2,473,913</u></u>
Liabilities and Net Assets		
Liabilities:		
Due to IOCC	\$ 6,031	\$ 6,185
	<u>6,031</u>	<u>6,185</u>
Net assets:		
Without donor restrictions	19,254	20,670
With donor restrictions	<u>2,387,269</u>	<u>2,447,058</u>
	<u><u>2,406,523</u></u>	<u><u>2,467,728</u></u>
	<u><u>\$ 2,412,554</u></u>	<u><u>\$ 2,473,913</u></u>

See notes to financial statements.

IOCC Foundation, Incorporated

Statement of Activities
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Individual contributions	\$ 8,981	\$ 203,000	\$ 211,981	\$ 91,601
Investment (loss) income, net	-	(201,162)	(201,162)	354,805
Transfer from International Orthodox Christian Charities – Foundation Contributions	25,121	-	25,121	26,410
Net assets released from restriction	61,627	(61,627)	-	-
Total support and revenue	95,729	(59,789)	35,940	472,816
Expenses:				
Program services	61,627	-	61,627	55,145
Support services - management and general	35,518	-	35,518	31,333
Total expenses	97,145	-	97,145	86,478
Change in net assets	(1,416)	(59,789)	(61,205)	386,338
Net assets:				
Beginning	20,670	2,447,058	2,467,728	2,081,390
Ending	\$ 19,254	\$ 2,387,269	\$ 2,406,523	\$ 2,467,728

See notes to financial statements.

IOCC Foundation, Incorporated

Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Program Services	Support Services – Management and General	2018 Total	2017 Total
Professional fees	\$ -	\$ 32,074	\$ 32,074	\$ 30,790
Grants to other agencies	61,627	-	61,627	55,145
Publications and advertising	-	673	673	170
Bank charges	-	83	83	15
Registration fees	-	2,688	2,688	358
Total expenses	\$ 61,627	\$ 35,518	\$ 97,145	\$ 86,478

See notes to financial statements.

IOCC Foundation, Incorporated

Statement of Cash Flows
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (61,205)	\$ 386,338
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments, net	265,976	(300,106)
Contributions restricted for permanent endowment	(203,000)	(83,250)
Changes in liabilities:		
(Decrease) increase in due to IOCC Inc.	(154)	968
Net cash provided by operating activities	1,617	3,950
Cash flows from investing activities:		
Purchase of investments	(289,402)	(286,435)
Proceeds from sale of investments	83,215	203,631
Net cash used in investing activities	(206,187)	(82,804)
Cash flows from financing activities:		
Contributions restricted to permanent endowment	203,000	83,250
Net cash provided by financing activities	203,000	83,250
Net (decrease) increase in cash	(1,570)	4,396
Cash:		
Beginning	29,855	25,459
Ending	\$ 28,285	\$ 29,855

See notes to financial statements.

IOCC Foundation, Incorporated

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: IOCC Foundation, Incorporated (the Foundation) is a nonprofit organization, which was incorporated in Delaware on October 7, 2004. The Foundation is organized exclusively for charitable and educational purposes for the benefit of International Orthodox Christian Charities, Inc. (IOCC).

The Foundation is dependent on IOCC for its support and IOCC intends to continue to support the organization.

IOCC was incorporated on March 10, 1992, as the international humanitarian agency of the Standing Conference of Canonical Orthodox Bishops in the Americas (SCOBA). During 2012, SCOBA transitioned to the Assembly of Canonical Orthodox Bishops of the United States of America. IOCC is an independent nonprofit corporation governed by a volunteer Board of Directors comprised of clergy and lay persons representing the various Eastern Orthodox jurisdictions in the United States.

IOCC, in the spirit of Christ's love, offers emergency relief and development programs to those in need worldwide without discrimination and strengthens the capacity of the Orthodox Church to so respond. In carrying out this mission, IOCC assumes the highest professional standards and renders itself fully accountable to the public and its donors. Assistance is provided solely on the basis of need. Support is derived primarily from grants and donations of various private and government agencies worldwide, as well as monies contributed by organizations affiliated with the Orthodox Church.

A summary of the significant accounting policies of the Foundation follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Financial risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant financial risk on cash.

The Foundation invests in professionally managed portfolios that primarily contain exchange traded funds and mutual funds. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Functional allocation of expenses: The financial statements report certain categories of expenses that are attributable to either program or supporting functional categories. The Foundation's program function consists of any grant amounts appropriated from the endowment and provided to IOCC. All other expenses are supporting functions categorized as management and general expenses that help to manage the assets of the Foundation.

Investments: Investments are reflected at fair value. To adjust the carrying values of these investments, the change in fair value is charged or credited to current operations. Investments include any cash held within the investment portfolio.

IOCC Foundation, Incorporated

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Net assets: Net assets at December 31, 2018, are as follows:

Without donor restrictions: Represents resources whose use is not restricted by donor stipulations and are available for the support of general operating activities.

With donor restrictions: Represents resources unavailable for use in the current period because of the existence of time and/or donor-imposed restrictions that remain unsatisfied at year-end or resources whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Earnings on the endowment funds are either recorded as net assets with donor restrictions for program and fundraising purposes or are available for operations as specified by the donor.

Support and revenue: Unconditional contributions are recognized as support when received. All donor-restricted contributions are reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Income taxes: The Foundation is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Foundation qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation had no unrelated business income for the year ended December 31, 2018.

The Foundation has adopted the accounting standard for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the Foundation's tax positions and has concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Generally, the Foundation is no longer subject to income tax examinations for the U.S federal, state or local tax authorities before 2015.

Prior year information: The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Subsequent events: The Foundation has evaluated subsequent events through April 12, 2019, which is the date the financial statements were available to be issued.

IOCC Foundation, Incorporated

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopted accounting pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The Foundation adopted this standard in its 2018 financial statements.

Pending accounting pronouncements: In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. This ASU is effective for fiscal years beginning January 1, 2019.

Note 2. Investments and Fair Value Measurements

Investments at December 31, 2018, consist of the following:

Exchange traded funds (ETFs)	\$	215,590
Mutual funds		689,451
Stocks		1,466,253
Cash		12,975
	\$	<u>2,384,269</u>

Investment income (loss) for the year ended December 31, 2018, consists of the following:

Interest and dividends	\$	74,750
Realized and unrealized loss, net		<u>(265,976)</u>
		(191,226)
Investment fees		<u>(9,936)</u>
	\$	<u>(201,162)</u>

IOCC Foundation, Incorporated

Notes to Financial Statements

Note 2. Investments and Fair Value Measurements (Continued)

The Foundation defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the guidance as assumptions that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the guidance are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Listed equities and holdings in mutual funds and EFTs are types of investments included in Level 1.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 2 includes the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds and over-the-counter derivatives. There were no Level 2 investments at December 31, 2018.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. There were no Level 3 investments at December 31, 2018.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

IOCC Foundation, Incorporated

Notes To Financial Statements

Note 2. Investments and Fair Value Measurements (Continued)

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2018:

Description	Assets at Fair Value as of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Exchange traded fund (ETFs):				
Foreign real estate	\$ 82,977	\$ 82,977	\$ -	\$ -
Domestic real estate	67,662	67,662	-	-
Commodities	64,951	64,951	-	-
	<u>215,590</u>	<u>215,590</u>	-	-
Mutual funds:				
Domestic bond	401,983	401,983	-	-
Foreign bond	170,710	170,710	-	-
Global bond	50,336	50,336	-	-
Domestic equity and bond	66,422	66,422	-	-
	<u>689,451</u>	<u>689,451</u>	-	-
Stocks:				
Domestic equity	882,871	882,871	-	-
Domestic equity and bond	583,382	583,382	-	-
	<u>1,466,253</u>	<u>1,466,253</u>	-	-
	<u>\$ 2,371,294</u>	<u>\$ 2,371,294</u>	<u>\$ -</u>	<u>\$ -</u>

Cash is excluded from the fair value hierarchy as cash is generally measured at cost. As such, \$12,975 of cash held in investments at December 31, 2018, has been excluded from this table.

Note 3. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods for the year ending December 31, 2018:

	Balance December 31, 2017	Additions/ Investment Income (Loss)	Released	Balance December 31, 2018
Subject to spending policy and appropriation:				
Styliades Fund	\$ 800,000	\$ 200,000	\$ -	\$ 1,000,000
Anthony Fund	459,116	-	-	459,116
Spiris Fund	366,700	-	-	366,700
Tsakalos Fund	125,590	3,000	-	128,590
Panos Fund	40,000	-	-	40,000
	<u>1,791,406</u>	<u>203,000</u>	<u>-</u>	<u>1,994,406</u>
Subject to appropriation and expenditure when approved by the Board of Directors:				
Endowment income earned on investment in perpetuity	655,652	(201,162)	(61,627)	392,863
Total net assets with donor restrictions	<u>\$ 2,447,058</u>	<u>\$ 1,838</u>	<u>\$ (61,627)</u>	<u>\$ 2,387,269</u>

IOCC Foundation, Incorporated

Notes To Financial Statements

Note 3. Net Assets With Donor Restrictions (Continued)

Net assets of \$61,627 were released from restrictions by appropriations from endowment income for the year ending December 31, 2018.

Note 4. Endowment Funds

The Board of Directors of the Foundation has interpreted the Delaware-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Foundation and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effects of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Foundation
- g. The investment policies of the Foundation

The Foundation adopted an investment and spending policy to achieve security of principal and maximum compatible return, including income and appreciation for the long-term. Safety of principal is of primary importance with a policy that targets a diversified asset allocation that places a greater emphasis to achieve its long-term objectives within prudent risk constraints. The Foundation has a preference for lower costs and appropriate oversight.

The Foundation has adopted investment and spending policies for permanently restricted cash contributions that attempt to provide a predictable stream of funding to programs while maintaining purchasing power. All earnings from these funds are reflected as net assets with donor restrictions until appropriated by the Board of Directors for program expenditures.

IOCC Foundation, Incorporated

Notes to Financial Statements

Note 4. Endowment Funds (Continued)

Endowment fund activity for the year ended December 31, 2018, is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of the year	\$ -	\$ 2,447,058	\$ 2,447,058
Investment return:			
Interest and dividends	-	74,750	74,750
Realized and unrealized loss, net	-	(265,976)	(265,976)
Investment fees	-	(9,936)	(9,936)
Contributions	-	203,000	203,000
Appropriations	-	(61,627)	(61,627)
Endowment net assets, end of the year	<u>\$ -</u>	<u>\$ 2,387,269</u>	<u>\$ 2,387,269</u>

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets	\$ -	\$ 2,387,269	\$ 2,387,269
Other net assets	19,254	-	19,254
Total net assets	<u>\$ 19,254</u>	<u>\$ 2,387,269</u>	<u>\$ 2,406,523</u>

Note 5. Availability of Assets

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure in one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year-end	\$ 2,412,554
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions, net of 2019 appropriations (\$119,000)	<u>2,268,269</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 144,285</u>