

International Orthodox Christian Charities, Inc. and Affiliate

Consolidated Financial Report
December 31, 2018

Contents

Independent auditor's report	1-2
------------------------------	-----

Financial statements	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5-6
Consolidated statement of cash flows	7
Notes to consolidated financial statements	8-19

Independent auditor's report on the supplementary information	20
---	----

Supplementary information	
Consolidating statement of financial position	21
Consolidating statement of activities	22
Schedule of program expenses by region	23



RSM US LLP

Independent Auditor's Report

To the Board of Directors
International Orthodox Christian Charities, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of International Orthodox Christian Charities, Inc. and Affiliate (IOCC), which comprise the consolidated statement of financial position as of December 31, 2018, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 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 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 as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Note 1 to the financial statements, IOCC 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 additional footnote disclosures and changes to the classification of net assets.

Other Matters***Report on Summarized Comparative Information***

We have previously audited IOCC'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2019, on our consideration of IOCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 IOCC's internal control over financial reporting and compliance.

RSM US LLP

Baltimore, Maryland
April 12, 2019

International Orthodox Christian Charities, Inc. and Affiliate

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

	2018	2017
Assets		
Cash and cash equivalents	\$ 11,734,845	\$ 11,967,259
Investments	3,804,052	3,749,038
Receivables, net	2,349,821	2,954,435
Prepaid expenses	132,217	128,772
Deposits and other	9,653	7,835
Commodity inventory	2,499,281	1,463,630
Property and equipment, net	105,794	132,279
	<u>\$ 20,635,663</u>	<u>\$ 20,403,248</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 113,560	\$ 71,302
Accrued expenses and other liabilities	301,707	1,000,405
Severance liability	528,783	502,653
Refundable advances	2,113,276	3,846,225
Other liabilities	9,523	12,885
	<u>3,066,849</u>	<u>5,433,470</u>
Commitments and Contingencies (Notes 8, 12 and 13)		
Net assets:		
Without donor restrictions:		
Undesignated	6,815,614	5,806,034
Board designated	1,000,000	1,000,000
	<u>7,815,614</u>	<u>6,806,034</u>
With donor restrictions	9,753,200	8,163,744
	<u>17,568,814</u>	<u>14,969,778</u>
	<u>\$ 20,635,663</u>	<u>\$ 20,403,248</u>

See notes to consolidated financial statements.

International Orthodox Christian Charities, Inc. and Affiliate

Consolidated 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:				
Grants:				
Federal, cash and in-kinds	\$ 5,558,643	\$ -	\$ 5,558,643	\$ 7,861,760
International agencies	12,765,016	278,537	13,043,553	11,533,565
Contributions:				
In-kind	54,262	10,068,461	10,122,723	11,405,325
Orthodox church institutions	557,311	262,551	819,862	1,206,114
Individual	4,007,830	1,171,330	5,179,160	4,863,585
Foundations	333,195	2,530,724	2,863,919	2,128,851
Metropolitan committee events	742,743	49,360	792,103	1,354,736
Micro-credit loan interest	70,586	-	70,586	65,219
Third party giving	371,652	14,339	385,991	404,601
Investment income (loss), net	10,396	(216,289)	(205,893)	439,627
Other	26,059	-	26,059	42,679
Net assets released from restrictions	12,569,557	(12,569,557)	-	-
Total support and revenue	37,067,250	1,589,456	38,656,706	41,306,062
Expenses:				
Program services	31,127,625	-	31,127,625	35,725,711
Support services:				
Management and general	3,423,917	-	3,423,917	3,311,693
Fundraising	1,506,128	-	1,506,128	1,673,234
Total expenses	36,057,670	-	36,057,670	40,710,638
Change in net assets	1,009,580	1,589,456	2,599,036	595,424
Net assets:				
Beginning	6,806,034	8,163,744	14,969,778	14,374,354
Ending	<u>\$ 7,815,614</u>	<u>\$ 9,753,200</u>	<u>\$ 17,568,814</u>	<u>\$ 14,969,778</u>

See notes to consolidated financial statements.

International Orthodox Christian Charities, Inc. and Affiliate

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

	Program Services					Subtotal
	The Americas	Europe	Middle East	Africa	HQ International	
Commodities distributed	\$ 574,996	\$ 5,720,020	\$ 1,263,934	\$ 1,277,153	\$ 1,199,613	\$ 10,035,716
Salaries and benefits	270,611	246,813	2,900,104	304,396	1,497	3,723,421
Site support	57,510	9,238	3,463,776	79,488	-	3,610,012
Training and seminars	5,296	-	181,363	82,126	270	269,055
Professional fees	103,955	58,271	650,011	29,265	29,962	871,464
Travel	168,463	27,190	261,776	37,567	318	495,314
Construction costs		-	1,549,329	92,252	-	1,641,581
Grants to other agencies	132,600	2,042,663	7,271,193	109,006	11,000	9,566,462
Office expenses	10,614	20,551	235,519	28,105	2	294,791
Publications and advertising	138	-	16,691	5,129	-	21,958
International transportation	-	30,226	5,884	-	54,380	90,490
Communications	5,075	4,161	92,144	11,171	19	112,570
Vehicle costs	36,019	16,293	74,583	29,310	336	156,541
Capital equipment	781	223	20,119	1,288	-	22,411
Metropolitan committee expense	-	-	-	-	-	-
Internal transit, handling and storage	6,375	4,152	94,724	-	7,952	113,203
Bank charges	318	3,817	24,953	1,113	79	30,280
Insurance	420	372	5,569	-	-	6,361
Registration fees	530	899	1,545	12	-	2,986
Equipment costs		49	5,488	406	-	5,943
Depreciation	16,239	6,423	10,462	-	-	33,124
Currency fluctuations	-	68,721	(58,174)	2,506	-	13,053
Other costs	2,495	2,768	5,508	118	-	10,889
Total expenses	\$ 1,392,435	\$ 8,262,850	\$ 18,076,501	\$ 2,090,411	\$ 1,305,428	\$ 31,127,625

(Continued)

International Orthodox Christian Charities, Inc. and Affiliate

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

	Support Services			2018 Total	2017 Total
	Management and General	Fundraising	Total Support Services		
Commodities distributed	\$ -	\$ -	\$ -	\$ 10,035,716	\$ 11,996,711
Salaries and benefits	2,253,221	894,940	3,148,161	6,871,582	7,048,465
Site support	-	-	-	3,610,012	2,260,372
Training and seminars	24,797	1,181	25,978	295,033	426,836
Professional fees	299,874	100,069	399,943	1,271,407	1,572,517
Travel	286,360	85,144	371,504	866,818	828,679
Construction costs	-	-	-	1,641,581	2,121,955
Grants to other agencies	-	-	-	9,566,462	12,581,730
Office expenses	304,257	75,122	379,379	674,170	628,348
Publications and advertising	10,907	136,790	147,697	169,655	169,977
International transportation	-	-	-	90,490	89,205
Communications	60,657	101,790	162,447	275,017	286,011
Vehicle costs	10,311	12,825	23,136	179,677	197,908
Capital equipment	11,161	2,127	13,288	35,699	52,084
Metropolitan committee expense	-	76,988	76,988	76,988	187,624
Internal transit, handling and storage	-	-	-	113,203	50,251
Bank charges	69,684	211	69,895	100,175	155,701
Insurance	49,415	-	49,415	55,776	64,154
Registration fees	10,565	18,229	28,794	31,780	28,141
Equipment costs	13,704	-	13,704	19,647	16,661
Depreciation	5,361	-	5,361	38,485	57,747
Currency fluctuations	-	-	-	13,053	(138,956)
Other costs	13,643	712	14,355	25,244	28,517
Total expenses	\$ 3,423,917	\$ 1,506,128	\$ 4,930,045	\$ 36,057,670	\$ 40,710,638

See notes to consolidated financial statements.

International Orthodox Christian Charities, Inc. and Affiliate

**Consolidated 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	\$ 2,599,036	\$ 595,424
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	38,485	57,747
Contributions restricted for permanent endowment	(203,000)	(84,250)
Donated commodities	(10,068,193)	(11,338,069)
Commodities distributed	10,035,716	11,996,711
Donated investments	(71,867)	(128,009)
Realized/unrealized loss (gains) on investments, net	324,079	(356,514)
Changes in assets and liabilities:		
Decrease (increase) in:		
Receivables	604,614	283,941
Commodity purchases	(1,003,174)	(326,581)
Prepaid expenses, deposits and other	(5,263)	(24,540)
Increase (decrease) in:		
Accounts payable	42,258	(56,382)
Accrued expenses	(698,698)	537,651
Severance liability	26,130	55,992
Refundable advances	(1,732,949)	15,855
Other liabilities	(3,362)	(1,893)
Net cash (used in) provided by operating activities	(116,188)	1,227,083
Cash flows from investing activities:		
Proceeds from sales of investments	882,431	1,022,988
Purchase of investments	(1,189,657)	(1,287,656)
Purchase of property and equipment	(12,000)	(88,179)
Net cash used in investing activities	(319,226)	(352,847)
Cash flows from financing activities:		
Contributions restricted to permanent endowment	203,000	84,250
Net cash provided by financing activities	203,000	84,250
Net (decrease) increase in cash and cash equivalents	(232,414)	958,486
Cash and cash equivalents:		
Beginning	11,967,259	11,008,773
Ending	\$ 11,734,845	\$ 11,967,259
Supplemental schedule of noncash operating activities:		
Donated commodities	\$ 10,068,193	\$ 11,338,069

See notes to consolidated financial statements.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: International Orthodox Christian Charities, Inc. and Affiliate (IOCC) consist of two entities: International Orthodox Christian Charities, Inc. and IOCC Foundation, Incorporated.

International Orthodox Christian Charities, Inc. 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. International Orthodox Christian Charities, Inc. is an independent nonprofit corporation governed by a volunteer Board of Directors (the Board) comprised of clergy and lay persons representing the various Eastern Orthodox jurisdictions in the United States.

International Orthodox Christian Charities, Inc., 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.

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.

A summary of IOCC's core activities are as follows:

Agriculture and food security: Programs help rural families raise their levels of nutrition, standard of living and agricultural productivity.

Emergency response: Programs address the immediate needs of people suffering from natural disaster, war or civil unrest.

Education: Programs help improve access to learning for children and youth, as well as nurture local leaders who advocate for their communities and promote the general welfare.

Health: Programs help protect the well-being of communities through prevention and intervention.

Water and sanitation: Programs help improve access to clean and safe water and minimize public health threats in vulnerable communities.

Economic opportunity: Programs give people the tools to work their way out of poverty with dignity.

A summary of the IOCC's significant accounting policies follows:

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

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Consolidation policy: The accompanying consolidated financial statements include the accounts of IOCC and the Foundation, which is under common control due to the majority of Board members overlapping on both International Orthodox Christian Charities, Inc. and the Foundation's Boards. All significant transactions between International Orthodox Christian Charities, Inc. and the Foundation have been eliminated in the consolidation.

Cash and cash equivalents: For purposes of reporting cash flows, IOCC considers all highly liquid investments with a maturity of three months or less to be cash equivalents. All cash and cash equivalents regardless of maturity, held by the investment advisors, are considered investments.

Financial risk: IOCC maintains its cash in bank deposit accounts which at times may exceed federally insured limits. IOCC has not experienced any losses in such accounts. IOCC believes it is not exposed to any significant financial risk on cash. Deposits held at institutions outside of the United States are not subject to depository insurance. At December 31, 2018, approximately \$1.6 million of deposits were held in numerous financial institutions outside of the United States.

IOCC invests in professionally managed portfolios that primarily include exchange traded funds, fixed income securities, equities 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 consolidated financial statements.

Investments: Investments are reflected at fair market value. To adjust the carrying values of these investments, the change in fair market value is charged or credited to current operations.

Receivables: Receivables are comprised mainly of costs in excess of amounts billed on federal and international grants and a loan to a microcredit organization. Recoverable costs for federal grants are billable when expenditures are incurred. As these amounts are mainly due from the U.S. government, it is anticipated that all receivables are collectible.

Receivable balances are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding invoices on a monthly basis. Management determines the provision for doubtful accounts by regularly evaluating individual amounts due and considers prior history and historical proven collectability. Receivables are considered past due if the invoice has been outstanding for more than 30 days. As of December 31, 2018, there was no provision for doubtful accounts.

Most receivables are contract related. However, in the event that a donor makes an irrevocable promise to pay a set amount in a future reporting period, management records that amount as a receivable.

Commodity inventory: Commodity inventory consists of commodities either purchased by IOCC or donated from other non-governmental organizations for distribution related to specific relief programs that have not been distributed at December 31, 2018. Donated inventory is stated at fair market value and purchased inventory is stated at the lower of cost or net realizable value.

Property and equipment: IOCC capitalizes all property and equipment with a cost of \$5,000 or more. Property and equipment is recorded at cost and depreciated on the straight-line basis over estimated useful lives of three to ten years. Leasehold improvements are recorded at cost and depreciated on the straight-line basis over the lesser of the estimated useful life or remaining lease term.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated 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 IOCC. Earnings on the endowment funds are either net assets with donor restriction 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, including similar grants, are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Revenue from conditional grants is recognized as costs qualified under the grants are incurred. Grant funds received in excess of costs incurred are recorded as refundable advances until earned. Reimbursable grant costs incurred in excess of funds received are recorded as receivables.

Gifts-in-kind: Gifts-in-kind revenue is recognized as revenue in circumstances in which IOCC has sufficient discretion over the use and disposition of the items to recognize a contribution. Accordingly, the recognition of gifts-in-kind revenue is limited to circumstances in which IOCC takes constructive possession of the gifts-in-kind and IOCC is the recipient of the gift rather than an agent or intermediary.

IOCC receives books from other non-governmental organizations that provide a value for the shipment based on the average unit value which is calculated from the fair market value information as provided by the publishers. IOCC receives in-kind contributions from faith-based non-governmental organizations of handmade quilts and kits that have been purchased and packaged to be distributed. These in-kind contributions are recorded at the average value of the kits, which is the cost an individual would pay for the items in stores in the United States.

Contributions of medical equipment and supplies are recorded also at estimated wholesale value based upon appropriate wholesale price guides or other online pricing sources as applicable. Non-pharmaceutical gifts-in-kind contributions received by IOCC are valued at their estimated wholesale value as provided by the donor or, in the absence of the donors' valuation, using like-kind methodology that references United States wholesale pricing data for similar products.

Donated time and services are recorded at the fair market value for the position or service provided for the related geographic region when they meet certain requirements for recognition. Donated investments are recorded as contributions at their fair market value at the date of donation.

Functional allocation of expenses: The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. As a result, these expenses require allocation on a reasonable basis that is consistently applied within the organization. The expenses that are allocated are salaries and benefits, fuel and maintenance, and office expenses including rent, utilities and supplies.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Salaries and benefits are allocated based on timesheets prepared on a basis of time and effort. Fuel and maintenance is allocated based on vehicle usage. Office expenses including rent, utilities and supplies are allocated based on dollar amounts of expenditures incurred on projects.

Indirect expenses: Indirect costs are charged to all programs based on an estimate of the final indirect cost rate. Any variance between the estimate and the final negotiated rate is adjusted in the period when finalized. During the year ended December 31, 2018, IOCC's indirect cost rate was calculated based on direct costs excluding commodities, construction materials, equipment purchases greater than \$5,000, donated services and microcredit loans.

Foreign currency translation: The functional currency of IOCC is the U.S. dollar. The consolidated financial statements and transactions of IOCC's foreign operations are generally maintained in the relevant local currency. Where local currencies are used, assets and liabilities are translated into U.S. dollars at the consolidated statement of financial position date at the exchange rate in effect at year-end. Monthly expenses that are incurred by field offices in foreign countries are translated into U.S. dollars at the rate of exchange in effect during the month of the transaction.

Foreign currency transactions: Gains and losses from foreign currency exchange transactions are netted with expenses on the consolidated statements of activities. Losses on foreign currency fluctuations were \$13,053 for the year ended December 31, 2018.

Use of estimates: The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income tax: International Orthodox Christian Charities, Inc. and the Foundation are generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, they both qualify for charitable contributions deductions and have been classified as organizations that are not private foundations. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. IOCC had no net unrelated business income for the year ended December 31, 2018.

IOCC has adopted the accounting standard on accounting 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 IOCC 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 IOCC's tax positions and has concluded that IOCC has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

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

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

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

Adopted accounting pronouncement: In August 2016, 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 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. This ASU was effective beginning January 1, 2018. The changes in this ASU have been applied on a retrospective basis in the consolidated financial statements.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for IOCC for the fiscal year beginning January 1, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. IOCC is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 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 became effective January 1, 2019. IOCC is currently assessing the potential impact of this new guidance.

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

Note 2. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2018, consist of the following:

Earmarked for certain projects	\$ 6,353,697
Unrestricted:	
Severance liability	528,783
Undesignated	4,852,365
	<u>\$ 11,734,845</u>

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements

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

Exchange traded fund (ETFs)	\$	642,281
Fixed income		827,899
Mutual funds		796,552
Stocks		1,518,186
Cash and cash equivalents		19,134
	\$	<u>3,804,052</u>

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

Interest and dividends	\$	128,122
Realized and unrealized losses, net		(324,079)
Investment fees		(9,936)
	\$	<u>(205,893)</u>

The Fair Value Measurement topic of the Accounting Standards Codification (ASC) 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 Fair Value Topic of the ASC as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Fair Value Measurements topic of the ASC are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In certain cases, the inputs used to measure the 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. IOCC'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.

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. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in certificates of deposit at the last reported sales price on the day of valuation. These financial instruments are classified as Level 2 in the fair value hierarchy.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

The following table presents IOCC'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
EFTs:				
Commodities	\$ 75,535	\$ 75,535	\$ -	\$ -
Domestic bond	150,240	150,240	-	-
Domestic equity	142,888	142,888	-	-
Domestic real estate	78,549	78,549	-	-
Foreign equity	97,985	97,985	-	-
Foreign real estate	97,084	97,084	-	-
	<u>642,281</u>	<u>642,281</u>	-	-
Fixed income:				
Certificate of deposit	827,899	-	827,899	-
	<u>827,899</u>	-	<u>827,899</u>	-
Mutual funds:				
Domestic equity and bond	69,387	69,387	-	-
Domestic bond	401,983	401,983	-	-
Foreign bond	256,665	256,665	-	-
Global bond	68,517	68,517	-	-
	<u>796,552</u>	<u>796,552</u>	-	-
Stocks:				
Domestic bond	43,197	43,197	-	-
Domestic equity	882,871	882,871	-	-
Domestic equity and bond	592,118	592,118	-	-
	<u>1,518,186</u>	<u>1,518,186</u>	-	-
	<u>\$ 3,784,918</u>	<u>\$ 2,957,019</u>	<u>\$ 827,899</u>	<u>\$ -</u>

Cash and cash equivalents temporarily held in the investment portfolio are excluded from the fair value hierarchy as cash is generally measured at cost. As such, \$19,134 of cash and cash equivalents held in investments at December 31, 2018, have been excluded from this table.

Note 4. Receivables

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

Unbilled receivables	\$ 424,998
Micro-credit lending – Bosnia	1,383,191
Advances and other receivables	541,632
	<u>\$ 2,349,821</u>

IOCC has advanced funds to a micro-credit organization in Bosnia and Herzegovina in order to make microcredit loans to low-income people. The loans totaled 2,361,871 Bosnian Mark (which is equivalent to \$1,383,191) at December 31, 2018, and are secured by collateral which substantially exceeds the loan balances. All loans must be repaid no later than July 31, 2020.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 5. Commodity Inventory

Commodity inventory at December 31, 2018, consists of the following:

Medical	\$	1,766,144
Hygiene kits		126,672
School kits		24,300
Food		14,358
Other – blankets, quilts		567,807
		<u>567,807</u>
	\$	<u>2,499,281</u>

Note 6. Refundable Advances

Refundable advances at December 31, 2018, are available for grant programs in the following areas:

Lebanon	\$	923,269
Syria		645,607
Jordan		268,531
Jerusalem/West Bank/Gaza		171,226
Serbia		55,872
Ethiopia		31,251
Greece		9,067
Uganda		8,453
		<u>8,453</u>
	\$	<u>2,113,276</u>

Note 7. Line of Credit

IOCC has a \$1,000,000 line of credit agreement with a bank that expires on July 31, 2019. Interest is at the U.S. prime rate plus 0.5% (6.0% at December 31, 2018) and is payable monthly. The line of credit is unsecured and renews annually. At December 31, 2018, this line of credit did not have an outstanding balance.

Note 8. Leases

IOCC has a lease for office space for the Baltimore, Maryland office through March 31, 2020. Overseas offices have short-term leases. Total rent expense for the year ended December 31, 2018, including overseas offices and other operating leases, was \$307,279.

Future minimum rental payments are as follows:

Years ending December 31:		
2019	\$	158,369
2020		58,999
		<u>58,999</u>
	\$	<u>217,368</u>

Note 9. Board Designated Net Assets

The Board designated net assets for the establishment of a reserve fund. The Board designated fund is included in cash and cash equivalents and investments on the consolidated statement of financial position. At December 31, 2018, the Board designated net assets comprise a reserve fund of \$1,000,000.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 10. Net Assets With Donor Restriction

Changes in net assets with donor restrictions during 2018, were as follows:

	Balance December 31, 2017	Additions/ Investment Income (Loss)	Released	Balance December 31, 2018
Subject to expenditure for a specified purpose:				
IOCC:				
USA	\$ 1,227,345	\$ 649,336	\$ (883,385)	\$ 993,296
HQ International	1,463,257	5,410,754	(3,705,344)	3,168,667
Greece	1,451,180	5,656,196	(5,273,759)	1,833,617
Lebanon/Syria	835,954	605,860	(690,277)	751,537
Jordan	224,877	154,204	(365,360)	13,721
Jerusalem/ West Bank/ Gaza	37,349	11,621	(131)	48,839
Ethiopia/Uganda	73,943	1,636,065	(1,514,539)	195,469
Western Balkans Region	53,267	45,527	(56,126)	42,668
Georgia	20,318	2,741	(19,009)	4,050
	<u>5,387,490</u>	<u>14,172,304</u>	<u>(12,507,930)</u>	<u>7,051,864</u>
Subject to IOCC spending policy and appropriation:				
IOCC:				
Endowment Fund	132,600	-	-	132,600
Katherine Valone Trust "St Phontini"				
Water Fund	150,000	-	-	150,000
	<u>282,600</u>	<u>-</u>	<u>-</u>	<u>282,600</u>
Foundation:				
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>
	<u>2,074,006</u>	<u>203,000</u>	<u>-</u>	<u>2,277,006</u>
Subject to appropriation and expenditure when approved by the Board of Directors:				
Foundation:				
Endowment income earned on investment in perpetuity	655,652	(201,162)	(61,627)	392,863
IOCC:				
Endowment income earned on investment in perpetuity	46,596	(15,129)	-	31,467
	<u>702,248</u>	<u>(216,291)</u>	<u>(61,627)</u>	<u>424,330</u>
	<u>\$ 8,163,744</u>	<u>\$ 14,159,013</u>	<u>\$ (12,569,557)</u>	<u>\$ 9,753,200</u>

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 10. Net Assets with Donor Restriction (Continued)

IOCC: Net assets with donor restrictions subject to IOCC's spending policy and appropriations for IOCC at December 31, 2018, consist of endowments totaling \$282,600. Interest earned on the endowments of \$132,600 does not have any purpose restrictions and is able to be immediately appropriated by IOCC. As interest earned on the endowments of \$150,000 has purpose restrictions, it is added to net assets with restriction and released as expenses are incurred.

Foundation: Net assets with donor restrictions subject to the Foundation's spending policy and appropriations for the Foundation are restricted to investments in perpetuity, the income from which is expendable to support various activities.

Note 11. Endowment Funds

IOCC's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board to function as an endowment. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Accordingly, IOCC's endowment consists of quasi-endowments classified as net assets without donor restrictions, endowment earnings classified as net assets with donor restrictions, and principal amounts from the endowment categorized as net assets with donor restrictions (collectively referred to as the Endowment).

The Board has interpreted the Delaware-enacted version of the Uniform Prudent Management of Institutional Fund 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, IOCC 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 IOCC in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, IOCC 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 IOCC 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 IOCC
- g) The investment policies of IOCC

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 11. Endowment Funds (Continued)

IOCC 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.

IOCC 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 for program expenditures.

IOCC's endowment funds consist of the following at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds, IOCC	\$ -	\$ 314,067	\$ 314,067
Donor-restricted endowment funds, Foundation	-	2,387,269	2,387,269
Board designated endowment funds	1,000,000	-	1,000,000
	<u>\$ 1,000,000</u>	<u>\$ 2,701,336</u>	<u>\$ 3,701,336</u>

Endowment fund activity for the year ended December 31, 2018, consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 1,000,000	\$ 2,776,254	\$ 3,776,254
Investment return:			
Interest and dividends	-	74,750	74,750
Realized and unrealized loss, net	-	(281,105)	(281,105)
Investment fees	-	(9,936)	(9,936)
Contributions	-	203,000	203,000
Appropriations	-	(61,627)	(61,627)
Endowment net assets, end of the year	<u>\$ 1,000,000</u>	<u>\$ 2,701,336</u>	<u>\$ 3,701,336</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets	\$ 1,000,000	\$ 2,701,336	\$ 3,701,336
Other	6,815,614	7,051,864	13,867,478
Total net assets	<u>\$ 7,815,614</u>	<u>\$ 9,753,200</u>	<u>\$ 17,568,814</u>

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 12. Retirement Plan

IOCC sponsors a 403(b) retirement savings and investment plan (the Plan) for eligible employees. All full-time employees completing 12 months of continuous service are eligible for the Plan. For eligible participating employees, IOCC will contribute up to 5% of the employee's gross salary. Retirement plan expense for the year ended December 31, 2018, was \$102,060.

Note 13. Contingencies

IOCC participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

Note 14. Availability of Assets

IOCC is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner, IOCC must maintain sufficient resources to meet those responsibilities to its donors. Therefore, financial assets may not be available for general expenditures within one year. As part of IOCC's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the board designates a liquidity reserve of \$1,000,000 that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, IOCC also could draw upon \$1,000,000 of available line of credit (as further discussed in Note 7).

The following reflects IOCC's consolidated financial assets, including cash and cash equivalents, investments and receivables, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date:

Financial assets, at December 31, 2018	\$ 17,888,718
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(9,328,870)
Endowment income subject to appropriation	(424,330)
Certificate of Deposits with maturity date greater than one year	(617,136)
Board designations:	
Amount set aside for liquidity reserve	(1,000,000)
	<u>6,518,382</u>
Plus appropriations for 2019 from endowment income	119,000
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,637,382</u>



RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
International Orthodox Christian Charities, Inc.

We have audited the consolidated financial statements of International Orthodox Christian Charities, Inc. and Affiliate (IOCC) as of and for the year ended December 31, 2018, and have issued our report thereon, which contained an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating and other supplementary information is presented for purposes of additional analysis rather than to present the financial position and results of activities of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and other supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Baltimore, Maryland
April 12, 2019

International Orthodox Christian Charities, Inc. and Affiliate

**Consolidating Statement of Financial Position
December 31, 2018**

	IOCC	Foundation	Elimination Entries	Total
Assets				
Cash and cash equivalents	\$ 11,706,560	\$ 28,285	\$ -	\$ 11,734,845
Investments	1,419,783	2,384,269	-	3,804,052
Receivables, net	2,349,821	-	-	2,349,821
Prepaid expenses	132,217	-	-	132,217
Deposits and other	9,653	-	-	9,653
Due from the Foundation	6,031	-	(6,031)	-
Commodity inventory	2,499,281	-	-	2,499,281
Property and equipment, net	105,794	-	-	105,794
	<u>\$ 18,229,140</u>	<u>\$ 2,412,554</u>	<u>\$ (6,031)</u>	<u>\$ 20,635,663</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 113,560	\$ -	\$ -	\$ 113,560
Accrued expenses and other liabilities	301,707	-	-	301,707
Severance liability	528,783	-	-	528,783
Due to IOCC	-	6,031	(6,031)	-
Refundable advances	2,113,276	-	-	2,113,276
Other liabilities	9,523	-	-	9,523
	<u>3,066,849</u>	<u>6,031</u>	<u>(6,031)</u>	<u>3,066,849</u>
Commitments and contingencies				
Net assets:				
Without donor restrictions:				
Undesignated	6,796,360	19,254	-	6,815,614
Board designated	1,000,000	-	-	1,000,000
	<u>7,796,360</u>	<u>19,254</u>	<u>-</u>	<u>7,815,614</u>
With donor restrictions	7,365,931	2,387,269	-	9,753,200
	<u>15,162,291</u>	<u>2,406,523</u>	<u>-</u>	<u>17,568,814</u>
	<u>\$ 18,229,140</u>	<u>\$ 2,412,554</u>	<u>\$ (6,031)</u>	<u>\$ 20,635,663</u>

International Orthodox Christian Charities, Inc. and Affiliate

Consolidating Statement of Activities

Year Ended December 31, 2018

	IOCC			Foundation			Elimination Entries	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Support and revenue:								
Grants:								
Federal, cash and in-kinds	\$ 5,558,643	\$ -	\$ 5,558,643	\$ -	\$ -	\$ -	\$ -	\$ 5,558,643
International agencies	12,765,016	278,537	13,043,553	-	-	-	-	13,043,553
Contributions:								
In-kind	54,262	10,068,461	10,122,723	-	-	-	-	10,122,723
Orthodox church institutions	557,311	262,551	819,862	-	-	-	-	819,862
Individual	3,998,849	968,330	4,967,179	8,981	203,000	211,981	-	5,179,160
Foundations	394,822	2,530,724	2,925,546	-	-	-	(61,627)	2,863,919
Metropolitan committee events	742,743	49,360	792,103	-	-	-	-	792,103
Microcredit loan interest	70,586	-	70,586	-	-	-	-	70,586
Third party giving	371,652	14,339	385,991	-	-	-	-	385,991
Investment (loss) income, net	10,396	(15,127)	(4,731)	-	(201,162)	(201,162)	-	(205,893)
Other	51,976	-	51,976	-	-	-	(25,917)	26,059
Net assets released from restrictions	12,507,930	(12,507,930)	-	61,627	(61,627)	-	-	-
Contribution to Foundation	-	-	-	25,121	-	25,121	(25,121)	-
Total support and revenue	37,084,186	1,649,245	38,733,431	95,729	(59,789)	35,940	(112,665)	38,656,706
Expenses:								
Program services	31,127,625	-	31,127,625	61,627	-	61,627	(61,627)	31,127,625
Support services:								
Management and general	3,439,437	-	3,439,437	35,518	-	35,518	(51,038)	3,423,917
Fundraising	1,506,128	-	1,506,128	-	-	-	-	1,506,128
	4,945,565	-	4,945,565	35,518	-	35,518	(51,038)	4,930,045
Total expenses	36,073,190	-	36,073,190	97,145	-	97,145	(112,665)	36,057,670
Change in net assets	1,010,996	1,649,245	2,660,241	(1,416)	(59,789)	(61,205)	-	2,599,036
Net assets:								
Beginning	6,785,364	5,716,686	12,502,050	20,670	2,447,058	2,467,728	-	14,969,778
Ending	\$ 7,796,360	\$ 7,365,931	\$ 15,162,291	\$ 19,254	\$ 2,387,269	\$ 2,406,523	\$ -	\$ 17,568,814

International Orthodox Christian Charities, Inc. and Affiliate

**Schedule of Program Expenses by Region
Year Ended December 31, 2018**

Region	Country	Amount	Total Per Functional Expense Schedule
North America	USA	\$ 1,294,286	
	Haiti	98,149	\$ 1,392,435
Europe	Romania	22,055	
	Bosnia and Herzegovina	152,098	
	Serbia	944,377	
	Republic of Georgia	1,098,093	
	Albania	8,448	
	Kosovo	-	
	Montenegro	38,092	
	Greece	5,999,687	8,262,850
Middle East	Lebanon	7,163,246	
	Jerusalem/West Bank/Gaza	808,469	
	Syria	8,221,259	
	Jordan	1,883,527	18,076,501
Africa	Ethiopia	1,834,123	
	Uganda	256,288	2,090,411
HQ International	Multi-Country	1,305,428	1,305,428
		\$ 31,127,625	\$ 31,127,625