

International Orthodox Christian Charities, Inc. and Affiliate

Consolidated Financial Report
December 31, 2019

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RSM US LLP

Independent Auditor's Report

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, 2019, 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, 2019, 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.

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

We have previously audited IOCC's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 20, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 20, 2020

International Orthodox Christian Charities, Inc. and Affiliate

**Consolidated Statement of Financial Position
December 31, 2019
(With Comparative Totals for 2018)**

	2019	2018
Assets		
Cash and cash equivalents	\$ 7,817,227	\$ 11,734,845
Investments	4,516,571	3,804,052
Receivables, net	2,717,754	2,349,821
Prepaid expenses	136,582	132,217
Deposits and other	8,088	9,653
Commodity inventory	6,048,259	2,499,281
Property and equipment, net	105,907	105,794
	<u>\$ 21,350,388</u>	<u>\$ 20,635,663</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 76,634	\$ 113,560
Accrued expenses and other liabilities	507,038	301,707
Severance liability	567,782	528,783
Refundable advances	1,003,917	2,113,276
Other liabilities	2,806	9,523
	<u>2,158,177</u>	<u>3,066,849</u>
Commitments and Contingencies (Notes 8, 13 and 16)		
Net assets:		
Without donor restrictions:		
Undesignated	6,334,116	6,815,614
Board designated	1,000,000	1,000,000
	<u>7,334,116</u>	<u>7,815,614</u>
With donor restrictions	11,858,095	9,753,200
	<u>19,192,211</u>	<u>17,568,814</u>
	<u>\$ 21,350,388</u>	<u>\$ 20,635,663</u>

See notes to consolidated financial statements.

International Orthodox Christian Charities, Inc. and Affiliate

Consolidated Statement of Activities
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Grants:				
Federal, cash and in-kinds	\$ 3,280,244	\$ -	\$ 3,280,244	\$ 5,558,643
International agencies	10,429,632	760	10,430,392	13,043,553
Contributions:				
In-kind	96,215	8,738,911	8,835,126	10,122,723
Orthodox church institutions	237,378	140,938	378,316	819,862
Individual	3,137,020	558,201	3,695,221	5,179,160
Foundations	347,734	753,683	1,101,417	2,863,919
Metropolitan committee events	757,901	50,396	808,297	792,103
Micro-credit loan interest	68,371	-	68,371	70,586
Third party giving	329,693	6,255	335,948	385,991
Investment income (loss), net	140,640	560,058	700,698	(205,893)
Other	14,956	5,438	20,394	26,059
Net assets released from restrictions	8,709,745	(8,709,745)	-	-
Total support and revenue	27,549,529	2,104,895	29,654,424	38,656,706
Expenses:				
Program services	22,993,032	-	22,993,032	31,127,625
Support services:				
Management and general	3,539,730	-	3,539,730	3,423,917
Fundraising	1,498,265	-	1,498,265	1,506,128
Total expenses	5,037,995	-	5,037,995	4,930,045
Change in net assets	(481,498)	2,104,895	1,623,397	2,599,036
Net assets:				
Beginning	7,815,614	9,753,200	17,568,814	14,969,778
Ending	\$ 7,334,116	\$ 11,858,095	\$ 19,192,211	\$ 17,568,814

See notes to consolidated financial statements.

International Orthodox Christian Charities, Inc. and Affiliate

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Program Services					
	The Americas	Europe	Middle East	Africa	HQ International	Subtotal
Commodities distributed	\$ 636,007	\$ 4,021,999	\$ 1,230,127	\$ -	\$ 186,757	\$ 6,074,890
Salaries and benefits	424,694	236,448	3,119,179	248,070	15,270	4,043,661
Site support	46,971	18,767	2,638,106	46,338	-	2,750,182
Training and seminars	8,067	1,205	113,226	35,483	-	157,981
Professional fees	47,460	77,377	871,097	3,640	20,813	1,020,387
Travel	179,594	50,295	206,817	33,105	16,620	486,431
Construction costs	15,500	-	1,363,678	191,934	-	1,571,112
Grants to other agencies	127,560	1,455,578	4,217,489	70,910	113,260	5,984,797
Office expenses	15,873	24,845	220,468	18,899	-	280,085
Publications and advertising	3,268	665	9,848	1,323	-	15,104
International transportation	-	46,007	3,690	-	6,348	56,045
Communications	5,062	3,911	38,351	4,147	132	51,603
Vehicle costs	35,338	19,285	64,103	25,009	3,143	146,878
Capital equipment	2,804	2,220	3,824	617	-	9,465
Metropolitan committee expense	-	-	-	-	-	-
Internal transit, handling and storage	9,129	2,185	125,201	124	3,202	139,841
Bank charges	109	3,077	11,175	1,168	41	15,570
Insurance	1,064	35	8,172	-	205	9,476
Registration fees	1,660	487	1,875	63	-	4,085
Equipment costs	77	71	6,186	292	-	6,626
Depreciation	17,747	6,423	12,065	-	-	36,235
Currency fluctuations	-	37,977	71,109	(611)	-	108,475
Other costs	9,418	597	13,444	526	118	24,103
Total expenses	\$ 1,587,402	\$ 6,009,454	\$ 14,349,230	\$ 681,037	\$ 365,909	\$ 22,993,032

(Continued)

International Orthodox Christian Charities, Inc. and Affiliate

Consolidated Statement of Functional Expenses (Continued)
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Support Services			2019 Total	2018 Total
	Management and General	Fundraising	Total Support Services		
Commodities distributed	\$ -	\$ -	\$ -	\$ 6,074,890	\$ 10,035,716
Salaries and benefits	2,184,760	776,842	2,961,602	7,005,263	6,871,582
Site support	-	-	-	2,750,182	3,610,012
Training and seminars	6,083	1,220	7,303	165,284	295,033
Professional fees	556,670	221,606	778,276	1,798,663	1,271,407
Travel	189,776	90,905	280,681	767,112	866,818
Construction costs	-	-	-	1,571,112	1,641,581
Grants to other agencies	-	2,832	2,832	5,987,629	9,566,462
Office expenses	314,361	73,766	388,127	668,212	674,170
Publications and advertising	50,237	130,274	180,511	195,615	169,655
International transportation	-	-	-	56,045	90,490
Communications	76,610	84,531	161,141	212,744	275,017
Vehicle costs	3,134	14,721	17,855	164,733	179,677
Capital equipment	9,313	-	9,313	18,778	35,699
Metropolitan committee expense	-	78,405	78,405	78,405	76,988
Internal transit, handling and storage	-	-	-	139,841	113,203
Bank charges	62,931	97	63,028	78,598	100,175
Insurance	50,782	-	50,782	60,258	55,776
Registration fees	9,449	20,795	30,244	34,329	31,780
Equipment costs	14,349	-	14,349	20,975	19,647
Depreciation	2,330	-	2,330	38,565	38,485
Currency fluctuations	183	-	183	108,658	13,053
Other costs	8,762	2,271	11,033	35,136	25,244
Total expenses	\$ 3,539,730	\$ 1,498,265	\$ 5,037,995	\$ 28,031,027	\$ 36,057,670

See notes to consolidated financial statements.

International Orthodox Christian Charities, Inc. and Affiliate

**Consolidated Statement of Cash Flows
Year Ended December 31, 2019
(With Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,623,397	\$ 2,599,036
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	38,565	38,485
Contributions restricted for permanent endowment	(53,000)	(203,000)
Donated commodities	(8,728,731)	(10,068,193)
Commodities distributed	6,074,890	10,035,716
Donated investments	(123,006)	(71,867)
Realized/unrealized (gains) losses on investments, net	(533,636)	324,079
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(367,933)	604,614
Commodity purchases	(895,137)	(1,003,174)
Prepaid expenses, deposits and other	(2,800)	(5,263)
(Decrease) increase in:		
Accounts payable	(36,926)	42,258
Accrued expenses	205,331	(698,698)
Severance liability	38,999	26,130
Refundable advances	(1,109,359)	(1,732,949)
Other liabilities	(6,717)	(3,362)
Net cash used in operating activities	(3,876,063)	(116,188)
Cash flows from investing activities:		
Proceeds from sales of investments	451,364	882,431
Purchase of investments	(507,241)	(1,189,657)
Purchase of property and equipment	(38,678)	(12,000)
Net cash used in investing activities	(94,555)	(319,226)
Cash flows from financing activities:		
Contributions restricted to permanent endowment	53,000	203,000
Net cash provided by financing activities	53,000	203,000
Net decrease in cash and cash equivalents	(3,917,618)	(232,414)
Cash and cash equivalents:		
Beginning	11,734,845	11,967,259
Ending	\$ 7,817,227	\$ 11,734,845
Supplemental schedule of noncash operating activities:		
Donated commodities	\$ 8,728,731	\$ 10,068,193

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 the Boards of 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, 2019, approximately \$1.25 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 value. To adjust the carrying values of these investments, the change in fair 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, 2019, 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, 2019. Donated inventory is stated at fair 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, 2019, 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 restrictions for program and fundraising purposes or are available for operations as specified by the donor.

Contributions: Unconditional contributions are recognized as revenue upon receipt or when unconditional promises to give are received. Contribution revenue is recorded as increases in net assets without donor restrictions, unless their use is limited by time or donor-imposed restrictions.

Government and other grant funding: Support and revenue related to government and other grants is recognized when funds are utilized by IOCC to carry out the activity stipulated by the grant or contract, since such contracts can be terminated by the grantor, or refunding can be required under certain circumstances coupled with other performance and/or control barriers. For this reason, IOCC's grant agreements are considered conditional and so, referred to as "conditional grants." Accordingly, amounts received, but not recognized as revenue, are classified in the consolidated statements of financial position as advances received for programs.

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 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 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 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.

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 statement of activities. Losses on foreign currency fluctuations were \$108,658 for the year ended December 31, 2019.

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, 2019.

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 2016.

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, 2018, from which the summarized information was derived.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Adopted accounting pronouncement: In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is a resource recipient, the ASU is applicable to contributions received for the fiscal year ended December 31, 2019, and the Organization adopted this amendment on a modified prospective basis. The adoption did not have a material impact on the reported net assets as of January 1, 2019. Where the Organization is a resource provider, the ASU is effective for the fiscal year ending December 31, 2020. The Organization is in the process of evaluating the impact of this new guidance for resource providers.

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, 2021. 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.

Subsequent events: IOCC has evaluated subsequent events through April 20, 2020, 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, 2019, consist of the following:

Earmarked for certain projects	\$ 3,564,371
Unrestricted:	
Severance liability	566,311
Undesignated	3,686,545
	<u>\$ 7,817,227</u>

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements

Investments at December 31, 2019, consist of the following:

Exchange-traded fund (ETFs)	\$	304,664
Fixed income		860,618
Mutual funds		1,222,464
Stocks		2,096,515
Cash and cash equivalents		32,310
		<u>\$ 4,516,571</u>

Investment income for the year ended December 31, 2019, consists of the following:

Interest and dividends	\$	177,415
Realized and unrealized gains, net		533,636
Investment fees		(10,353)
		<u>\$ 700,698</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, 2019:

Description	Assets at Fair Value as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
EFTs:				
Commodities	\$ 88,093	\$ 88,093	\$ -	\$ -
Domestic real estate	91,892	91,892	-	-
Foreign real estate	124,679	124,679	-	-
	<u>304,664</u>	<u>304,664</u>	-	-
Fixed income:				
Certificate of deposit	860,618	-	860,618	-
	<u>860,618</u>	-	<u>860,618</u>	-
Mutual funds:				
Domestic equity and bond	97,186	97,186	-	-
Domestic bond	734,832	734,832	-	-
Foreign bond	306,023	306,023	-	-
Global bond	84,423	84,423	-	-
	<u>1,222,464</u>	<u>1,222,464</u>	-	-
Stocks:				
Domestic equity	1,271,258	1,271,258	-	-
Foreign equity	825,257	825,257	-	-
	<u>2,096,515</u>	<u>2,096,515</u>	-	-
	<u>\$ 4,484,261</u>	<u>\$ 3,623,643</u>	<u>\$ 860,618</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, \$32,310 of cash and cash equivalents held in investments at December 31, 2019, have been excluded from this table.

Note 4. Receivables

Receivables at December 31, 2019, consist of the following:

Unbilled receivables	\$ 737,524
Micro-credit lending – Bosnia	1,351,189
Advances and other receivables	629,041
	<u>\$ 2,717,754</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 \$1,351,189 at December 31, 2019, and are secured by collateral which substantially exceeds the loan balances. All loans must be repaid no later than July 31, 2022.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 5. Commodity Inventory

Commodity inventory at December 31, 2019, consists of the following:

Medical	\$ 3,995,713
Books	1,343,700
Other – blankets, quilts, mattresses	335,459
Hygiene kits	216,600
School kits	119,700
Food	37,087
	<u>\$ 6,048,259</u>

Note 6. Refundable Advances

Refundable advances at December 31, 2019, are available for grant programs in the following areas:

Lebanon	\$ 482,219
Jordan	442,248
Jerusalem/West Bank/Gaza	78,477
Ethiopia	973
	<u>\$ 1,003,917</u>

Note 7. Line of Credit

IOCC has a \$1,000,000 line of credit agreement with a bank that expires on July 31, 2020. Interest is at the U.S. prime rate plus 0.5% (5.25% at December 31, 2019) and is payable monthly. The line of credit is unsecured and renews annually. At December 31, 2019, 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, 2019, including overseas offices and other operating leases, was \$322,819.

Future minimum rental payments for IOCC's operating leases are as follows:

Years ending December 31:	
2020	\$ 154,641
2021	122,923
2022	117,262
2023	120,194
2024	123,199
Thereafter	266,521
	<u>\$ 904,740</u>

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

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, 2019, the Board designated net assets comprise a reserve fund of \$1,000,000.

Note 10. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions during 2019, were as follows:

	Balance December 31, 2018	Additions/ Investment Income	Releases	Balance December 31, 2019
Subject to expenditure for a specified purpose:				
IOCC:				
USA	\$ 993,296	\$ 259,382	\$ (716,422)	\$ 536,256
HQ International	3,168,667	6,017,051	(3,923,699)	5,262,019
Greece	1,833,617	2,902,595	(2,733,266)	2,002,946
Lebanon/Syria	751,537	486,952	(736,263)	502,226
Jordan	13,721	135,045	(138,219)	10,547
Jerusalem/ West Bank/ Gaza	48,839	6,193	(6,752)	48,280
Ethiopia/Uganda	195,469	275,701	(373,218)	97,952
Western Balkans Region	42,668	62,870	(2,115)	103,423
Georgia	4,050	57,320	(25,817)	35,553
	<u>7,051,864</u>	<u>10,203,109</u>	<u>(8,655,771)</u>	<u>8,599,202</u>
Subject to IOCC spending policy and appropriation:				
IOCC:				
Endowment Fund	132,600	-	-	132,600
Katherine Valone Trust "St. Phontini"				
Water Fund	181,467	41,312	-	222,779
	<u>314,067</u>	<u>41,312</u>	<u>-</u>	<u>355,379</u>
Foundation:				
Styliades fund	1,307,814	336,582	-	1,644,396
Anthony fund	490,038	104,817	(24,502)	570,353
Spiris fund	408,133	87,298	(20,407)	475,024
Tsakalos fund	136,170	31,872	(6,809)	161,233
Panos fund	45,114	9,650	(2,256)	52,508
	<u>2,387,269</u>	<u>570,219</u>	<u>(53,974)</u>	<u>2,903,514</u>
	<u>2,701,336</u>	<u>611,531</u>	<u>(53,974)</u>	<u>3,258,893</u>
	<u>\$ 9,753,200</u>	<u>\$ 10,814,640</u>	<u>\$ (8,709,745)</u>	<u>\$ 11,858,095</u>

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 10. Net Assets with Donor Restrictions (Continued)

IOCC: Net assets with donor restrictions subject to IOCC's spending policy and appropriations for IOCC at December 31, 2019, 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 restrictions 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 net assets with donor restrictions that are perpetual in nature: (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 as perpetual in nature is classified as net assets with donor restrictions 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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds, IOCC	\$ -	\$ 355,379	\$ 355,379
Donor-restricted endowment funds, Foundation	-	2,903,514	2,903,514
Board designated endowment funds	1,000,000	-	1,000,000
	<u>\$ 1,000,000</u>	<u>\$ 3,258,893</u>	<u>\$ 4,258,893</u>

Endowment fund activity for the year ended December 31, 2019, consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 1,000,000	\$ 2,701,336	\$ 3,701,336
Investment return:			
Interest and dividends	-	93,922	93,922
Realized and unrealized gains, net	-	474,962	474,962
Investment fees	-	(10,353)	(10,353)
Contributions	-	53,000	53,000
Appropriations	-	(53,974)	(53,974)
Endowment net assets, end of the year	<u>\$ 1,000,000</u>	<u>\$ 3,258,893</u>	<u>\$ 4,258,893</u>

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 match up to 5% of the employee's gross salary. Retirement plan expense for the year ended December 31, 2019, was \$100,287.

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.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

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, 2019	\$ 15,051,552
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(11,858,095)
Certificates of Deposit with maturity date greater than one year	(103,091)
Board designations:	
Amount set aside for liquidity reserve	<u>(1,000,000)</u>
	2,090,366
Plus appropriations for 2020 from endowment income	<u>70,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,160,366</u></u>

Note 15. Conditional Grants

As of December 31, 2019, IOCC has \$12,114,898 of revenue to be earned on various conditional grants from various sources of funding including the U.S government, other governments and public institutions, corporations and foundations. The amount is not recognized in the accompanying consolidated financial statements as such revenue is recognized over the multi-year period of each respective grant agreement, conditional upon management of IOCC complying with grant requirements.

Note 16. Subsequent Event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 16. Subsequent Event (Continued)

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the company. The continued spread of COVID-19 could adversely impact the Organization's operations and may have a material adverse effect on the financial condition of the Organization.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

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, 2019, 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 20, 2020

International Orthodox Christian Charities, Inc. and Affiliate

**Consolidating Statement of Financial Position
December 31, 2019**

	IOCC	Foundation	Elimination Entries	Total
Assets				
Cash and cash equivalents	\$ 7,784,029	\$ 33,198	\$ -	\$ 7,817,227
Investments	1,616,057	2,900,514	-	4,516,571
Receivables, net	2,717,754	-	-	2,717,754
Prepaid expenses	136,582	-	-	136,582
Deposits and other	8,088	-	-	8,088
Due from related party	7,334	-	(7,334)	-
Commodity inventory	6,048,259	-	-	6,048,259
Property and equipment, net	105,907	-	-	105,907
	<u>\$ 18,424,010</u>	<u>\$ 2,933,712</u>	<u>\$ (7,334)</u>	<u>\$ 21,350,388</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 75,634	\$ 1,000	\$ -	\$ 76,634
Accrued expenses and other liabilities	507,038	-	-	507,038
Severance liability	567,782	-	-	567,782
Due to related party	2,925	4,409	(7,334)	-
Refundable advances	1,003,917	-	-	1,003,917
Other liabilities	2,806	-	-	2,806
	<u>2,160,102</u>	<u>5,409</u>	<u>(7,334)</u>	<u>2,158,177</u>
Net assets:				
Without donor restrictions:				
Undesignated	6,309,327	24,789	-	6,334,116
Board designated	1,000,000	-	-	1,000,000
	<u>7,309,327</u>	<u>24,789</u>	<u>-</u>	<u>7,334,116</u>
With donor restrictions	8,954,581	2,903,514	-	11,858,095
	<u>16,263,908</u>	<u>2,928,303</u>	<u>-</u>	<u>19,192,211</u>
	<u>\$ 18,424,010</u>	<u>\$ 2,933,712</u>	<u>\$ (7,334)</u>	<u>\$ 21,350,388</u>

International Orthodox Christian Charities, Inc. and Affiliate

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	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	\$ 3,280,244	\$ -	\$ 3,280,244	\$ -	\$ -	\$ -	\$ -	\$ 3,280,244
International agencies	10,429,632	760	10,430,392	-	-	-	-	10,430,392
Contributions:								
In-kind	96,215	8,738,911	8,835,126	-	-	-	-	8,835,126
Orthodox church institutions	237,378	140,938	378,316	-	-	-	-	378,316
Individual	3,124,316	505,201	3,629,517	12,704	53,000	65,704	-	3,695,221
Foundations	402,734	753,683	1,156,417	-	-	-	(55,000)	1,101,417
Metropolitan committee events	757,901	50,396	808,297	-	-	-	-	808,297
Microcredit loan interest	68,371	-	68,371	-	-	-	-	68,371
Third party giving	329,693	6,255	335,948	-	-	-	-	335,948
Investment income, net	140,640	42,839	183,479	-	517,219	517,219	-	700,698
Other	42,444	5,438	47,882	-	-	-	(27,488)	20,394
Net assets released from restrictions	8,655,771	(8,655,771)	-	53,974	(53,974)	-	-	-
Contribution to Foundation	-	-	-	26,785	-	26,785	(26,785)	-
Total support and revenue	27,565,339	1,588,650	29,153,989	93,463	516,245	609,708	(109,273)	29,654,424
Expenses:								
Program services	22,993,032	-	22,993,032	55,000	-	55,000	(55,000)	22,993,032
Support services:								
Management and general	3,561,075	-	3,561,075	32,928	-	32,928	(54,273)	3,539,730
Fundraising	1,498,265	-	1,498,265	-	-	-	-	1,498,265
	5,059,340	-	5,059,340	32,928	-	32,928	(54,273)	5,037,995
Total expenses	28,052,372	-	28,052,372	87,928	-	87,928	(109,273)	28,031,027
Change in net assets	(487,033)	1,588,650	1,101,617	5,535	516,245	521,780	-	1,623,397
Net assets:								
Beginning	7,796,360	7,365,931	15,162,291	19,254	2,387,269	2,406,523	-	17,568,814
Ending	\$ 7,309,327	\$ 8,954,581	\$ 16,263,908	\$ 24,789	\$ 2,903,514	\$ 2,928,303	\$ -	\$ 19,192,211

International Orthodox Christian Charities, Inc. and Affiliate

**Schedule of Program Expenses by Region
Year Ended December 31, 2019**

Region	Country	Amount	Total Per Functional Expense Schedule
North America	USA	\$ 204,375	
	Haiti	1,383,027	\$ 1,587,402
Europe	Romania	248,835	
	Bosnia and Herzegovina	456,960	
	Serbia	477,135	
	Republic of Georgia	1,875,440	
	Albania	2,015	
	Kosovo	62,055	
	Montenegro	37,813	
	Greece	2,849,201	6,009,454
Middle East	Lebanon	6,609,530	
	Jerusalem/West Bank/Gaza	1,496,818	
	Syria	5,195,233	
	Jordan	1,047,649	14,349,230
Africa	Ethiopia	362,896	
	Uganda	318,141	681,037
HQ International	Multi-Country	365,909	365,909
		\$ 22,993,032	\$ 22,993,032