

International Orthodox Christian Charities, Inc. and Affiliate

Consolidated Financial Report
December 31, 2017

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RSM US LLP

Independent Auditor's Report

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

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, 2017, 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, 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, 2017, 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.

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

We have previously audited IOCC's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 March 28, 2018, 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
March 28, 2018

International Orthodox Christian Charities, Inc. and Affiliate

**Consolidated Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)**

	2017	2016
Assets		
Cash and cash equivalents	\$ 11,967,259	\$ 11,008,773
Investments	3,749,038	2,999,847
Receivables, net	2,954,435	3,238,376
Prepaid expenses	128,772	104,232
Deposits and other	7,835	7,835
Commodity inventory	1,463,630	1,795,691
Property and equipment, net	132,279	101,847
	<u>\$ 20,403,248</u>	<u>\$ 19,256,601</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 71,302	\$ 127,684
Accrued expenses and other liabilities	1,000,405	462,754
Severance liability	502,653	446,661
Refundable advances	3,846,225	3,830,370
Other liabilities	12,885	14,778
	<u>5,433,470</u>	<u>4,882,247</u>
Commitments and Contingencies (Notes 8, 13 and 14)		
Net assets:		
Unrestricted:		
Undesignated	5,806,034	4,857,286
Board designated	1,000,000	1,000,000
	<u>6,806,034</u>	<u>5,857,286</u>
Temporarily restricted	6,089,738	6,527,312
Permanently restricted	2,074,006	1,989,756
	<u>14,969,778</u>	<u>14,374,354</u>
	<u>\$ 20,403,248</u>	<u>\$ 19,256,601</u>

See notes to consolidated financial statements.

International Orthodox Christian Charities, Inc. and Affiliate

Consolidated Statement of Activities
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Grants:					
Federal, cash and in-kinds	\$ 7,861,760	\$ -	\$ -	\$ 7,861,760	\$ 12,556,340
International agencies	10,093,078	1,440,487	-	11,533,565	14,105,016
Contributions:					
In-kind	178,836	11,226,489	-	11,405,325	11,299,898
Orthodox church institutions	368,226	837,888	-	1,206,114	743,457
Individual	3,379,803	1,399,532	84,250	4,863,585	4,269,265
Foundations	858,916	1,269,935	-	2,128,851	1,740,954
Metropolitan committee events	1,138,864	215,872	-	1,354,736	1,046,803
Micro-credit loan interest	65,219	-	-	65,219	64,556
CFC/United Way	359,223	45,378	-	404,601	267,607
Investment income, net	53,392	386,235	-	439,627	218,359
Other	42,679	-	-	42,679	125,194
Net assets released from restrictions	17,259,390	(17,259,390)	-	-	-
Total support and revenue	41,659,386	(437,574)	84,250	41,306,062	46,437,449
Expenses:					
Program services	38,913,192	-	-	38,913,192	44,943,069
Support services	1,797,446	-	-	1,797,446	1,683,078
Total expenses	40,710,638	-	-	40,710,638	46,626,147
Change in net assets	948,748	(437,574)	84,250	595,424	(188,698)
Net assets:					
Beginning	5,857,286	6,527,312	1,989,756	14,374,354	14,563,052
Ending	\$ 6,806,034	\$ 6,089,738	\$ 2,074,006	\$ 14,969,778	\$ 14,374,354

See notes to consolidated financial statements.

International Orthodox Christian Charities, Inc. and Affiliate

Consolidated Statement of Functional Expenses
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Program Services					Subtotal
	The Americas	Europe	Middle East	Africa	HQ International	
Commodities distributed	\$ 1,282,224	\$ 6,002,957	\$ 2,717,536	\$ 1,316,405	\$ 677,589	\$ 11,996,711
Salaries and benefits	237,870	281,663	3,032,785	378,379	(1,491)	3,929,206
Site support	102,470	26,564	1,833,060	298,157	121	2,260,372
Training and seminars	21,822	-	339,358	47,350	-	408,530
Professional fees	99,807	110,574	802,276	21,132	15,411	1,049,200
Travel	142,004	31,665	334,597	47,553	8,838	564,657
Construction costs	440	69,308	2,052,207	-	-	2,121,955
Grants to other agencies	359,021	1,322,336	10,408,241	415,494	76,638	12,581,730
Office expenses	8,735	21,908	221,333	27,833	-	279,809
Publications and advertising	4,442	5	21,652	4,639	-	30,738
International transportation	-	34,391	31,162	-	23,652	89,205
Communications	5,269	3,442	103,973	8,547	83	121,314
Vehicle costs	17,519	16,019	102,641	46,133	868	183,180
Capital equipment	118	1,416	35,194	1,436	-	38,164
Metropolitan committee expense	-	-	-	-	-	-
Internal transit, handling and storage	9,969	6,169	15,248	4,306	14,559	50,251
Bank charges	146	5,525	51,144	3,808	17	60,640
Insurance	-	366	15,594	-	-	15,960
Registration fees	525	512	1,952	101	-	3,090
Equipment costs	-	24	3,684	462	-	4,170
Depreciation	12,471	9,689	21,255	8,972	-	52,387
Currency fluctuations	-	(183,225)	43,205	14,530	-	(125,490)
Other costs	2,329	400	6,683	319	201	9,932
Total direct expenses	2,307,181	7,761,708	22,194,780	2,645,556	816,486	35,725,711
Indirect cost allocation	142,580	283,918	2,539,385	173,602	47,996	3,187,481
Total expenses	\$ 2,449,761	\$ 8,045,626	\$ 24,734,165	\$ 2,819,158	\$ 864,482	\$ 38,913,192

See notes to consolidated financial statements.

	Support Services			2017 Total	2016 Total
	Management and General	Fundraising	Total Support Services		
Commodities distributed	\$ -	\$ -	\$ -	\$ 11,996,711	\$ 14,848,721
Salaries and benefits	2,104,731	1,014,528	3,119,259	7,048,465	6,402,835
Site support	-	-	-	2,260,372	2,286,066
Training and seminars	17,542	764	18,306	426,836	303,472
Professional fees	452,433	70,884	523,317	1,572,517	1,403,503
Travel	186,405	77,617	264,022	828,679	819,349
Construction costs	-	-	-	2,121,955	3,942,045
Grants to other agencies	-	-	-	12,581,730	14,141,182
Office expenses	288,318	60,221	348,539	628,348	631,717
Publications and advertising	24,635	114,604	139,239	169,977	180,653
International transportation	-	-	-	89,205	78,132
Communications	51,726	112,971	164,697	286,011	271,995
Vehicle costs	3,866	10,862	14,728	197,908	189,561
Capital equipment	13,860	60	13,920	52,084	40,776
Metropolitan committee expense	-	187,624	187,624	187,624	95,441
Internal transit, handling and storage	-	-	-	50,251	463,568
Bank charges	93,673	1,388	95,061	155,701	157,791
Insurance	48,194	-	48,194	64,154	60,249
Registration fees	5,695	19,356	25,051	28,141	18,320
Equipment costs	12,491	-	12,491	16,661	18,867
Depreciation	5,360	-	5,360	57,747	65,556
Currency fluctuations	(13,466)	-	(13,466)	(138,956)	169,169
Other costs	16,230	2,355	18,585	28,517	37,179
Total direct expenses	3,311,693	1,673,234	4,984,927	40,710,638	46,626,147
Indirect cost allocation	(3,250,187)	62,703	(3,187,484)	-	-
Total expenses	\$ 61,506	\$ 1,735,937	\$ 1,797,443	\$ 40,710,638	\$ 46,626,147

International Orthodox Christian Charities, Inc. and Affiliate

**Consolidated Statement of Cash Flows
Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 595,424	\$ (188,698)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	57,747	65,556
Contributions restricted for permanent endowment	(84,250)	(88,432)
Donated commodities	(11,338,069)	(11,229,937)
Commodities distributed	11,996,711	14,848,721
Donated investments	(128,009)	(88,371)
Realized/unrealized gain on investments, net	(356,514)	(149,636)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	283,941	(710,013)
Commodity purchases	(326,581)	(2,904,401)
Prepaid expenses, deposits and other	(24,540)	15,720
Increase (decrease) in:		
Accounts payable	(56,382)	4,664
Accrued expenses	537,651	(469,066)
Severance liability	55,992	48,967
Refundable advances	15,855	831,187
Other liabilities	(1,893)	(785,375)
Net cash provided by (used in) operating activities	1,227,083	(799,114)
Cash flows from investing activities:		
Proceeds from sales of investments	1,022,988	810,399
Purchase of investments	(1,287,656)	(832,732)
Purchase of property and equipment	(88,179)	(75,626)
Net cash used in investing activities	(352,847)	(97,959)
Cash flows from financing activities:		
Contributions restricted to permanent endowment	84,250	88,432
Net cash provided by financing activities	84,250	88,432
Net increase (decrease) in cash and cash equivalents	958,486	(808,641)
Cash and cash equivalents:		
Beginning	11,008,773	11,817,414
Ending	\$ 11,967,259	\$ 11,008,773
Supplemental schedule of noncash operating activities:		
Donated commodities	\$ 11,338,069	\$ 11,229,937

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 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 significant programs 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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, 2017, approximately \$2.1 million of deposits were held in numerous financial institutions outside of the United States.

IOCC invests in professionally managed portfolios that primarily includes 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 micro-credit 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, 2017, 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, 2017. 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, are as follows:

Unrestricted net assets: Represents unrestricted resources that are available for the support of general operating activities.

Temporarily restricted net assets: 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.

Permanently restricted net assets: Represents 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 temporarily restricted 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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 costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative and fundraising expenses are included in the total direct expenses line of the consolidated statement of functional expenses.

International Orthodox Christian Charities, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

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, 2017, IOCC's indirect cost rate was calculated based on direct costs excluding commodities, construction materials, equipment purchases greater than \$5,000, donated services and micro-credit 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. Gains on foreign currency fluctuations were \$138,952 for the year ended December 31, 2017.

Use of estimates: The preparation of 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 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, 2017.

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.

IOCC would be liable for income taxes in the U.S. federal jurisdiction. Generally, IOCC is no longer subject to U.S. federal tax examinations by tax authorities before 2014.

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 (GAAP). Accordingly, such information should be read in conjunction with IOCC's consolidated financial statements for the year ended December 31, 2016, 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)

Upcoming accounting pronouncement: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 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 August 2016, the FASB issued 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. The ASU will be effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. IOCC has not yet evaluated the impact of this ASU on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. This ASU is effective for fiscal years beginning after December 15, 2018. IOCC is currently assessing the potential impact of this ASU on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*. The amendments in this ASU are intended to improve the guidance on principal versus agent considerations. The effective date for this ASU is the same as the effective date for ASU No. 2014-09, *Revenue from Contracts with Customers*. IOCC is currently assessing the potential impact of this ASU on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other provisions, this ASU requires the allowance for credit losses to reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. For all other entities (non-public), the ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. IOCC is currently assessing the potential impact of this ASU on the consolidated financial statements.

Subsequent events: IOCC has evaluated subsequent events through March 28, 2018, which is the date the consolidated financial statements were available to be issued.

International Orthodox Christian Charities, Inc. And Affiliate

Notes to Consolidated Financial Statements

Note 2. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2017, consist of the following:

Designated for certain projects	\$ 8,469,445
Unrestricted:	
Designated:	
Reserve fund	178,641
Severance liability	502,653
Undesignated	2,816,520
	<u>\$ 11,967,259</u>

Note 3. Investments and Fair Value Measurements

Investments at December 31, 2017, consist of the following:

Exchange traded fund (ETFs)	\$ 2,423,036
Fixed income	619,335
Mutual funds	351,906
Stocks	256,651
Cash and cash equivalents	98,110
	<u>\$ 3,749,038</u>

Investment income for the year ended December 31, 2017, consists of the following:

Interest and dividends	\$ 92,056
Realized and unrealized gains, net	356,514
Investment fees	(8,943)
	<u>\$ 439,627</u>

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

International Orthodox Christian Charities, Inc. And Affiliate

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

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.

The following table presents IOCC's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2017:

Description	Assets at Fair Value as of December 31, 2017			
	Total	Level 1	Level 2	Level 3
Exchange traded fund (ETFs):				
Commodities	\$ 71,754	\$ 71,754	\$ -	\$ -
Domestic bond	1,312,549	1,312,549	-	-
Domestic equity	154,867	154,867	-	-
Domestic real estate	71,797	71,797	-	-
Foreign equity	103,913	103,913	-	-
Foreign real estate	100,888	100,888	-	-
Foreign – bond	607,268	607,268	-	-
	<u>2,423,036</u>	<u>2,423,036</u>	-	-
Fixed income:				
Certificate of deposit	619,335	-	619,335	-
	<u>619,335</u>	-	<u>619,335</u>	-
Mutual funds:				
Domestic equity and bond	35,164	35,164	-	-
Foreign bond	243,930	243,930	-	-
Global bond	72,812	72,812	-	-
	<u>351,906</u>	<u>351,906</u>	-	-
Stocks:				
Domestic bond	141,374	141,374	-	-
Domestic equity	57,765	57,765	-	-
Foreign bond	13,591	13,591	-	-
Domestic equity and bond	43,921	43,921	-	-
	<u>256,651</u>	<u>256,651</u>	-	-
	<u>\$ 3,650,928</u>	<u>\$ 3,031,593</u>	<u>\$ 619,335</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, \$98,110 of cash and cash equivalents held in investments at December 31, 2017, have been excluded from this table.

International Orthodox Christian Charities, Inc. And Affiliate

Notes to Consolidated Financial Statements

Note 4. Receivables

Receivables at December 31, 2017, consist of the following:

Unbilled receivables	\$	738,114
Micro-credit lending – Bosnia		1,448,281
Advances and other receivables		768,040
		<u>768,040</u>
	\$	<u>2,954,435</u>

IOCC has advanced funds to a micro-credit organization in Bosnia and Herzegovina in order to make micro-credit loans to low-income people. The loans totaled BAM 2,361,871 (which is equivalent to \$1,448,281) at December 31, 2017, and are secured by collateral, which substantially exceeds the loan balances. All loans must be repaid no later than July 31, 2020.

Note 5. Commodity Inventory

Commodity inventory at December 31, 2017 consists of the following:

Medical	\$	880,402
Hygiene kits		112,500
School kits		119,250
Books		337,041
Other		14,437
		<u>14,437</u>
	\$	<u>1,463,630</u>

Note 6. Refundable Advances

Refundable advances at December 31, 2017, are available for grant programs in the following areas:

Lebanon	\$	1,440,184
Syria		1,202,425
Jordan		583,070
Greece		450,658
Jerusalem/West Bank/Gaza		68,327
Serbia		62,398
Ethiopia		39,163
		<u>39,163</u>
	\$	<u>3,846,225</u>

Note 7. Line of Credit

IOCC has a \$1,000,000 line of credit agreement with a bank that expires on July 31, 2018. Interest is at the U.S. prime rate plus .5 percent (5.0 percent at December 31, 2017) and is payable monthly. The line of credit is unsecured and renews annually. At December 31, 2017, this line of credit did not have an outstanding balance.

International Orthodox Christian Charities, Inc. And Affiliate

Notes to Consolidated Financial Statements

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, 2017, including overseas offices and other operating leases, was \$290,773.

Future minimum rental payments are as follows:

Years ending December 31:

2018	\$	140,948
2019		128,867
2020		45,964
	<u>\$</u>	<u>315,779</u>

Note 9. Board Designated Net Assets

The Board of Directors (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, 2017, the board designated net assets comprise a reserve fund of \$1,000,000.

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor restricted funds which are only available for program activities. Temporarily restricted net assets were released from restrictions during the year ended December 31, 2017, due to the purpose restriction being accomplished.

Changes in temporarily restricted net assets during 2017, were as follows:

	Balance December 31, 2016	Additions/ Investment Income (Loss)	Released	Balance December 31, 2017
IOCC:				
USA	\$ 258,368	\$ 2,486,412	\$ (1,517,435)	\$ 1,227,345
HQ International	1,078,058	4,144,828	(3,713,033)	1,509,853
Greece	2,590,035	4,064,312	(5,203,167)	1,451,180
Lebanon/Syria	1,352,970	2,775,616	(3,292,632)	835,954
Jordan	523,330	1,318,940	(1,617,393)	224,877
Jerusalem/ West Bank/ Gaza	38,948	18,133	(19,732)	37,349
Ethiopia/Uganda	252,793	1,556,532	(1,735,382)	73,943
Western Balkans Region	73,367	46,913	(67,013)	53,267
Georgia	3,451	55,325	(38,458)	20,318
	<u>6,171,320</u>	<u>16,467,011</u>	<u>(17,204,245)</u>	<u>5,434,086</u>
Foundation	355,992	354,805	(55,145)	655,652
	<u>\$ 6,527,312</u>	<u>\$ 16,821,816</u>	<u>\$ (17,259,390)</u>	<u>\$ 6,089,738</u>

International Orthodox Christian Charities, Inc. And Affiliate

Notes to Consolidated Financial Statements

Note 11. Permanently Restricted Net Assets

IOCC: Permanently restricted net assets for IOCC at December 31, 2017, 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 temporary restricted assets and released as expenses are incurred.

Foundation: Permanently restricted net assets for the Foundation are restricted to investments in perpetuity, the income from which is expendable to support various activities.

Permanently restricted net assets of the Foundation consist of the following endowment funds at December 31, 2017:

Styliades Fund	\$ 800,000
Anthony Fund	459,116
Spiris Fund	366,700
Tsakalos Fund	125,590
Panos Fund	40,000
	<u>\$ 1,791,406</u>

Note 12. 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 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 is classified into unrestricted quasi-endowments, temporarily restricted unexpended endowment earnings and permanently restricted net assets (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 12. 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 temporarily restricted net assets until appropriated by the board for program expenditures.

IOCC's endowment funds consist of the following at December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds, IOCC	\$ -	\$ 46,596	\$ 282,600	\$ 329,196
Donor-restricted endowment funds, Foundation	-	655,652	1,791,406	2,447,058
Board designated endowment funds	1,000,000	-	-	1,000,000
	<u>\$ 1,000,000</u>	<u>\$ 702,248</u>	<u>\$ 2,074,006</u>	<u>\$ 3,776,254</u>

Endowment fund activity for the year ended December 31, 2017, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ 1,000,000	\$ 372,377	\$ 1,989,756	\$ 3,362,133
Investment return:				
Interest and dividends	-	68,931	-	68,931
Realized and unrealized gain	-	325,027	-	325,027
Investment fees	-	(8,942)	-	(8,942)
Contributions	-	-	84,250	84,250
Appropriations	-	(55,145)	-	(55,145)
Endowment net assets, end of the year	<u>\$ 1,000,000</u>	<u>\$ 702,248</u>	<u>\$ 2,074,006</u>	<u>\$ 3,776,254</u>

Net assets at December 31, 2017, are summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets	\$ 1,000,000	\$ 702,248	\$ 2,074,006	\$ 3,776,254
Other	5,806,034	5,387,490	-	11,193,524
Total net assets	<u>\$ 6,806,034</u>	<u>\$ 6,089,738</u>	<u>\$ 2,074,006</u>	<u>\$ 14,969,778</u>

International Orthodox Christian Charities, Inc. And Affiliate

Notes to Consolidated Financial Statements

Note 13. 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 percent of the employee's gross salary. Retirement plan expense for the year ended December 31, 2017, was \$109,723.

Note 14. 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.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

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

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, 2017, 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
March 28, 2018

International Orthodox Christian Charities, Inc. and Affiliate

**Consolidating Statement of Financial Position
December 31, 2017**

	IOCC	Foundation	Elimination Entries	Total
Assets				
Cash and cash equivalents	\$ 11,937,404	\$ 29,855	\$ -	\$ 11,967,259
Investments	1,304,980	2,444,058	-	3,749,038
Receivables, net	2,954,435	-	-	2,954,435
Prepaid expenses	128,772	-	-	128,772
Deposits and other	7,835	-	-	7,835
Due from the Foundation	6,185	-	(6,185)	-
Commodity inventory	1,463,630	-	-	1,463,630
Property and equipment, net	132,279	-	-	132,279
	<u>\$ 17,935,520</u>	<u>\$ 2,473,913</u>	<u>\$ (6,185)</u>	<u>\$ 20,403,248</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 71,302	\$ -	\$ -	\$ 71,302
Accrued expenses and other liabilities	1,000,405	-	-	1,000,405
Severance liability	502,653	-	-	502,653
Due to IOCC	-	6,185	(6,185)	-
Refundable advances	3,846,225	-	-	3,846,225
Other liabilities	12,885	-	-	12,885
	<u>5,433,470</u>	<u>6,185</u>	<u>(6,185)</u>	<u>5,433,470</u>

Commitments and contingencies

Net assets:

Unrestricted:

Undesignated	5,785,364	20,670	-	5,806,034
Board designated	1,000,000	-	-	1,000,000

	<u>6,785,364</u>	<u>20,670</u>	<u>-</u>	<u>6,806,034</u>
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Temporarily restricted	5,434,086	655,652	-	6,089,738
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Permanently restricted	282,600	1,791,406	-	2,074,006
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	<u>12,502,050</u>	<u>2,467,728</u>	<u>-</u>	<u>14,969,778</u>
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	<u>\$ 17,935,520</u>	<u>\$ 2,473,913</u>	<u>\$ (6,185)</u>	<u>\$ 20,403,248</u>
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International Orthodox Christian Charities, Inc. and Affiliate

**Consolidating Statement of Activities
Year Ended December 31, 2017**

	IOCC				Foundation				Elimination Entries	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		
Support and revenue:										
Grants:										
Federal, cash and in-kinds	\$ 7,861,760	\$ -	\$ -	\$ 7,861,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,861,760
International agencies	10,093,078	1,440,487	-	11,533,565	-	-	-	-	-	11,533,565
Contributions:										
In-kind	178,836	11,226,489	-	11,405,325	-	-	-	-	-	11,405,325
Orthodox church institutions	368,226	837,888	-	1,206,114	-	-	-	-	-	1,206,114
Individual	3,371,452	1,399,532	1,000	4,771,984	8,351	-	83,250	91,601	-	4,863,585
Foundations	914,061	1,269,935	-	2,183,996	-	-	-	-	(55,145)	2,128,851
Metropolitan committee events	1,138,864	215,872	-	1,354,736	-	-	-	-	-	1,354,736
Micro-credit loan interest	65,219	-	-	65,219	-	-	-	-	-	65,219
CFC/United Way	359,223	45,378	-	404,601	-	-	-	-	-	404,601
Investment income, net	53,392	31,430	-	84,822	-	354,805	-	354,805	-	439,627
Other	66,257	-	-	66,257	-	-	-	-	(23,578)	42,679
Net assets released from restrictions	17,204,245	(17,204,245)	-	-	55,145	(55,145)	-	-	-	-
Contribution to Foundation	-	-	-	-	26,410	-	-	26,410	(26,410)	-
Total support and revenue	41,674,613	(737,234)	1,000	40,938,379	89,906	299,660	83,250	472,816	(105,133)	41,306,062
Expenses:										
Program services	38,913,192	-	-	38,913,192	55,145	-	-	55,145	(55,145)	38,913,192
Support services	1,816,101	-	-	1,816,101	31,333	-	-	31,333	(49,988)	1,797,446
Total expenses	40,729,293	-	-	40,729,293	86,478	-	-	86,478	(105,133)	40,710,638
Change in net assets	945,320	(737,234)	1,000	209,086	3,428	299,660	83,250	386,338	-	595,424
Net assets:										
Beginning	5,840,044	6,171,320	281,600	12,292,964	17,242	355,992	1,708,156	2,081,390	-	14,374,354
Ending	\$ 6,785,364	\$ 5,434,086	\$ 282,600	\$ 12,502,050	\$ 20,670	\$ 655,652	\$ 1,791,406	\$ 2,467,728	\$ -	\$ 14,969,778

International Orthodox Christian Charities, Inc. and Affiliate

**Schedule of Program Expenses by Region
Year Ended December 31, 2017**

Region	Country	Amount	Total Per Functional Expense Schedule
North America	USA	\$ 2,291,151	
	Haiti	158,610	\$ 2,449,761
Europe	Romania	21,503	
	Bosnia and Herzegovina	76,252	
	Serbia	571,509	
	Republic of Georgia	1,237,251	
	Albania	11,475	
	Kosovo	83	
	Montenegro	37,061	
	Greece	6,090,492	8,045,626
Middle East	Lebanon	6,774,181	
	Jerusalem/West Bank/Gaza	785,375	
	Syria	14,770,800	
	Jordan	2,194,943	
	Iraq	208,866	24,734,165
Africa	Ethiopia	2,734,575	
	Uganda	84,583	2,819,158
HQ International	Multi-Country	864,482	864,482
		\$ 38,913,192	\$ 38,913,192