International Relief and Development Holdings, Inc. and Affiliates

Consolidated Financial Statements and Consolidating Supplemental Information as of and for the Year Ended December 31, 2016 (With Summarized Financial Information as of and for the Year Ended December 31, 2015), and Independent Auditors' Report

INTERNATIONAL RELIEF AND DEVELOPMENT HOLDINGS, INC. AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
International Relief and Development Holdings, Inc.:

We have audited the accompanying consolidated financial statements of International Relief and Development Holdings, Inc. and affiliates (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2016 and 2015, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules of financial position and of activities are presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities, and are not a required part of the consolidated financial statements. The accompanying consolidated schedule of functional expenses, schedule of determination of indirect cost rate, and schedule of provisional indirect costs are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, *as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2017 on our consideration of the Organization'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 the Organization's 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 the Organization's internal control over financial reporting and compliance.

Deloitte & Touche LLP

August 16, 2017

INTERNATIONAL RELIEF AND DEVELOPMENT HOLDINGS, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
(With summarized financial information as of December 31, 2015)

	2016	2015
ASSETS		
CASH AND CASH EQUIVALENTS	$ 9,208,268	$ 12,696,864
RESTRICTED CASH	465,252	433,090
CONTRACTS RECEIVABLE—Net of allowance of $544,231 and $551,075 for 2016 and 2015, respectively	7,045,661	13,660,682
GRANTS RECEIVABLE	11,013,430	21,549,263
ACCOUNTS RECEIVABLE	251,510	965,495
PREPAID EXPENSES AND FIELD ADVANCES	2,964,324	3,056,282
DEPOSITS AND OTHER ASSETS	522,213	496,986
PROPERTY AND EQUIPMENT—Net	2,343,867	1,045,603
TOTAL ASSETS	$ 33,814,525	$ 53,904,265
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 12,107,713	$ 13,088,285
Refundable advances	12,137,710	24,481,464
Deferred rent	336,568	317,236
Total liabilities	24,581,991	37,886,985
NET ASSETS:		
Unrestricted	9,222,408	16,007,154
Temporarily restricted	10,126	10,126
Total net assets	9,232,534	16,017,280
TOTAL LIABILITIES AND NET ASSETS	$ 33,814,525	$ 53,904,265

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL RELIEF AND DEVELOPMENT HOLDINGS, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With summarized financial information for the year ended December 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
REVENUE AND SUPPORT:				
Contract and grant revenue	$101,038,214	$ -	$101,038,214	$184,546,520
Contributed goods	1,732,945	-	1,732,945	17,686,588
Contributions	41,985	-	41,985	167,077
Other Income	-	-	-	18,518
Interest Income	25,333	-	25,333	17,806
Total revenue and support	102,838,477	-	102,838,477	202,436,509
EXPENSES				
Program services:				
Communities in Crisis	48,762,546	-	48,762,546	76,390,398
Communities in Transition	23,347,873	-	23,347,873	56,594,805
Resilient Communities	19,554,012	-	19,554,012	47,172,738
Total program services	91,664,431	-	91,664,431	180,157,941
Supporting services—management and general	17,904,975	-	17,904,975	25,261,028
Other Expense	22,278	-	22,278	-
Interest Expense	31,539	-	31,539	-
Total expenses	109,623,223	-	109,623,223	205,418,969
CHANGE IN NET ASSETS	(6,784,746)	-	(6,784,746)	(2,982,460)
NET ASSETS—Beginning of year	16,007,154	10,126	16,017,280	18,999,740
NET ASSETS—End of year	$ 9,222,408	$10,126	$ 9,232,534	$ 16,017,280

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2015, from which the summarized information was derived.

INTERNATIONAL RELIEF AND DEVELOPMENT HOLDINGS, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With summarized financial information for the year ended December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (6,784,746)	$ (2,982,460)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	73,990	90,926
Changes in assets and liabilities:		
Contracts receivable	6,615,022	5,595,713
Grants receivable	10,535,833	(8,284,557)
Accounts receivable	713,985	(388,989)
Prepaid expenses and field advances	91,957	10,548
Deposits and other assets	(25,227)	1,348
Accounts payable and accrued expenses	(980,571)	(4,037,901)
Refundable advances	(12,343,754)	6,056,414
Deferred rent	19,332	45,367
Net cash used in operating activities	(2,084,179)	(3,893,591)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Loss)/proceeds from purchase/sale of investments in restricted cash	(32,162)	18,162
Acquisition of property and equipment	(1,372,255)	(1,031,545)
Net cash used in investing activities	(1,404,417)	(1,013,383)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,488,596)	(4,906,974)
CASH AND CASH EQUIVALENTS—Beginning of year	12,696,864	17,603,838
CASH AND CASH EQUIVALENTS—End of year	$ 9,208,268	$ 12,696,864

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION

International Relief and Development Holdings, Inc. and affiliates (collectively, the "Organization") consist of several entities that are described as follows: International Relief and Development Holdings, Inc. ("IRD Holdings"); International Relief and Development, Inc. (IRD); International Relief and Development U.S., Inc. (IRD US); IRD Solutions, LLC ("IRD Solutions"); International Relief and Development Global Organization ("IRD Global"); and International Relief and Development Global Solutions, d.o.o. ("IRD Global Solutions").

IRD Holdings was established to be the parent company, with all other organizations noted below as supporting organizations. IRD Holdings was incorporated in the Commonwealth of Virginia on February 1, 2008, as a not-for-profit organization. The purpose of IRD Holdings is to form, acquire, manage, and/or hold subsidiaries in the United States and countries throughout the world that work towards improving the quality of life of people in the poorest parts of the world.

IRD was incorporated in the Commonwealth of Virginia on March 6, 1998, as a not-for-profit organization. The purpose of IRD is to deliver innovative, evidence-based, locally driven solutions that advance the aspirations of people, communities, and donor partners worldwide. IRD's primary sources of financial support come from contracts, grants, and cooperative agreements from the US government and multilateral donors. IRD also receives the donation of in-kind humanitarian commodities and goods, as needed, to support its programs.

IRD US was incorporated in the Commonwealth of Virginia on December 8, 2005, as a not-for-profit organization. The purpose of IRD US is to work towards improving the quality of life of people in the poorest parts of the world. IRD US's primary support comes from contracts and grants from the multilateral development organizations and foreign governments worldwide.

IRD Solutions, a single-member limited liability company (LLC) with IRD Holdings being the sole member, was formed and incorporated on October 1, 2012, to further develop IRD Holdings's charitable endeavors. IRD Holdings completed all such activities in 2016 and closed this entity in 2016.

IRD Global, a not-for-profit entity, was formed and incorporated in the Republic of Slovenia on March 11, 2010. IRD intends to complete all activities in 2017 and intends to close this entity in 2017.

IRD Global Solutions was formed and incorporated as a LLC in the Republic of Slovenia on March 11, 2010. IRD Holdings closed this entity in 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and include the accounts of IRD Holdings, IRD, IRD US, IRD Solutions, IRD Global, and IRD Global Solutions. The entities have been consolidated due to the presence of control which requires consolidation under accounting principles generally accepted in the United States of America (GAAP). All material intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents—The Organization considers all demand deposits and certificates of deposit purchased with an original maturity of three months or less to be cash and cash equivalents.

Restricted Cash—Restricted cash serves as collateral for standby letters of credit issued in favor of US Agency for International Development (USAID) as discussed in Note 7 under contingent liabilities.

Prepaid Expenses and Field Advances—Prepaid expenses consist of prepaid rent and prepaid foreign field office expenses and advances. Expenses are recognized in the year to which they relate.

Deposit and Other Assets—Deposit and other assets consist of security deposits related to operating leases and amounts held in escrow pending approval for subsequent release of reimbursable expense claims.

Property and Equipment—The Organization purchases property and equipment under its federal grants for use in its foreign field offices. Under the terms of the grant agreements, the federal government retains the rights to property and equipment purchased with federal funds. Accordingly, the Organization expenses such purchases in the year in which those expenses are incurred. Other furniture and equipment are recorded at cost and are depreciated using the straight-line method over three to five years, with no salvage value. Leasehold improvements are recorded at cost and amortized using the straight-line method over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

Donated furniture and equipment are recorded at fair value at the date of donation. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses. For purposes of calculating the indirect cost rate, any gains resulting from the disposal of assets are recorded as a reduction to total indirect expenses.

Classification of Net Assets—The Organization's net assets are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Organization's operations.
- Temporarily restricted net assets represent funds that are specifically restricted by donors for specific purposes or for future use.

Revenue Recognition—The Organization has cost-reimbursable grants and contracts with US government agencies and other organizations. Revenue from these grants and contracts is recognized as allowable costs, which are incurred on the basis of direct costs, plus allowable indirect costs. Revenue from fixed-price type contracts is recognized under the percentage-of-completion method of accounting. Under this method, the earned portion of contract revenue is based on the percentage of completion as computed from a comparison of actual costs incurred to date against total estimated costs. Direct and indirect expenses incurred, but not reimbursed, under cost-type grants and contracts are reported as grants and contracts receivable in the accompanying consolidated statement of financial position. Funds received, but not yet expended, under grants and contracts are reflected as refundable advances in the accompanying consolidated statement of financial position.

IRD no longer actively solicits unrestricted donor contributions, except in-kind donations from companies and organizations specifically aligned with donor-directed requirements in other programs.

Contributed Goods—The Organization's programs are advanced through the contribution of goods by various companies and organizations. Contributed goods primarily consist of pharmaceuticals, clothes, and medical supplies, which are recorded at their estimated fair value as of the date of donation and are reflected as contributed goods in the accompanying consolidated statement of activities. Fair value is defined 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.

Functional Allocation of Expenses—The Organization allocates salaries to various programs and supporting services based upon the actual amount of time worked in each area. Fringe benefits and indirect costs are allocated to various programs and supporting services based on direct domestic labor costs and total modified direct costs, respectively. Included in management and general expenses are costs related to the solicitation of revenue from exchange contracts, which include revenue received from US and foreign governments.

Transactions in Foreign Currencies—The Organization conducts many of its programs through field offices in foreign countries and, accordingly, transacts in the local currencies of those countries. These foreign currency transactions are translated into US dollars at the appropriate exchange rates when each transaction is executed. The net (gain) loss from foreign currency transactions was $(15,419) and $73,489 for the years ended December 31, 2016 and 2015, and is included in program and management and general expenses in the accompanying consolidated statement of activities. The US dollar is considered to be the functional and reporting currency of the Organization.

Subcontracts and Grants to Subrecipients—The Organization advances grant funds to subrecipients under the terms of its various cost-reimbursable grant agreements and records these amounts as advances to subrecipients. Upon submission of the required financial reports by the subrecipients detailing the amount of funds expended under these grant agreements during each quarter and approved by the Organization, the Organization recognizes grant expense to the extent of allowable direct and indirect expenses incurred by the subrecipients. Any amount advanced by the Organization in excess of expenses incurred by the subrecipients is reflected as prepaid expenses and field advances in the accompanying consolidated statement of financial position. Any amounts due to subrecipients for expenditures incurred in excess of advances made are reflected in accounts payable and accrued expenses in the accompanying consolidated statement of financial position. As of December 31, 2016 and 2015, there were $674,714 and $1,132,695 of advances to subrecipients.

Estimates—The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement—In August 2016, the Financial Accounting Standards Board (FASB) adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends several requirements for consolidated financial statements and notes to consolidated financial statements, including net asset classifications in the consolidated statement of financial position and consolidated statement of activities and enhanced disclosures in numerous areas. The ASU is effective for the Organization’s fiscal year ending December 31, 2018. Management is evaluating the impact this ASU will have on the consolidated financial statements.

In November 2016, the FASB adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU amends requirements that a consolidated statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. The ASU is effective for the Organization’s fiscal year ending December 31, 2018. Management is evaluating the impact this ASU will have on the consolidated financial statements.

In February 2016, the FASB adopted ASU No. 2016-02, *Leases (Topic 842)*. The ASU amends requirements to increase transparency and comparability among organizations and recognizing lease assets and lease liabilities in the consolidated balance sheet and disclosing key information about leasing arrangements. The ASU is effective for the Organization’s fiscal year ending December 31, 2020. Management is evaluating the impact this ASU will have on the consolidated financial statements.

3. CONTRACTS AND GRANTS RECEIVABLE

As of December 31, 2016 and 2015, contracts and grants receivable represent amounts due from various federal agencies and other organizations under cost-reimbursable grants and fixed fees or other contracts. All amounts are due within one year.

4. PROPERTY AND EQUIPMENT

The Organization held the following property and equipment as of December 31, 2016 and 2015:

	2016	2015
Computer equipment	$ 787,401	$ 787,401
Furniture and fixtures	451,573	451,573
Software	2,581,989	1,209,834
Office equipment	201,986	201,986
Leasehold improvements	28,665	28,665
Total property and equipment	4,051,614	2,679,459
Less accumulated depreciation and amortization	(1,707,747)	(1,633,856)
Property and equipment—net	$ 2,343,867	$ 1,045,603

Depreciation and amortization expense was $73,990 and $90,926 for the years ended December 31, 2016 and 2015, respectively.

5. REFUNDABLE ADVANCES

Refundable advances represent funds received, but not yet expended, under grants and contracts and relate to the following programs as of December 31, 2016 and 2015:

	2016	2015
Federal grants and contracts	$ 8,776,163	$ 5,430,645
Federal monetization contracts	1,406,115	3,694,263
Non-federal grants contracts	1,955,432	15,356,556
Total	$ 12,137,710	$ 24,481,464

6. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2016 and 2015, temporarily restricted net assets were available for the following purposes:

	2016	2015
IRD Pakistan Coca Cola	$10,126	$10,126

7. RISKS AND CONTINGENCIES

Concentration of Risk—The Organization maintains its cash and cash equivalents with commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC)-insured limit of $250,000 per depositor per institution. As of December 31, 2016 and 2015, the Organization's cash balance exceeded the maximum limit insured by the FDIC by approximately $1,280,860 and $1,029,715, respectively. The Organization monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

As of December 31, 2016, the Organization holds a balance of $2,155,774 in the American Deposit Management, LLC (ADM), which manages and directs the placement of funds with select FDIC-insured accounts. The total balance was deposited by ADM in various money market and cash deposit accounts at certain financial institutions in increments of less than $250,000 each to make sure that each balance is insured by FDIC.

Federal Grants—During 2016 and 2015, the Organization recognized revenue of $77,043,155 and $143,342,397, respectively, under contracts and grants with various agencies of the US government. Revenue recognized under these contracts and grants was approximately 76% and 78% of total revenue and support, excluding contributed goods, recognized by the Organization for the years ended December 31, 2016 and 2015, respectively. If the level of funding by these various agencies of the US government were to be significantly curtailed, it may have an adverse impact on the Organization’s ability to carry out its programs.

Foreign Operations—In 2016, the Organization had field offices in Afghanistan, Burkina Faso, Cambodia, Cameroon, Chad, Colombia, Costa Rica, Ethiopia, Gambia, Iraq, Jordan, Lebanon, Mali, Niger, Pakistan, Palestine/West Bank, the Philippines, Senegal, Slovenia, North Sudan, Swaziland, Ukraine, Yemen, and Zimbabwe. The Organization maintained cash accounts in each of these countries. The future of these programs may be adversely affected by a number of potential factors, such as currency devaluations, terrorist activity, or changes in the political climate. As of December 31, 2016 and 2015, the Organization had cash in these countries totaling approximately $5,583,848.49 and $7,220,088, respectively, representing approximately 58% and 57% of the Organization’s cash and cash equivalents and 17% and 13%, respectively, of the Organization’s total assets.

Uniform Grant Guidance—The Organization is subject to audit under the Uniform Grant Guidance for its applicable federal programs for the years ended December 31, 2016 and 2015. Such audit is subject to review and approval by the contracting or granting agencies. As a result, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies for the years ended December 31, 2016 and 2015, will not have a material effect on the Organization’s consolidated financial position as of December 31, 2016 and 2015, or the change in net assets for the years then ended.

Provisional Indirect Cost Rates—Billings under cost-reimbursable government contracts and grants are calculated using provisional rates that permit recovery of indirect costs. These rates are subject to audit by the USAID, the Organization’s cognizant agency. The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery for amounts billed in excess of the actual rates or may allow for additional billings for unbilled indirect costs.

USAID audits costs related to US government contracts and grants in accordance with the Uniform Grant Guidance. USAID has yet to audit the costs and indirect cost rates for the years ended December 31, 2015 and 2014. Management believes that any cost disallowances arising from USAID’s audit will not have a material effect on the Organization’s consolidated statements of financial position as of December 31, 2016 and 2015, or the change in its net assets for the years then ended.

Contingent Liabilities

Letters of Credit—The Organization has received infrastructure contracts for providing multidiscipline construction services, which require bank guarantees or letters of credit in favor of its customers in the amount of 10% of the task order value. Upon successful completion of the task order, the performance bonds are referred to as maintenance bonds.

The Organization obtained secure letters of credit facilities from local banks to meet its continuing requirements in the infrastructure sector in the West Bank. As of December 31, 2016 and 2015, standby letters of credit issued in favor of USAID for the infrastructure projects are as follows:

- Performance bonds for $1,733,563, and $1,940,435, respectively, as of December 31, 2016 and 2015, respectively, which expire on January 15, 2019.
- Maintenance bonds for $2,918,914 and $1,891,869, respectively, as of December 31, 2016 and 2015, respectively, which will be canceled in 2017.
- The bonds are secured by 10% cash collateral which, as of December 31, 2016 and 2015, totaled $465,252 and $433,090, respectively, and is reflected as restricted cash in the accompanying consolidated statement of financial position.

Federal Agency Audits—The Special Inspector General for Afghan Reconstruction (SIGAR) and an appointed independent auditor have audited the Strategic Provincial Road (SPR) program for costs incurred from November 2007 through December 2012. SIGAR and its independent auditor have questioned certain costs of approximately $2,295,021, of which $1,969,510 is still unresolved as of our report date. The Organization has submitted appeals to the Office of Acquisition and Assistance and is confident that the unresolved questioned costs will be allowed.

US Department of Agriculture/Foreign Agricultural Services (USDA/FAS) sought payment of $544,667 under IRD's McGovern-Dole International Food for Education and Child Nutrition program in Liberia for losses related to transportation, storage, and distribution of commodities. IRD proposed a settlement of $236,253, but has not received a reply from USDA/FAS to date.

As part of USAID's termination for convenience of IRD's SPR's cooperative agreement in Afghanistan, IRD had to settle with its subcontractors for contractual and security reasons. After the fact, USAID questioned some of the settlement amounts. IRD and USAID are currently negotiating a final settlement.

In October 2016, USAID, through an independent accounting firm, began an audit of all incurred costs for the years 2009 and 2011–2014, a review of IRD's accounting system, and a review of the Cost Accounting Standards Board Disclosure Statement for adequacy. As of the date of the audit opinion, receipt of the final report for the disclosure statement audit is pending, and the incurred cost audit is still in process.

In November 2016, USAID notified IRD that it intends to conduct an audit of costs incurred under the Engineering, Quality Assurance, and Logistical Support (EQUALS) contract for the period from January 1, 2016, through April 17, 2016. As of the date of the audit opinion, this audit has not commenced.

In January 2017, USAID's Office of Inspector General notified IRD of its intent to conduct an audit of costs incurred; internal controls; the status of prior audit findings; and compliance with laws, regulations, and other requirements for four projects implemented between 2013 and 2016. As of the date of the audit opinion, this audit is still in process.

8. OPERATING LEASES

The Organization has signed several noncancelable operating leases for its headquarters office space and various field offices which expire at various times through February 28, 2021. The terms for each of the leases provide for annual adjustments to the minimum rental payments.

Under GAAP, scheduled rent increases over a lease term are accounted for on a pro rata basis over the term of the lease. The difference between this expense method and the required lease payments is reflected as deferred rent in the accompanying consolidated statement of financial position.

The Organization has also leased furniture, office equipment, accounting software, and vehicles under various operating leases, which expire at various times through September 30, 2017.

The future minimum rental payments required under all of the operating leases are as follows as of December 31, 2016, and thereafter:

For the Years Ending December 31	
2017	$ 1,450,982
2018	1,492,254
2019	1,532,952
2020	1,574,723
2021	8,824
Total	$ 6,059,735

Rent expense was $3,058,954 and $5,428,333 for the years ended December 31, 2016 and 2015, respectively. This amount also includes rent expense for leases in foreign field offices, which are either renewed on a month-to-month basis or expire within one year.

9. PENSION PLANS

The Organization sponsors a retirement program in accordance with Section 403(b) of the Internal Revenue Code (IRC). The retirement program consists of a defined contribution plan and a tax-deferred annuity plan. Eligible employees are required to contribute an annual amount of 5% of their base salary and the Organization makes a matching employer contribution of 5% of the base salary. Eligible employees may also make pretax contributions into the tax-deferred annuity plan up to the limits established by the Internal Revenue Service. Pension expense was $531,465 and $580,032 for the years ended December 31, 2016 and 2015, respectively.

10. INCOME TAXES

IRD Holdings, IRD, and IRD US are exempt from the payment of taxes under Section 501(c)(3) of the IRC on income other than net unrelated business income. No provision for income taxes is required as of December 31, 2016 and 2015, as IRD Holdings, IRD, and IRD US had no net unrelated business income.

IRD Solutions is a disregarded entity of IRD Holdings and all the activities of IRD Solutions are reported on the tax return of IRD Holdings.

IRD Global and IRD Global Solutions are subject to the tax laws in the countries in which they were incorporated. The activities in each of these entities were minimal for the years ended December 31, 2016 and 2015, and, as such, no tax assessments have been recorded. Any tax assessment due is not considered to be material to these consolidated financial statements.

Management of the Organization has evaluated its tax positions for the years ended December 31, 2016 and 2015, in accordance with the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification (ASC) 740, *Income Taxes*, and has determined that the Organization has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax. For the years ended December 31, 2016 and 2015, the statute of limitations for tax for the years ended December 31, 2011, through December 31, 2015, remains open in the major US taxing jurisdictions in which the Organization is subject to taxation. The Organization's practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 16, 2017, the date the consolidated financial statements were available to be issued. On January 3, 2017, IRD, Inc. entered into three separate asset transfer and closing agreements with Blumont, Inc.; Blumont Global Development, Inc.; and Blumont Engineering Solutions, Inc. transferring certain assets from IRD, Inc. to each of them. In 2017 and going forward, Blumont, Inc. consolidates Blumont International, Blumont Global, and Blumont engineering in a similar structure to IRD Holdings, Inc. .

On February 9, 2017, IRD US entered into a merger agreement with Blumont International, Inc., whereby Blumont International, Inc. is the surviving corporation postmerger.

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CONSOLIDATING SUPPLEMENTAL INFORMATION

INTERNATIONAL RELIEF AND DEVELOPMENT HOLDINGS, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
(With summarized financial information for the year ended December 31, 2015)

	IRD Holdings	IRD	IRD US	IRD Solutions	IRD Global	IRD Global Solutions	Eliminations	2016 Total	2015 Total
ASSETS									
CASH AND CASH EQUIVALENTS	$ -	$ 7,664,960	$ 1,522,016	$ -	$ 21,292	$ -	$ -	$ 9,208,268	$ 12,696,864
RESTRICTED CASH	-	465,252	-	-	-	-	-	465,252	433,090
CONTRACTS RECEIVABLE	-	5,660,260	1,260,373	124,453	575	-	-	7,045,661	13,660,682
GRANTS RECEIVABLE	-	9,979,577	667,934	-	365,919	-	-	11,013,430	21,549,263
ACCOUNTS RECEIVABLE	-	251,510	-	-	-	-	-	251,510	965,495
INVESTMENTS IN SUBSIDIARY	2,211,355	-	-	5,228	-		(2,216,583)	-	-
DUE (TO)/FROM AFFILIATES	(2,877)	1,373,637	(3,226,135)	2,032,013	(178,424)	1,786	-	-	-
PREPAID EXPENSES AND FIELD ADVANCES	-	2,655,608	308,716	-	-	-	-	2,964,324	3,056,282
DEPOSITS AND OTHER ASSETS	-	352,261	169,952	-	-	-	-	522,213	496,986
PROPERTY AND EQUIPMENT—Net	-	2,343,867	-	-	-	-	-	2,343,867	1,045,603
TOTAL ASSETS	$ 2,208,478	$ 30,746,932	$ 702,856	$ 2,161,694	$ 209,362	$ 1,786	$ (2,216,583)	$ 33,814,525	$ 53,904,265
LIABILITIES AND NET ASSETS									
LIABILITIES:									
Accounts payable and accrued expenses	$ -	$ 11,024,899	$ 1,082,178	$ 636	$ -	$ -	$ -	$ 12,107,713	$ 13,088,285
Due to affiliates	-	-	-	-	-	-	-	-	-
Refundable advances	-	9,834,934	1,931,074	10,461	361,241	-	-	12,137,710	24,481,464
Deferred rent	-	336,568	-	-	-	-	-	336,568	317,236
Total liabilities	-	21,196,401	3,013,252	11,097	361,241	-	-	24,581,991	37,886,985
NET ASSETS:									
Unrestricted	2,208,478	9,550,531	(2,320,522)	2,150,597	(151,879)	1,786	(2,216,583)	9,222,408	16,007,154
Temporarily restricted	-	-	10,126	-	-	-	-	10,126	10,126
Total net assets	2,208,478	9,550,531	(2,310,396)	2,150,597	(151,879)	1,786	(2,216,583)	9,232,534	16,017,280
TOTAL LIABILITIES AND NET ASSETS	$ 2,208,478	$ 30,746,932	$ 702,856	$ 2,161,694	$ 209,362	$ 1,786	$ (2,216,583)	$ 33,814,525	$ 53,904,265

	IRD Holdings	IRD	IRD US	IRD Solutions	IRD Global	IRD Global Solutions	Eliminations	Total
REVENUE AND SUPPORT:								
Contract and grant revenue	$ -	$ 77,044,149	$ 23,962,760	$ (44,990)	$ 76,295	$ -	$ -	$ 101,038,214
Contributed goods	-	1,199,389	533,556	-	-	-	-	1,732,945
Contributions	-	733	41,252	-	-	-	-	41,985
Other income	-	-	-	-	-		-	-
Interest income	-	25,333	-	-	-	-	-	25,333
Total revenue and support	-	78,269,604	24,537,568	(44,990)	76,295	-	-	102,838,477
EXPENSES:								
Program services:								
Communities in Crisis	-	29,343,808	19,342,443	-	76,295	-	-	48,762,546
Communities in Transition	-	20,978,735	2,369,138	-	-	-	-	23,347,873
Resilient Communities	-	17,101,657	2,451,846	509	-	-	-	19,554,012
Total program services	-	67,424,200	24,163,427	509	76,295	-	-	91,664,431
Supporting services—management and general	-	15,475,709	2,389,428	15,028	24,579	231	-	17,904,975
Other expense	-	3,210	18,837	231	-		-	22,278
Interest expense	-	-	31,539	-	-	-	-	31,539
Total expenses	-	82,903,119	26,603,231	15,768	100,874	231	-	109,623,223
CHANGE IN NET ASSETS	-	(4,633,515)	(2,065,663)	(60,758)	(24,579)	(231)	-	(6,784,746)
NET ASSETS—Beginning of year	2,208,478	14,193,145	(257,045)	2,211,356	(127,300)	5,460	(2,216,814)	16,017,280
NET ASSETS—End of year	$ 2,208,478	$ 9,559,630	$ (2,322,708)	$ 2,150,598	$ (151,879)	$ 5,229	$ (2,216,814)	$ 9,232,534

INTERNATIONAL RELIEF AND DEVELOPMENT HOLDINGS, INC.
AND AFFILIATES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES				SUPPORTING SERVICES	
	COMMUNITIES IN CRISIS	COMMUNITIES IN TRANSITION	RESILIENT COMMUNITIES	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	Total Consolidated
Program Activities	29,945,190	3,611,913	947,835	34,504,938	-	34,504,938
Grants	450,867	5,170,432	7,687,084	13,308,383	-	13,308,383
Salaries - national staf	6,033,870	3,246,239	2,326,932	11,607,041	220,057	11,827,098
Salaries - domestic staf	1,210,596	1,828,759	1,221,394	4,260,749	7,279,350	11,540,099
Professional fees	338,973	1,154,619	826,741	2,320,333	1,772,208	4,092,541
Temporary help & outside services	3,367,047	67,180	89,184	3,523,411	52,873	3,576,284
Rent	492,739	458,222	601,840	1,552,801	1,506,153	3,058,954
Employee benefits	855,097	1,276,107	851,554	2,982,758	37,497	3,020,255
Travel	403,169	1,235,270	461,420	2,099,859	624,261	2,724,120
Expatriate allowances	443,480	998,303	611,832	2,053,615	498,609	2,552,224
Security services	7,500	1,002,787	745,665	1,755,952	-	1,755,952
Contributed Goods	700,195	-	1,032,750	1,732,945	-	1,732,945
Supplies and software	445,236	171,501	534,362	1,151,099	304,949	1,456,048
Commodity expenses	1,256,930	27,954	147,632	1,432,516	-	1,432,516
Vehicle expenses	556,910	140,664	278,595	976,169	537	976,706
Telephone	231,618	283,293	181,733	696,644	175,006	871,650
Office equipment	565,541	71,830	102,227	739,598	116,304	855,902
Training	288,034	168,194	199,499	655,727	34,556	690,283
Insurance	142,328	172,767	24,102	339,197	267,370	606,567
Utilities	244,478	163,336	97,207	505,021	29,025	534,046
Construction	-	503,175	-	503,175	-	503,175
Repairs and maintenance	156,252	115,521	50,966	322,739	56,160	378,899
Bank charges	27,784	31,828	68,758	128,370	48,362	176,732
Conferences and meetings	7,968	17,027	85,450	110,445	29,441	139,886
Printing and postage	42,230	53,177	22,922	118,329	20,004	138,333
Miscellaneous	15,523	4,150	10,401	30,074	82,856	112,930
Depreciation and amortiz	-	-	-	-	79,440	79,440
Recruiting	12,912	2,450	13,679	29,041	49,390	78,431
Foreign exchange (gain) loss	(5,545)	(6,974)	(3,036)	(15,555)	136	(15,419)
Tax Expense	1,951	58,113	(161,703)	(101,639)	18,712	(82,927)
Allocated to IRD US	-	-	-	-	-	-
Unallowed and Disallowed	-	565,279	18,807	584,086	1,146,589	1,730,675
Direct Expenses	48,238,873	22,593,116	19,075,832	89,907,821	14,449,845	104,357,666
IRD Fringe Pool	523,673	754,757	478,180	1,756,610	3,455,130	5,211,740
Total Direct Expenses	48,762,546	23,347,873	19,554,012	91,664,431	17,904,975	109,569,406
Other Expense					22,278	22,278
Interest Expense					31,539	31,539
Total Expenses						109,623,223
IRD Indirect	7,734,514	4,074,330	2,502,115	14,310,959	(14,310,959)	-
IRD USA Indirect	1,721,681	327,713	340,034	2,389,428	(2,389,428)	-
Total Indirect Cost Allocation	9,456,195	4,402,043	2,842,149	16,700,387	(16,700,387)	-
Grand Total	58,218,741	27,749,916	22,396,161	108,364,818	1,258,405	109,623,223

**INTERNATIONAL RELIEF AND DEVELOPMENT, INC.
AND AFFILIATES**

**SCHEDULE OF DETERMINATION OF INDIRECT COST RATE
FOR THE YEAR ENDED DECEMBER 31, 2016**

FRINGE BENEFITS RATE:		
Numerator—		
Total fringe benefits	$ 5,211,740	
Denominator—		
Total domestic salaries	$ 11,038,623	
FRINGE BENEFITS RATE	47.21	%
INDIRECT COST RATE:		
Numerator—		
Total allowable indirect costs	$ 14,310,959	
Denominator—		
Total expenses	$ 82,630,359	
Less: Total indirect cost	(15,475,706)	
Subawards > 25,000	(12,026,492)	
Contributed goods	(929,840)	
Disallowed	(654,503)	
Security subcontracts > 25,000	(141,700)	
Capital expenditures > 5,000	(43,734)	
Vehicle expenditures	7,897	
Total direct costs	$ 53,366,281	
INDIRECT COST RATE	26.82	%

INTERNATIONAL RELIEF AND DEVELOPMENT, INC.
AND AFFILIATES

SCHEDULE OF PROVISIONAL INDIRECT COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

INDIRECT COST:	
Facilities:	
Rent	$ 1,505,829
Office equipment	116,304
Subtotal facilities	1,622,133
ADMINISTRATION:	
Salaries - domestic & expat staff	7,176,779
Fringe benefits	3,388,422
Professional fees	2,314,220
Supplies and software	680,139
Travel	638,173
Expatriate allowances	497,179
Insurance	258,579
Salaries - national staff	220,054
Telephone	174,562
Miscellaneous	155,833
Conferences and meetings	97,735
Depreciation and amortization	79,440
Repairs and maintenance	56,161
Temporary help and outside services	52,873
Recruiting	49,390
Bank charges	48,065
Employee benefits	37,498
Training	34,556
Utilities	29,928
Printing and postage	19,678
Tax expense	18,712
Cost allocation to IRD US	(2,174,400)
Subtotal administration	13,853,576
TOTAL INDIRECT COST	15,475,709
LESS UNALLOWABLE EXPENSES	1,164,750
TOTAL ALLOWABLE INDIRECT COST	$ 14,310,959

(Continued)

INTERNATIONAL RELIEF AND DEVELOPMENT, INC.
AND AFFILIATES

SCHEDULE OF PROVISIONAL INDIRECT COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

FRINGE BENEFITS (DOMESTIC):	
Health insurance	$ 1,548,818
Vacation and holiday	1,368,839
Payroll taxes	823,840
Employer’s pension contribution	531,465
Sick leave	379,086
Other leave (bereavement, jury duty, maternity, paid admin leave)	89,799
Medex insurance/business travel accident	167,125
Workers' compensation	22,408
Life/long term disability insurance	145,370
Miscellaneous employee benefits	74,389
Employee transportation reimbursement	60,601
TOTAL FRINGE BENEFIT EXPENSES	$ 5,211,740

(Concluded)

INTERNATIONAL RELIEF AND DEVELOPMENT HOLDINGS, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016

Project ID	Project Name	Federal CFDA	Agreement Number	Federal Expenditure
	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT:			
	Direct Foreign Assistance for Programs Overseas:			
DIR.12007	Climate Change Program in Swaziland	98.001	AID-OFDA-G-12-00106	$ 1,330
DIR.13009	Emergency Food Assistance Jordan Crossborder Syria	98.001	AID-FFP-G-13-00048	20,961,731
DIR.14004	North Iraq Emergency Food Assistance Crossborder Syria	98.001	AID-FFP-G-14-00059	6,721,742
DIR.16001	Syria Iraq Regional Assistance	98.001	AID-OFDA-A-16-00008	1,601,834
DIR.10026	Child Sur Health ENRICH	98.001	AID-OAA-A-10-00052	2,098
DIR.13006	Sindh Community Mobilization Program—Pakistan	98.001	AID-391-C-13-00006	4,133,949
DIR.14012	WRAP Ukraine	98.001	AID-OFDA-G-14-00217	5,054
DIR.16002	Jordan SIHAP	98.001	AID-OFDA-A-16-00007	1,117,127
DIR.11026	CEAP Miami/Cuba	98.001	AID-OAA-A-11-00034	155,034
DIR.14002	USAID OFDA Iraq Regional Assistance Program	98.001	AID-OFDA-A-14-00001	234,969
DIR.13007	Kandahar Food Zone Program	98.001	AID-306-A-13-00008	9,486,027
DIR.11033	Peace Through Development II	98.001	AID-624-A-12-00001	12,588,797
DIR.12009	Yemen WASH	98.001	AID-OFDA-G-12-00103	278
DIR.16003	Jordan Syria Essential Services II	98.001	AID-278-C-16-00002	1,901,644
DIR.11012	Afghanistan EQUALS	98.001	306-C-00-11-00512-00	3,391,146
DIR.13008	Jordan Syria Non Food Item Distribution	98.001	AID-OFDA-A-13-00029	1,572,055
	Pass through AECOM			
DIR.11034	Strategic Initiatives in Key Areas—Afghanistan East	98.001	AID-306-12-C-00002	(69,812)
DIR.13005	Strategic Initiatives in Key Areas—Afghanistan South	98.001	AID-306-C-13-00003	230,266
	Pass through World Vision			
DIR.09038	SCIP Mozambique	98.001	656-A-00-09-00141-03	200
	Total Direct Foreign Assistance for Programs Overseas			64,035,469

(Continued)

INTERNATIONAL RELIEF AND DEVELOPMENT HOLDINGS, INC.
AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Project ID	Project Name	Federal CFDA	Agreement Number	Federal Expenditure
	US DEPARTMENT OF AGRICULTURE			
	Food for Progress			
	Direct			
DIR.09050	Food for Peace Mali 2009	10.606	FCC-688-2010/009-00	$ (10,868)
DIR.12018	CEP Senegal-Gambia	10.606	FCC-685-2012/037-00	2,444,548
	Food for Education			
	Direct			
DIR.12004	USDA Cambodia	10.608	FFE-442-2012-028-00	1,064,426
	USDA subtotal			3,498,106
	US DEPARTMENT OF LABOR			
	Youth Build			
	Direct			
DIR.14008	Mississippi YouthBuild IV	17.274	YB-26249-14-60-A-51	382,406
	DOL subtotal			382,406
	US DEPARTMENT OF STATE			
	Iraq Assistance Program			
	Direct			
DIR.14013	Victim Support Program in Iraq	19.016	S-LMAQM-14-GR-1282	479,429
DIR.13016	Support for Minorities in Iraq	19.016	S-NEAIQ-13-CA-1009	298,473
DIR.13015	Iraq CCNI	19.016	S-LMAQM-13-GR-1214	10,171

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Project ID	Project Name	Federal CFDA	Agreement Number	Federal Expenditure
	International Programs to Support Democracy, Human Rights and Labor			
	Direct			
DIR.10032	Cultural Bridges to Reconstruction in Iraq	19.345	S-LMAQM-11-GR-0512	$ 478
DIR.11008	Mother & Daughter Empowerment Program in Iraq	19.345	S-LMAQM-11-GR-541	11
	Overseas Refugee Assistance Program for Western Hemisphere			
	Direct			
DIR.15001	Closing Gaps Colombia	19.518	SPRMCO-15-CA-1266	1,277,161
DIR.14009	Closing Gaps VII	19.518	SPRMCO-14-CA-1185	(190)
DIR.16005	Closing Gaps2 Colombia	19.518	SPRMCO-16-CA-1218	502,709
	Overseas Refugee Assistance Program for Near East and Southeast Asia			
	Direct			
DIR.14006	Health Services for Iraqi & Syrian Refugees in Jordan FY15	19.519	SPRMCO-14-CA-1201	515,993
DIR.16004	Health Services for Iraqi & Syrian Refugees in Jordan FY17	19.519	SPRMCO-16-CA-1237	338,008
	Overseas Refugee Assistance Programs for Strategic Global Priorities			
	Pass Through Help Age USA			
DIR.15002	HelpAge Kurdistan GBV	19.522	Sub under S-PRMCO-15-CA-1273	14,058
	DOS subtotal			3,436,301
	2016 TOTAL			$ 71,352,282

(Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The accompanying consolidating schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred. Costs that were previously shown on the consolidating schedule of expenditures of federal awards that were subsequently disallowed or adjusted for indirect rate variances are shown as negative number on the accompanying schedule of federal expenditures.

2. SUBRECIPIENTS

Of the federal expenditures included in the accompanying consolidating schedule of expenditures of federal awards, the Organization provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Afghanistan EQUALS	98.001	$ 874,685
USDA Cambodia	10.608	367,946
CEP Senegal-Gambia	10.606	72,574
Kandahar Food Zone Program	98.001	1,572,672
Support for Minorities in Iraq	19.016	2,562
USAID OFDA Iraq Regional Assistance Program	98.001	250
North Iraq Emergency Food Assistance Crossborder Syria	98.001	1,775
Victim Support Program in Iraq	19.016	44,358
Jordan Syria Essential Services II	98.001	409,422
Peace Through Development II	98.001	5,287,551

3. RECONCILIATION OF CONSOLIDATING SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO CONSOLIDATED STATEMENT OF ACTIVITIES

Expenditures per schedule of expenditures of federal awards	$ 71,352,282
Plus: fixed-price contracts	5,690,873
Plus: nonfederal programs	23,995,059
Contract and grant revenue per consolidated statement of activities	$ 101,038,214

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
International Relief and Development Holdings, Inc.:

We have audited, in accordance with the 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, the consolidated statement of financial position, the related consolidated statements of activities and cash flows of International Relief and Development Holdings, Inc (the "Organization") as of and for the years ended December 31, 2016 and 2015, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic consolidated financial statements, and have issued our report thereon dated August 16, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* to be material weaknesses (Finding 2016-01).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* to be significant deficiencies (Finding 2016-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

International Relief and Development Holding, Inc.'s Response to Findings

The Organization's response to the findings identified in our audit are described in the accompanying *Organization's Response to Findings.* The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

August 16, 2017

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
International Relief and Development Holdings, Inc.:

Report on Compliance for Each Major Federal Program

We have audited International Relief and Development Holdings, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2016. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Programs

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Deloitte & Touche LLP

August 16, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION I—SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	X Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	X Yes	___ No
• Significant deficiency (ies) identified?	X Yes	___ None Reported
Noncompliance material to consolidated financial statements noted?	___ Yes	X No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	___ Yes	X No
• Significant deficiency(ies) identified?	___ Yes	X None Reported
Type of auditor's report issued on compliance for major federal programs:	X Unmodified	___ Qualified
	___ Adverse	___ Disclaimer
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	___ Yes	X No

Identification of Major Federal Program(s):

Name of Federal Program/Cluster	CFDA Number
US Agency for International Development – Direct Foreign Assistance for Programs Overseas	98.001
US Department of Agriculture - Food for Progress	10.606

Dollar threshold used to distinguish between Type A and Type B programs:		$ 2,140,568
Auditee qualified as a low-risk auditee?	X Yes	___ No

SECTION II—FINANCIAL STATEMENT FINDINGS

Finding 2016-01: Aggregated Material Weakness and Individual Significant Deficiencies—Internal Controls Over Financial Reporting and Closing Process

Criteria—International Relief and Development Holdings, Inc. (IRD) is responsible for establishing controls to ensure the consolidated statement of financial position and the related consolidated statements of activities and cash flows, and the related notes to the consolidated financial statements are free of material misstatement. The controls include various levels of review to ensure that the balances in the consolidated financial statements and notes to the consolidated financial statements are supported by accurate records, accounting support, and reconciliations.

Condition and Cause—The following financial reporting controls did not operate effectively at year-end, due to extraordinary and one-time closing procedures performed related to the anticipated transition to Blumont on January 3, 2017 and turnover of key staff at year-end, to prevent or timely detect material misstatements in the financial statements as of December 31, 2016. Individually, we determined these control deficiencies were significant deficiencies, but when aggregated, resulted in a material weakness:

- Review of financial statements, including footnote disclosures and supporting documentation
- Review of year-end headquarters closing checklist, specifically tasks performed in anticipation of the transition to Blumont
- Review of year-end field office closing checklist, specifically the review of accrued expenses
- Review of bank account reconciliations

Effect—Material misstatements in the financial statements can result from a lack of proper review of account reconciliations, financial statements, and implementation of closing procedures.

Recommendation— While the Blumont transition was a one-time event, we recommend additional trainings at both headquarters and field offices to reinforce policies and generally accepted accounting principles. We also recommend enhanced reviews of the financial statements and supporting schedules.

View of responsible officials and planned corrective actions—Concur. Refer to the *Organization's Response to Findings* which is separately included.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required to be reported.

INTERNATIONAL RELIEF & DEVELOPMENT

IRD

August 10, 2017

Deloitte & Touche LP
7900 Tysons One Place
Suite 800
McLean, VA 22102

IRD appreciates the opportunity to provide a response to the audit firm's Schedule of Findings and Questioned Costs for the Year Ended December 31, 2016. Specifically, IRD is responding to Finding *2016-01: Aggregated Material Weakness and Individual Significant Deficiencies—Internal Control Over Financial Reporting and Closing Process.*

Views of Responsible Officials

IRD agrees with the audit firm's assessment that the deficiencies identified resulted from extraordinary events and one-time closing procedures related to transition to Blumont and turnover of key staff at year-end.

Corrective Actions

Management took corrective action on these items to ensure that the audited financial statements were free from material misstatements. Additionally, management has and will take steps to enhance its control environment, as recommended.

Since the end of the audited period, configuration changes have been made to the accounting system, giving field offices more visibility into year-end close procedures. Likewise, accounting processes were updated during the Blumont transition and they address the finding. Additionally,

- Management will provide additional trainings at both headquarters and field offices to reinforce policies and generally accepted accounting principles.
- Management will enhance reviews of the financial statements and supporting schedules.

Sincerely,

Gwendolyn K. Shaffrey
Vice President, Chief Financial Officer

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