

LATTER-DAY SAINT CHARITIES



Annual Financial Statements

**For the year ending
December 31, 2018**

LATTER-DAY SAINT CHARITIES

Latter-day Saint Charities

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LATTER-DAY SAINT CHARITIES

STATEMENT OF FINANCIAL POSITION as of December 31, 2018

(in thousands)

ASSETS

Cash	\$ 2,602
Investments, at fair value	23,802
Amounts due from related parties	1
Interest in trusts held by others	1,035
Land, Buildings and Equipment	2,203
Other assets	9
Total assets	<u>\$ 29,653</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 691
Amounts due to related parties	121
Committed project expenses	10,608
Annuities payable	188
Total liabilities	<u>11,608</u>

Unrestricted net assets	\$ 7,474
Temporarily restricted net assets	2,501
Permanently restricted net assets	8,070
Total net assets	<u>18,045</u>
Total liabilities and net assets	<u>\$ 29,653</u>

The accompanying notes are an integral part of the financial statements

LATTER-DAY SAINT CHARITIES

STATEMENT OF ACTIVITIES for the year ended December 31, 2018

(in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and other revenue:				
Public support	\$ 1,000	\$ 47	\$	\$ 1,047
Appropriations from the Church:				
Cash support	7,676			7,676
Investment loss	(199)	(22)		(221)
Interest income	39	16		55
Other income				
Net assets released from restrictions	(244)	244		
Total support and other revenue	8,273	285		8,557
Expenses:				
Program services:				
Humanitarian assistance	3,237			3,237
Emergency response	1,362			1,362
Health	1,718			1,718
Wheelchair distribution	2,467			2,467
Clean water	1,863			1,863
Family food production	(86)			(86)
Refugees	1,458			1,458
Supporting services:				
Management and general	623			623
Total expenses	12,642			12,642
Change in net assets	(4,369)	285		(4,084)
Net assets at beginning of year	11,844	2,216	8,070	22,131
Net assets at end of year	<u>\$ 7,475</u>	<u>\$ 2,501</u>	<u>\$ 8,070</u>	<u>\$ 18,046</u>

The accompanying notes are an integral part of the financial statements

LATTER-DAY SAINTS

STATEMENT OF FUNCTIONAL EXPENSES for the year ended December 31, 2018

(in thousands)

	Program Services							Services	
	Humanitarian Assistance	Emergency Response	Health	Wheelchair Distribution	Clean Water	Family Food Production	Refugees	Management and General	Total
Emergency relief	\$ 109	\$ 996	\$ 47	\$	\$ 24	\$	\$ (133)	\$	\$ 1,043
Scholarships	1	1				29			31
Medical supplies	6	91	733	1,734			128		2,692
Contract labor	3	116	215	287	654	74	299		1,648
Travel	42	17	261	210	82	34			646
Supplies	18	58	115	138	140	25	368		862
Equipment and vehicles	9		10	6			71		96
Physical facilities	1	18		()			27		46
Freight and customs			107	80		10			197
Local project initiatives	647	65	217	12	957	47	21		1,966
Goods-in-kind	3		1		3		18		25
Committed project expenses	2,396					(306)			2,090
Other	2		12		3	1	659	623	1,300
Totals	<u>\$ 3,237</u>	<u>\$ 1,362</u>	<u>\$ 1,718</u>	<u>\$ 2,467</u>	<u>\$ 1,863</u>	<u>\$ (86)</u>	<u>\$ 1,458</u>	<u>\$ 623</u>	<u>\$ 12,642</u>

The accompanying notes are an integral part of the financial statements

LATTER-DAY SAINTS

STATEMENT OF CASH FLOWS for the year ended December 31, 2018

(in thousands)

Cash flows from operating activities:	
Change in net assets	\$ (4,085)
Depreciation expense	185
Unrealized loss on investments	1,129
Unrealized loss on trusts held by others	55
Realized gains on investments	(178)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Decrease in amounts due from related parties	3
Increase in accounts payable	604
Increase in amounts due to related parties	111
Increase in committed project expenses	2,090
Decrease in annuities payable	(149)
Net cash provided by operating activities	(235)
Cash flows from investing activities:	
Purchase of investments	(1,418)
Proceeds from sale of investments	782
Purchase of assets	
Net cash used in investing activities	(636)
Cash flows from financing activities:	
Net cash provided by financing activities	
Decrease in cash	(871)
Cash at beginning of year	3,473
Cash at end of year	\$ 2,602

The accompanying notes are an integral part of the financial statements

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

Latter-day Saint Charities, ("LDSC") is a not-for-profit, non-governmental organization affiliated with The Church of Jesus Christ of Latter-day Saints (the "Church"), providing charitable, educational, humanitarian and welfare services and programs worldwide. The headquarters of LDSC is located in Salt Lake City, Utah, U.S.A. LDSC was organized and commenced operations effective January 1, 1996. The programs administered by LDSC include:

- Humanitarian assistance – local projects to meet chronic needs and provide assistance that strengthens self-reliance of individuals and families through organizations that serve others by providing goods, services, training and financial assistance.
- Emergency response – assistance to people temporarily deprived of the necessities to sustain life or who are in chronic conditions associated with poverty.
- Major initiatives – specific programs to meet widespread needs. The current major initiatives include health (neonatal resuscitation training, vision treatment training, and immunizations), wheelchair distribution, clean water, family food production and refugees.

LDSC does not receive funds or goods from any governmental agencies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of LDSC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities in accordance with accounting principles generally accepted in the United States of America.

LDSC's net assets are classified into three categories: Unrestricted, Temporarily Restricted and Permanently Restricted. These categories are determined based on the existence or absence of donor-imposed restrictions on resources provided to LDSC. Unrestricted net assets are available for a variety of purposes and have no donor-imposed restrictions or all restrictions have been met. Temporarily restricted net assets include funds with stipulated time or purpose restrictions. When those restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same period in which the contribution is received, LDSC would report the contribution as unrestricted. Permanently restricted net assets have restrictions that require them to be maintained in perpetuity. All the income from the investment of these assets is made available for expenditures.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

Cash

LDSC places most of its cash with the Church which is located in Utah, with remaining cash held in several working funds around the world. LDSC is subject to concentration of credit risk as essentially all cash is not covered by depository insurance.

Investments

Investments for use are carried at fair value (Note 6 and 7). The unrestricted portion of these investments is available at LDSC's discretion.

Interest in Trusts Held by Others

LDSC is named as beneficiary of certain irrevocable trusts. Revenues and assets included in the financial statements are based on the fair value of assets and the net present value of expected proceeds from those trusts.

Fair Value Measurements

Certain financial instruments and trust assets are carried at fair value, as discussed in Note 6.

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. The fair value should be based on assumptions that market participants would use, including consideration of non-performance risk.

In determining fair value, LDSC uses various valuation techniques and prioritizes the use of observable inputs. The availability of observable inputs varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the marketplace and may require

LDSC assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

Land, Buildings and Equipment

Land, buildings and equipment are stated at acquisition cost or at estimated fair value at time of donation. Depreciation is computed using the straight-line method and the following useful lives:

Buildings	20 years
Furniture, fixtures, equipment and vehicles	3 - 10 years
Improvements	10 years

Amounts due to/from related parties

For operational purposes, the Church pays some of LDSC's international project expenditures which are reimbursed by LDSC monthly. Occasionally LDSC may pay expenses for the Church which are reimbursed by the Church monthly. Any amounts unreimbursed at year-end are due to timing differences and are recorded as amounts due to/from related parties.

Committed Project Expenses

LDSC recognizes a liability and related expense for unconditional promises made to give assistance to others through one of LDSC's programs. Recognition occurs when LDSC approves a specific project creating an obligation to transfer the promised assets in the future. When LDSC commits to a project, the estimated cost is reflected in the Statement of Financial Position and the Statements of Activities and Functional Expenses as committed project expenses. These expenses are reclassified to the applicable functional expense accounts in the year expenditures are actually made. Any committed project expenses terminated prior to completion, or completed at a cost lower than originally committed, will be recorded as a reduction of expenses in the year of termination.

Annuities Payable

Annuities payable represent LDSC's estimated annuity obligation to certain donors and their designees under contractual gift agreements that are maintained by a Church affiliate. No significant financial benefit is being or can be realized by LDSC until the contractual obligations are released. LDSC uses the actuarial method of recording annuities when received. Under this method, when a gift is received, the present value of the aggregate annuity obligation is recorded as a liability, based upon life expectancy tables. The remainder is recorded as a contribution on the Statement of Activities. Annually, LDSC makes an adjustment to record the actuarial gain or loss due to re-computation of the liability based upon the revised life expectancy.

LATTER-DAY SAINT CHARITIES
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

Donated Services

When humanitarian projects require human resources, LDSC selects candidates from among thousands of retired individuals and couples who volunteer up to three years of service to the Church. When serving with LDSC, these volunteers are assigned to conduct projects that often relate to their professional or occupational specialty, or to manage country operations.

Approximately 281,000 hours were contributed to LDSC by volunteers during the year ended December 31, 2018. The value of such services is not included in the Statements of Activities and

Restricted and Unrestricted Revenue and Support

LDSC's primary source of support is unrestricted appropriations from the Church and its affiliates. Contributions are also received from the public. All contributions are available for unrestricted use unless specifically restricted by the grantor/donor(s). Restricted contributions received from grantor/donor(s) are reported as temporarily restricted or permanently restricted support and increase the respective net asset classes. Restrictions on contributions that are satisfied within the same accounting period as receipt of the contributions are considered unrestricted support.

Functional Expenses and Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses that can be identified with a specific program or support service are charged directly to the natural expense classification.

Income Tax Status

LDSC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS

3. LAND, BUILDINGS AND EQUIPMENT:

As of December 31, 2018 land, buildings and equipment included (in thousands):

	<u>2018</u>
Land, buildings and improvements	\$ 2,460
Furniture, fixtures, equipment and vehicles	366
Vehicles	<u>301</u>
	3,127
Less accumulated depreciation	<u>(924)</u>
Total land, buildings and equipment, net	<u><u>\$ 2,203</u></u>

4. NET ASSETS:

The following table presents descriptions and amounts classified as unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, (in thousands):

	<u>2018</u>
Unrestricted net assets	
The portion of funds that is available for any	\$ 7,474
Total classified as unrestricted net assets	<u>7,474</u>
Temporarily restricted net assets	
The portion of funds that is restricted to specific	
Food production	<u>2,501</u>
Total classified as temporarily restricted net assets	2,501
Permanently restricted net assets	
The portion of funds that is required to be retained permanently	
either by explicit donor stipulations or by UPMIFA General	
endowment - use earnings for food production projects	5,542
Scholarship endowments - use earnings for international students	
working in food production or related studies	<u>2,528</u>
Total classified as permanently restricted net assets	<u><u>8,070</u></u>
Total net assets	<u><u>\$ 18,045</u></u>

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS

5. ENDOWMENTS:

LDSC's endowment fund consists of individual donor-restricted endowments. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Management has interpreted the adopted Utah "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, LDSC 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 the 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 expenditure by LDSC in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, LDSC considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of LDSC and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and appreciation of investments
- 6) Other resources of LDSC
- 7) The investment policies of LDSC

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS

5. ENDOWMENTS: Continued

LDSC's endowment consists of donor restricted endowment funds. The following table presents LDSC's endowment composition, changes, and net asset classifications for the year ended December 31, 2018 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 8,070	\$ 8,070
Investment losses	-	-	-	-
Contributions	-	-	-	-
Appropriations of endowment	-	-	-	-
Other changes	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,070</u>	<u>\$ 8,070</u>

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits associated with funds functioning as endowments, when they exist, are likewise classified as a reduction of unrestricted net assets. There were no deficits of this nature as of December 31, 2018.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS

5. ENDOWMENTS: Continued

Return Objectives and Risk Parameters

LDSC has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy endowment assets are invested in a manner that is intended to yield a long-term rate of return of approximately 3-4 percent annually, while assuming a conservative level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, LDSC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). LDSC targets a diversified asset allocation that places greater emphasis on fixed income based investments to achieve its long-term objectives within prudent risk constraints.

Relationship of Spending Policy to Investment Objectives

The Welfare Executive Committee of the LDS Church ("the Committee") determines the method to be used to appropriate endowment funds for expenditure. The appropriation amount is determined as of the end of the previous year, taking into consideration income and donations from the prior year. In establishing this method, the Committee considered the expected long-term rate of return on the investment of LDSC's endowment funds. Accordingly, over the long-term, LDSC expects the current spending policy to allow its endowment to grow at an average of 3-4 percent annually, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts. Depending upon market conditions and the needs and available resources of LDSC, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS

6. FAIR VALUE MEASUREMENTS:

Certain financial instruments are reported at fair value and are categorized into a three-level hierarchy based on the nature of the inputs to the valuation technique as discussed in Note 2. The following table summarizes these financial instruments as of December 31, 2018 (in thousands):

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2018
Assets				
Interest in trusts held by others	\$ -	\$ -	\$ 1,035	\$ 1,035

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820): disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The ASU removes the requirement to categorize within the fair value hierarchy, all investments for which fair value is measured using the net asset value per share practical expedient. LDSC has elected to adopt and has applied it herein. There are no effects on the amounts reported in the financial statements.

The following table summarizes the changes in level 3 financial instruments measured at fair value as of December 31, 2018 (in thousands):

	Balance as of January 1, 2018	Total Gains (Losses)	Net Additions (Settlements)	Asset Write- Down	Balance as of December 31, 2018
Assets					
Interest in trusts held by others	\$ 1,090	\$ (55)	\$ -	\$ -	\$ 1,035

The fair value of the beneficial interests in trusts is based upon an income approach. Significant inputs include the fair value of the trust assets, the discount rate, the annual amounts paid to the donor, and the estimated date of payout (Note 9).

At December 31, 2018, LDSC also had investments, at fair value totaling \$23,802 (Note 7) which consist of unitized interests in investment pools managed by a Church affiliate and are measured at net asset value per share.

LATTER-DAY SAINT CHARITIES

NOTES TO FINANCIAL STATEMENTS

7. INVESTMENTS:

Investments are invested with and managed by a Church affiliate. Investments as of December 31, 2018 are as follows (in thousands):

	<u>2018</u>
Investments carried at fair value:	
Equity portfolios	\$ 15,174
Fixed portfolios	8,628
Total investments	<u><u>\$ 23,802</u></u>

For the year ended December 31, 2018 net investment income included (in thousands):

	<u>2018</u>
Dividend income from investments	\$ 636
Realized gain on investments	178
Unrealized loss on investments	(1,129)
	<u><u>\$ (315)</u></u>

8. INTEREST IN TRUSTS HELD BY OTHERS:

LDSC is named as beneficiary or remainderman for a number of irrevocable charitable remainder trusts, which are administered by a Church affiliate (Note

	<u>2018</u>
Less than one year	\$ -
One to five years	-
More than five years	1,035
	<u><u>\$ 1,035</u></u>

LATTER-DAY SAINT CHARITIES
NOTES TO FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES:

Committed Project Expenses

Commitments for humanitarian projects, which extend beyond December 31, 2018 are payable as follows (in thousands):

2019	\$	8,965
2020		1,399
2021		92
2022		152
Total	\$	<u>10,608</u>

General

LDSC is involved in various legal matters arising in the normal course of business. The claims and lawsuits are currently being vigorously defended by LDSC's counsel. However, financial responsibility for liability losses is assumed by a Church affiliate.

10. RELATED PARTY TRANSACTIONS:

Management and general costs, including personnel and employee benefits, are funded by cash appropriations from the Church. The Church also provides donated goods-in-kind, administrative support, office facilities and equipment to LDSC, which are recorded at an estimated fair market value determined by the Church, as are appropriations from the Church on the Statement of Activities. All cash, investment, and trust balances are maintained with the Church or a Church affiliate.

11. SUBSEQUENT EVENTS:

LDSC has evaluated, for potential recognition and disclosure, events that occurred after the balance sheet date of December 31, 2018 through April 30, 2018, the date of the financial statements were available to be issued. No events have been identified that will have a material effect on the financial statements.

LATTER-DAY SAINTS

SCHEDULE OF EXPENSES BY COUNTRY for the year ended December 31, 2018

(in thousands)

Armenia	\$	538
Bulgaria		300
Cambodia		9
China		933
Cote d'ivoire		2
Cuba		20
Egypt		14
Greece		501
Haiti		230
Hong kong		4
Iraq		28
Jordan		1,127
Kenya		360
Malawi		2
Moldova		6
Morocco		26
Myanmar		489
Nepal		1,020
North korea		21
Peru		4
Philippines		2,107
Senegal		7
South sudan		260
Sri lanka		210
Timor-leste		43
Uganda		21
United states		65
Vietnam		1,231
Zimbabwe		353
Total aid by country		<u>9,929</u>
Committed project expenses		2,090
Total project expenses		<u>12,019</u>
Supporting services		623
Total expenses	\$	<u><u>12,642</u></u>