

International Christian Response USA

Financial Statements with
Independent Accountant's Review Report

Years Ended December 31, 2016 and 2015

Larson Gross 

International Christian Response USA

Contents

| | Page |
|---|----------|
| Independent Accountant's Review Report | 1 |
| Financial Statements | |
| Statements of Financial Position | 2 |
| Statements of Activities..... | 3 |
| Statements of Functional Expenses..... | 4-5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements..... | 7-10 |

Independent Accountant's Review Report

To the Board of Directors
International Christian Response USA
Lynden, Washington

We have reviewed the accompanying financial statements of International Christian Response USA, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Larson Gross PLLC

Bellingham, Washington
March 18, 2017

International Christian Response USA

Statements of Financial Position

December 31, 2016 and 2015

(See Independent Accountant's Review Report)

| | Assets | |
|---|-----------------------------------|-------------------------|
| | <u>2016</u> | <u>2015</u> |
| Assets | | |
| Cash | \$ 151,430 | \$ 64,897 |
| Deposit | 1,600 | - |
| Equipment, net | 7,416 | 5,072 |
| Total assets | <u><u>\$ 160,446</u></u> | <u><u>\$ 69,969</u></u> |
| | | |
| | Liabilities and Net Assets | |
| Liabilities | | |
| Accrued liabilities | \$ 17,423 | \$ 2,327 |
| Total liabilities | <u>17,423</u> | <u>2,327</u> |
| Net assets | | |
| Unrestricted | <u>143,023</u> | <u>67,642</u> |
| Total net assets | <u>143,023</u> | <u>67,642</u> |
| Total liabilities and net assets | <u><u>\$ 160,446</u></u> | <u><u>\$ 69,969</u></u> |

International Christian Response USA

Statements of Activities

Years Ended December 31, 2016 and 2015

(See Independent Accountant's Review Report)

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|------------------|
| Revenues and other support | | |
| Contributions | \$ 1,103,515 | \$ 648,680 |
| Foundation support | 941,657 | 498,350 |
| Special events | 11,980 | 17,700 |
| Other income | 5,496 | 3,595 |
| Total revenues and other support | <u>2,062,648</u> | <u>1,168,325</u> |
| Expenses | | |
| Program services | 1,897,597 | 1,131,471 |
| Management and general | 72,168 | 50,461 |
| Fundraising | 17,502 | 19,026 |
| Total expenses | <u>1,987,267</u> | <u>1,200,958</u> |
| Increase (decrease) in net assets | 75,381 | (32,633) |
| Net assets - beginning of year as previously reported | 67,642 | 103,217 |
| Prior period adjustments - see Note 6 | <u>-</u> | <u>(2,942)</u> |
| Net assets - beginning of year as restated | <u>67,642</u> | <u>100,275</u> |
| Net assets - end of year | <u>\$ 143,023</u> | <u>\$ 67,642</u> |

International Christian Response USA

Statement of Functional Expenses

Year Ended December 31, 2016

(See Independent Accountant's Review Report)

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Support in hostile countries | \$ 1,744,760 | \$ - | \$ - | \$ 1,744,760 |
| Payroll expenses | 118,680 | 13,963 | 6,981 | 139,624 |
| Professional fees | - | 27,506 | - | 27,506 |
| Operations | - | 16,747 | 1,860 | 18,607 |
| Travel | 15,135 | 1,780 | 891 | 17,806 |
| Guest speakers | 13,158 | - | 3,288 | 16,446 |
| Other expenses | - | 8,158 | - | 8,158 |
| Fundraising | - | - | 3,025 | 3,025 |
| Bank fees | 1,479 | 1,479 | - | 2,958 |
| Loss on disposal | 1,200 | 1,200 | - | 2,400 |
| Supplies | 1,847 | - | - | 1,847 |
| Vehicle expense | 760 | 758 | - | 1,518 |
| Advertising | - | - | 1,457 | 1,457 |
| Insurance | 578 | 577 | - | 1,155 |
| Total expenses | <u>\$ 1,897,597</u> | <u>\$ 72,168</u> | <u>\$ 17,502</u> | <u>\$ 1,987,267</u> |

International Christian Response USA

Statement of Functional Expenses

Year Ended December 31, 2015

(See Independent Accountant's Review Report)

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Support in hostile countries | \$ 1,024,544 | \$ - | \$ - | \$ 1,024,544 |
| Payroll expenses | 85,209 | 10,025 | 5,012 | 100,246 |
| Professional fees | - | 16,335 | - | 16,335 |
| Operations | - | 13,115 | 1,457 | 14,572 |
| Travel | 10,477 | 1,232 | 617 | 12,326 |
| Guest speakers | 7,510 | - | 1,877 | 9,387 |
| Other expenses | - | 7,258 | - | 7,258 |
| Fundraising | - | - | 5,558 | 5,558 |
| Advertising | - | - | 4,505 | 4,505 |
| Bank fees | 1,251 | 1,251 | - | 2,502 |
| Vehicle expense | 715 | 714 | - | 1,429 |
| Supplies | 1,233 | - | - | 1,233 |
| Insurance | 532 | 531 | - | 1,063 |
| Total expenses | <u>\$ 1,131,471</u> | <u>\$ 50,461</u> | <u>\$ 19,026</u> | <u>\$ 1,200,958</u> |

International Christian Response USA

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

(See Independent Accountant's Review Report)

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|------------------|
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$ 75,381 | \$ (32,633) |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 1,539 | 2,687 |
| Loss on disposal of vehicle | 2,400 | - |
| Impact of prior period adjustment - see Note 6 | - | (2,942) |
| Increase in assets | | |
| Deposit | (1,600) | - |
| Increase (decrease) in liabilities | | |
| Accrued liabilities | <u>15,096</u> | <u>(45)</u> |
| Net cash provided by (used in) operating activities | 92,816 | (32,933) |
| Cash flows from investing activities | | |
| Purchase of equipment | <u>(6,283)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(6,283)</u> | <u>-</u> |
| Net increase (decrease) in cash | 86,533 | (32,933) |
| Cash - beginning of year | <u>64,897</u> | <u>97,830</u> |
| Cash - end of year | <u>\$ 151,430</u> | <u>\$ 64,897</u> |

Notes to Financial Statements

December 31, 2016

(See Independent Accountant's Review Report)

Note 1 – Summary of Significant Accounting Principles

Nature of activities – International Christian Response USA (the Organization), a not-for-profit Washington corporation, provides spiritual, legal, medical, and material assistance to persecuted Christians throughout the world, concentrating in countries that are closed to development of the Body of Christ. The Organization endeavors to meet short-term needs precipitated by tragedies within the local church (i.e. supporting families of martyred church leaders, safe houses for threatened church leadership) within the strategic framework of empowering and supporting indigenous church leaders in growing the Body of Christ by church planting. To accomplish these goals, the Organization provides religious training and establishes and operates churches, orphanages, and schools in countries that restrict engagement in corporate worship and other religious activities. At the same time, the Organization brings awareness, education, and encouragement to the American people, motivating people to pray and be one with church planters and the persecuted.

Basis of accounting – The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – The Organization reports information regarding its financial position and activities based upon the existence or absence of donor-imposed restrictions. Resources are classified for accounting and reporting purposes into three net asset categories (unrestricted, temporarily restricted, or permanently restricted) according to externally (donor) imposed restrictions, if any. The Association's net assets are all classified as unrestricted as of December 31, 2016 and 2015.

Cash – The Organization maintains its cash in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant risk.

Equipment – The Organization capitalizes all equipment acquisitions in excess of \$500. Equipment is recorded at cost or, if acquired as a donation, at the estimated fair market value on the date acquired. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of 3 to 7 years.

Revenue recognition – Contributions are recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Notes to Financial Statements

December 31, 2016

(See Independent Accountant's Review Report)

Note 1 – Summary of Significant Accounting Principles - (Continued)

Donated equipment, materials, and services – Donations of supplies, equipment, and other goods are recorded at fair value on the date of receipt. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not donated. Many volunteers have donated significant amounts of time to the Organization's activities. The services of these volunteers include significant time spent by the founders to operate the Organization and are not recorded in the accompanying financial statements as they do not meet the criteria for recognition under ASC 958-605-25-16, *Not-for-Profit Entities – Recognition of Contributed Services*.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising – The Organization's policy is to expense advertising costs as incurred. Advertising expense totaled \$1,457 and \$4,505 during the years ended December 31, 2016 and 2015, respectively.

Federal income tax – The Organization is a non-profit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision of income tax is necessary. The tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

Use of 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. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 18, 2017, the date the financial statements were available to be issued.

International Christian Response USA

Notes to Financial Statements

December 31, 2016

(See Independent Accountant's Review Report)

Note 2 - Equipment

Equipment consists of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|------------------------|------------------------|
| Computers and software | \$ 5,667 | \$ 4,884 |
| Vehicles | 5,500 | 4,800 |
| Furniture and fixtures | <u>609</u> | <u>609</u> |
| | 11,776 | 10,293 |
| Less accumulated depreciation | <u>(4,360)</u> | <u>(5,221)</u> |
| | <u><u>\$ 7,416</u></u> | <u><u>\$ 5,072</u></u> |

Note 3 - Expense Breakdown

Expenses for serving the Persecuted Church and supporting the ministry consist of the following for the years ended December 31:

| | <u>2016</u> | | <u>2015</u> | |
|---|----------------------------|-------------------|----------------------------|-------------------|
| | <u>Amount</u> | <u>Percentage</u> | <u>Amount</u> | <u>Percentage</u> |
| Support in hostile countries and U.S. voice (programs) | \$ 1,897,597 | 95% | \$ 1,131,471 | 94% |
| Ministry support (management and general) | 72,168 | 4% | 50,461 | 4% |
| Fundraising | <u>17,502</u> | 1% | <u>19,026</u> | 2% |
| | <u><u>\$ 1,987,267</u></u> | | <u><u>\$ 1,200,958</u></u> | |

The expenses related to the Organization's programs consisted of the following for the years ended December 31:

| | <u>2016</u> | | <u>2015</u> | |
|---|----------------------------|-------------------|----------------------------|-------------------|
| | <u>Amount</u> | <u>Percentage</u> | <u>Amount</u> | <u>Percentage</u> |
| Support in hostile countries | \$ 1,744,760 | 92% | \$ 1,024,544 | 91% |
| U.S. awareness/voice for persecuted Christians | <u>152,837</u> | 8% | <u>106,927</u> | 9% |
| | <u><u>\$ 1,897,597</u></u> | | <u><u>\$ 1,131,471</u></u> | |

International Christian Response USA

Notes to Financial Statements

December 31, 2016

(See Independent Accountant's Review Report)

Note 4 - Operating Lease

Effective August 1, 2016, the Organization entered into a 2-year lease for office space for \$800 per month. There is an option to renew for additional one-year periods for up to five additional years with the same terms and conditions.

Future minimum lease payments are as follows for the years ending December 31:

| | | |
|------|----|---------------|
| 2017 | \$ | 9,600 |
| 2018 | | <u>5,600</u> |
| | \$ | <u>15,200</u> |

Prior to this lease, the Organization rented office space on a month-to-month basis, paying \$350 per month. The fair market value of the office space used was \$450 per month and the Organization received one-third of the value as a contribution. In-kind rent recognized within the statement of functional expenses was \$975 and \$1,950 for the years ended December 31, 2016 and 2015, respectively.

Note 5 - Retirement Plan

The Organization sponsors a Simplified Employee Pension Plan (SEP) related to the Executive Director position only. After the first year of service, the Organization matched voluntary contributions up to 4% of his gross compensation. After three years of service, the employer match increased to 7%. Employer contributions to this plan totaled \$4,956 and \$4,620 for the years ended December 31, 2016 and 2015, respectively.

Note 6 - Prior Period Adjustment

In 2015, the Organization stopped recognizing a gift-in kind account as cash. The account was used for small purchases, such as office supplies, that aren't reimbursed. The beginning of the year net assets balance was restated in accordance with this change.