International Christian Response USA

Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2017 (Audited)
and 2016 (Reviewed)

Larson Gross

International Christian Response USA

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of International Christian Response USA (the Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, and the changes in its net assets and ts cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Prior Period Financial Statements

The comparative information presented herein as of and for the year ended December 31, 2016, was reviewed by us and our report thereon, dated March 18, 2017, stated that we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Larson Gross PLLC

Bellingham, Washington
June 12, 2018

International Christian Response USA

Statements of Financial Position

December 31, 2017 (Audited) and 2016 (Reviewed)

Assets

	2017	2016
Cash	$ 178,267	$ 151,430
Pledge receivable	20,000	-
Lease deposit	1,600	1,600
Equipment, net	13,858	7,416
Total assets	$ 213,725	$ 160,446

Liabilities and Net Assets

	2017	2016
Liabilities		
Accrued liabilities	$ 10,051	$ 17,423
Net assets		
Unrestricted	203,674	143,023
Total liabilities and net assets	$ 213,725	$ 160,446

The accompanying notes are integral part of these financial statements.

International Christian Response USA

Statements of Activities

Years Ended December 31, 2017 (Audited) and 2016 (Reviewed)

	2017	2016
Unrestricted support and other revenue		
Contributions		
Foundation support	$ 2,072,363	$ 941,657
Other contributions	1,225,543	1,103,515
Special events	12,162	11,980
Total contributions	3,310,068	2,057,152
Other income	5,750	5,496
Total unrestricted support and other revenue	3,315,818	2,062,648
Expenses		
Program services	3,130,268	1,896,397
Management and general	95,977	73,368
Fundraising	28,922	17,502
Total expenses	3,255,167	1,987,267
Increase in unrestricted net assets	60,651	75,381
Unrestricted assets - beginning of year	143,023	67,642
Unrestricted net assets - end of year	$ 203,674	$ 143,023

International Christian Response USA

Statement of Functional Expenses

Year Ended December 31, 2017 (Audited) and 2016 (Reviewed)

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Support in hostile countries	$ 2,937,414	$ -	$ -	$ 2,937,414	$ 1,744,760	$ -	$ -	$ 1,744,760
Wages, benefits, and taxes	148,152	17,429	8,715	174,296	118,680	13,963	6,981	139,624
Professional fees	-	31,950	-	31,950	-	27,506	-	27,506
Travel	27,013	3,178	1,589	31,780	15,135	1,780	891	17,806
Office	378	24,524	2,683	27,585	1,847	14,119	963	16,929
Guest speakers	14,690	-	3,673	18,363	13,158	-	3,288	16,446
Rent	-	8,852	984	9,836	-	6,690	743	7,433
Fundraising event	-	-	6,278	6,278	-	-	3,025	3,025
Advertising	-	-	4,629	4,629	-	-	1,457	1,457
Bank fees	-	4,039	-	4,039	1,479	1,479	-	2,958
Miscellaneous	-	3,385	371	3,756	-	2,711	-	2,711
Vehicle	1,468	1,468	-	2,936	1,338	1,335	-	2,673
Loss on disposal of equipment	-	-	-	-	-	2,400	-	2,400
Depreciation	1,153	1,152	-	2,305	-	1,385	154	1,539
	$ 3,130,268	$ 95,977	$ 28,922	$ 3,255,167	$ 1,896,397	$ 73,368	$ 17,502	$ 1,987,267

The accompanying notes are integral part of these financial statements.

International Christian Response USA

Statements of Cash Flows

Years Ended December 31, 2017 (Audited) and 2016 (Reviewed)

	2017	2016
Cash flows from operating activities		
Increase in unrestricted net assets	$ 60,651	$ 75,381
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	2,305	1,539
Loss on disposal of vehicle	-	2,400
Increase in assets		
Pledge receivable	(20,000)	-
Lease deposit	-	(1,600)
Increase (decrease) in liabilities		
Accrued liabilities	(7,372)	15,096
Net cash provided by operating activities	35,584	92,816
Cash flows from investing activities		
Purchase of equipment	(8,747)	(6,283)
Net cash used in investing activities	(8,747)	(6,283)
Net increase in cash	26,837	86,533
Cash - beginning of year	151,430	64,897
Cash - end of year	$ 178,267	$ 151,430

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 presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958. Under this standard, the Organization is required to present its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, depending on the existence and nature of donor restrictions.

> *Unrestricted* - Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as unrestricted.
>
> *Temporarily Restricted* - Support received subject to donor-imposed purpose or time restrictions that will be met either through actions of the Organization or by passage of time is classified as temporarily restricted.
>
> *Permanently Restricted* - Support received subject to donor-imposed restrictions stipulating that assets be invested in perpetuity is classified as permanently restricted. There were no permanently restricted net assets at December 31, 2017 or 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as unrestricted net assets.

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.

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

Pledges receivable - Pledges receivable are stated at their net realizable value and consist entirely of unconditional promises to give. Conditional pledges are recognized when the conditions on which they depend are substantially met. The Organization considers these pledges to be fully collectible and current.

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.

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 $4,629 and $1,457 during the years ended December 31, 2017 and 2016, 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 accordance 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 June 12, 2018, the date the financial statements were available to be issued.

Note 2 - Equipment

Equipment consists of the following at December 31:

	2017	2016
Computers and software	$ 13,115	$ 5,667
Vehicles	5,500	5,500
Furniture and fixtures	1,508	609
	20,123	11,776
Less accumulated depreciation	(6,265)	(4,360)
	$ 13,858	$ 7,416

Note 3 - Expense Breakdown

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

	2017		2016	
	Amount	Percentage	Amount	Percentage
Support in hostile countries and U.S. voice (programs)	$ 3,130,268	96%	$ 1,896,397	95%
Ministry support (management and general)	95,977	3%	73,368	4%
Fundraising	28,922	1%	17,502	1%
	$ 3,255,167		$ 1,987,267	

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

	2017		2016	
	Amount	Percentage	Amount	Percentage
Support in hostile countries	$ 2,937,414	94%	$ 1,744,760	92%
U.S. awareness/voice for persecuted Christians	192,854	6%	151,637	8%
	$ 3,130,268		$ 1,896,397	

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 total $5,600 for 2018.

Note 4 - Operating Lease - (Continued)

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 for the year ended December 31, 2016.

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 for the years ended December 31, 2017 and 2016.

Note 6 - Concentrations

The Organization had three and four donors that accounted for 61% and 70% of contribution revenue for 2017 and 2016, respectively.

The Organization distributes 99% of support to hostile countries through one foreign organization.

Note 7 - Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, “Revenue from Contracts with Customers”, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 and subsequent amendments outline a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. This guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Application is required for annual periods beginning after December 15, 2018. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements.