International Christian Response USA

Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2018 and 2017

Larson Gross

International Christian Response USA

Contents

Larson Gross

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 which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Emphasis of Matter
As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, International Christian Response USA adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *"Not-for-Profits Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities."* The update addresses the complexity and understandability of net assets restrictions, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

2211 Rimland Drive, Suite 422 ▸ Bellingham, WA 98226
PHONE 360 734 4280 ▸ **FAX** 360 734 4893
larsongross.com
Bellingham
Burlington
Lynden

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Christian Response USA as of December 31, 2018 and 2017, and the changes 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.

Larson Gross PLLC

Bellingham, Washington
September 26, 2019

International Christian Response USA

Statements of Financial Position

December 31, 2018 and 2017

	2018	2017
Assets		
Cash	$ 215,762	$ 178,267
Pledge receivable	158,950	20,000
Lease deposit	1,600	1,600
Equipment, net	12,965	13,858
Total assets	$ 389,277	$ 213,725
Liabilities and Net Assets		
Liabilities		
Accrued liabilities	$ 19,663	$ 10,051
Net assets		
Without donor restrictions	369,614	203,674
Total liabilities and net assets	$ 389,277	$ 213,725

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

International Christian Response USA

Statements of Activities

Years Ended December 31, 2018 and 2017

	2018	2017
Support and other revenue without donor restrictions		
Contributions		
Foundation support	$ 2,193,767	$ 2,072,363
Other contributions	1,831,517	1,225,543
Special events	-	12,162
Total contributions	4,025,284	3,310,068
Other income	4,374	5,750
Total support and other revenue	4,029,658	3,315,818
Expenses		
Program services	3,713,446	3,130,268
Management and general	104,104	95,977
Fundraising	46,168	28,922
Total expenses	3,863,718	3,255,167
Change in net assets	165,940	60,651
Net assets – beginning of year	203,674	143,023
Net assets – end of year	$ 369,614	$ 203,674

International Christian Response USA

Statements of Functional Expenses

Year Ended December 31, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Support in hostile countries	$ 3,534,097	$ -	$ -	$ 3,534,097	$ 2,937,414	$ -	$ -	$ 2,937,414
Wages, benefits, and taxes	133,597	38,171	19,085	190,853	148,152	17,429	8,715	174,296
Travel	36,851	4,335	2,168	43,354	27,013	3,178	1,589	31,780
Professional fees	-	16,439	16,438	32,877	-	31,950	-	31,950
Office	-	21,691	2,410	24,101	378	24,524	2,683	27,585
Rent	-	9,140	1,016	10,156	-	8,852	984	9,836
Guest speakers	5,143	-	1,286	6,429	14,690	-	3,673	18,363
Bank fees	-	6,068	-	6,068	-	4,039	-	4,039
Miscellaneous	-	4,503	500	5,003	-	3,385	371	3,756
Vehicle	1,908	1,908	-	3,816	1,468	1,468	-	2,936
Depreciation	1,850	1,849	-	3,699	1,153	1,152	-	2,305
Fundraising	-	-	2,294	2,294	-	-	6,278	6,278
Advertising	-	-	971	971	-	-	4,629	4,629
	$ 3,713,446	$ 104,104	$ 46,168	$ 3,863,718	$ 3,130,268	$ 95,977	$ 28,922	$ 3,255,167

International Christian Response USA

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

		2018		2017
Cash flows from operating activities				
Change in net assets	$	165,940	$	60,651
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		3,699		2,305
Increase in assets				
Pledge receivable		(138,950)		(20,000)
Increase (decrease) in liabilities				
Accrued liabilities		9,612		(7,372)
Net cash provided by operating activities		40,301		35,584
Cash flows from investing activities				
Purchase of equipment		(2,806)		(8,747)
Net cash used in investing activities		(2,806)		(8,747)
Net increase in cash		37,495		26,837
Cash – beginning of year		178,267		151,430
Cash – end of year	$	215,762	$	178,267

Note 1 - Summary of Significant Accounting Principles

Organization – International Christian Response USA (the Organization), is a Washington nonprofit corporation formed in March 2008. The Organization 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; accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

> **Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control are classified as net assets without donor restrictions.
>
> **Net assets with donor restrictions** – Net assets that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specific or unspecific purposes. At December 31, 2018 and 2017, the Organization had no net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e. the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized.

Cash – Cash consists of cash held in bank accounts, petty cash, and undeposited funds for statement of cash flow purposes. The Organization maintains its cash in bank accounts that may exceed federal 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 credit risk.

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

Pledge receivable – Pledges receivable represent unconditional promises to give and are stated at their net realizable value. Conditional pledges are recognized when the conditions on which they depend are substantially met. Pledges extending beyond one year are initially recorded at fair value, and in arriving at fair value, management discounts these contributions using donor-specific discount rates. Amortization of the fair value discounts is included in contribution revenue. In addition, pledges are recorded net of an allowance for uncollectible pledges. The allowance for uncollectible pledges is determined by management and management determined that no such allowance was required as of December 31, 2018 and 2017, as all pledges are expected to be fully collectible.

Of the Organization's total pledges receivable at December 31, 2018 and 2017, 100% were due from one donor.

Equipment – The Organization capitalizes all equipment acquisitions in excess of $500. Property and equipment are recorded at cost. 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 the assets, which range from 3 to 7 years.

Contributions – The Organization recognizes donor contributions upon the earlier of receipt or when unconditionally promised. Conditional promises to give are not recognized until such time as the conditions are substantially met. Contributions of noncash assets are recognized at their estimated fair value on the date of contribution.

Donated goods and services – Donations of supplies, equipment, and other goods and services 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 are not recorded in the accompanying financial statements as they do not meet the criteria for recognition under Accounting Standard Codification (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 the functional basis in the accompanying statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, the expenses require allocation on a reasonable basis that is consistently applied. Wages, benefits, and taxes are allocated based on time and effort. All other expenses are based on estimates of usage utilizing square footage, mileage and other metrics.

Advertising – The Organization's policy is to expense advertising costs as incurred. Advertising expense totaled $971 and $4,629 during the years ended December 31, 2018 and 2017, 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.

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

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.

New accounting pronouncement – In August of 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *"Not-for-Profits Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities."* The amendments provided by this update address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU is effective for fiscal years beginning after December 15, 2017 and was applied retrospectively to all periods presented.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 26, 2019, the date the financial statements were available to be issued.

Note 2 – Availability and Liquidity

The following represents the Organization's financial assets available for general expenditure during the next year as of December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	$ 215,762
Pledge receivable	158,950
Financial assets available to meet general expenditures within one year	$ 374,712

As part of the Organization's liquidity management plan, cash in excess of daily requirements may be invested in certificates of deposit and money market accounts.

Note 3 – Equipment

Equipment consists of the following at December 31:

	2018	2017
Computers and software	$ 12,649	$ 13,115
Vehicles	5,500	5,500
Furniture and fixtures	1,508	1,508
	19,657	20,123
Less accumulated depreciation	(6,692)	(6,265)
	$ 12,965	$ 13,858

Note 4 – Expense Breakdown

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

	2018		2017	
	Amount	Percentage	Amount	Percentage
Support in hostile countries and U.S. voice (programs)	$ 3,713,446	96%	$ 3,130,268	96%
Ministry support (management and general)	104,104	3%	95,977	3%
Fundraising	46,168	1%	28,922	1%
	$ 3,863,718		$ 3,255,167	

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

	2018		2017	
	Amount	Percentage	Amount	Percentage
Support in hostile countries	$ 3,534,097	95%	$ 2,937,414	94%
U.S. awareness/voice for persecuted Christians	179,349	5%	192,854	6%
	$ 3,713,446		$ 3,130,268	

Note 5 – Operating Lease

The Organization renewed a lease for office space for an additional 2-year period effective August 1, 2018. The new lease amount is $840 per month. The original lease provides an option for renewal of the lease for an additional three years with similar terms and conditions.

2019	$ 10,080
2020	5,880
	$ 15,960

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, 2017.

Note 6 – 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 $4,956 for the years ended December 31, 2018 and 2017, respectively.

Note 7 – Concentrations

The Organization had three donors that accounted for 61% and 61% of contribution revenue for 2018 and 2017, respectively.

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

Note 8 – Prospective Accounting Change

In May 2014, the 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 adopted using either a full retrospective or modified retrospective approach. Application is required for annual periods beginning after December 15, 2018.

The Organization plans to adopt ASU 2014-09 effective January 1, 2019 using the modified retrospective method. Under this method, the new standard will be applied only to the most current period presented in the financial statements with the cumulative effect recognized as of the date of initial application. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements and disclosures. The Organization's adoption of ASU 2014-09 is not anticipated to have a material impact on the results of operations or financial position; however, the Organization's assessment is not complete.

Note 9 – Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, "Leases" which requires lessees to record most leases with terms greater than 12 months on their balance sheet by recognizing a liability to make lease payments and an asset representing their right to use the asset during the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize the corresponding assets and lease liabilities. Lessee recognition, measurement, and presentation of expenses and cash flows will not change significantly from existing guidance and lessor accounting is largely unchanged. ASU 2016-02 also changes the definition of a lease and requires qualitative and quantitative disclosures that provide information about the amount, timing, and uncertainty of cash flows arising from leases. Application is required for annual periods beginning after December 15, 2020. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements.