International Christian Response USA

Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2019 and 2018

Larson Gross

International Christian Response USA

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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, 2019 and 2018, 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.

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, 2019 and 2018, 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.

Change in Accounting Principle
As discussed in Note 8 to the financial statements, management changed its method of accounting for revenue recognition on contracts with members due to the adoption of ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

Larson Gross PLLC

Bellingham, Washington
October 26, 2020

International Christian Response USA

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Cash	$ 320,898	$ 215,762
Pledge receivable	92,552	158,950
Lease deposit	1,600	1,600
Equipment, net	23,727	12,965
Total assets	$ 438,777	$ 389,277
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 60,193	$ 19,663
Net assets		
Without donor restrictions	378,584	369,614
Total liabilities and net assets	$ 438,777	$ 389,277

International Christian Response USA

Statements of Activities

Years Ended December 31, 2019 and 2018

	2019	2018
Support and other revenue without donor restrictions		
Contributions		
Foundation support	$ 2,357,316	$ 2,193,767
Other contributions	2,382,932	1,831,517
Total contributions	4,740,248	4,025,284
Other income	7,403	4,374
Gain on sale of equipment	434	-
Total support and other revenue without donor restrictions	4,748,085	4,029,658
Expenses		
Program services	4,465,612	3,713,446
Management and general	141,385	104,104
Fundraising	132,118	46,168
Total expenses	4,739,115	3,863,718
Change in net assets	8,970	165,940
Net assets – beginning of year	369,614	203,674
Net assets – end of year	$ 378,584	$ 369,614

International Christian Response USA

Statements of Functional Expenses

Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	**Management and General**	**Fundraising**	**Total**	**Program Services**	**Management and General**	**Fundraising**	**Total**
Support in hostile countries	$ 4,180,548	$ -	$ -	$ 4,180,548	$ 3,534,097	$ -	$ -	$ 3,534,097
Wages, benefits, and taxes	238,368	68,106	34,053	340,527	133,597	38,171	19,085	190,853
Advertising	-	-	64,316	64,316	-	-	971	971
Professional fees	-	24,482	24,482	48,964	-	16,439	16,438	32,877
Travel	30,514	3,590	1,795	35,899	36,851	4,335	2,168	43,354
Office	-	25,427	2,825	28,252	-	21,691	2,410	24,101
Guest speakers	9,890	-	2,473	12,363	5,143	-	1,286	6,429
Rent	-	9,525	1,058	10,583	-	9,140	1,016	10,156
Bank fees	-	6,403	-	6,403	-	6,068	-	6,068
Depreciation	1,998	1,998	-	3,996	1,850	1,849	-	3,699
Miscellaneous	2,763	324	163	3,250	-	4,503	500	5,003
Vehicle	1,531	1,530	-	3,061	1,908	1,908	-	3,816
Fundraising	-	-	953	953	-	-	2,294	2,294
	$ 4,465,612	$ 141,385	$ 132,118	$ 4,739,115	$ 3,713,446	$ 104,104	$ 46,168	$ 3,863,718

International Christian Response USA

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 8,970	$ 165,940
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,996	3,699
Gain on sale of equipment	(434)	-
(Increase) decrease in assets		
Pledge receivable	66,398	(138,950)
Increase in liabilities		
Accounts payable and accrued liabilities	40,530	9,612
Net cash provided by operating activities	119,460	40,301
Cash flows from investing activities		
Proceeds from sale of equipment	3,250	-
Purchase of equipment	(17,574)	(2,806)
Net cash used in investing activities	(14,324)	(2,806)
Net increase in cash	105,136	37,495
Cash – beginning of year	215,762	178,267
Cash – end of year	$ 320,898	$ 215,762

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, 2019 and 2018, 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 statements 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 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, 2019 and 2018, as all pledges are expected to be fully collectible.

Of the Organization's total pledge receivable at December 31, 2019 and 2018, 100% was due from two and one donors.

Equipment – Property and equipment are recorded at cost, or if acquired as a donation, at the estimated fair market value at the date donated. Additions, improvements, and expenditures the exceed $500 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 statements of activities and the statements 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 $64,316 and $971 during the years ended December 31, 2019 and 2018, 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.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2020, 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 over the next twelve months as of December 31:

	2019	2018
Financial assets at year-end:		
Cash	$ 320,898	$ 215,762
Pledge receivable	92,552	158,950
Financial assets available to meet general expenditures over the next twelve months	$ 413,450	$ 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:

	2019	2018
Computers and software	$ 13,469	$ 12,649
Vehicles	10,305	5,500
Furniture and fixtures	6,745	1,508
	30,519	19,657
Less accumulated depreciation	(6,792)	(6,692)
	$ 23,727	$ 12,965

Depreciation expense totaled $3,996 and $3,699 during the years ended December 31, 2019 and 2018, respectively.

Note 4 – Expense Breakdown

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

	2019		2018	
	Amount	**Percentage**	**Amount**	**Percentage**
Support in hostile countries and U.S. voice (programs)	$ 4,465,612	94%	$ 3,713,446	96%
Ministry support (management and general)	141,385	3%	104,104	3%
Fundraising	132,118	3%	46,168	1%
	$ 4,739,115		$ 3,863,718	

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

	2019		2018	
	Amount	**Percentage**	**Amount**	**Percentage**
Support in hostile countries	$ 4,180,548	94%	$ 3,534,097	95%
U.S. awareness/voice for persecuted Christians	285,064	6%	179,349	5%
	$ 4,465,612		$ 3,713,446	

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.

Rent expense totaled $10,583 and $10,156 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under this operating lease are as follows:

2020	$ 5,880

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 $5,880 and $4,956 for the years ended December 31, 2019 and 2018, respectively.

Note 7 – Concentrations

The Organization had two and three donors that accounted for 39% and 61% of total contribution revenue for the years ended December 31, 2019 and 2018, respectively.

The Organization distributed 99% of support to hostile countries through one foreign organization for 2019 and 2018.

Note 8 – Impact of Accounting Method Change

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in ASC. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Organization adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. The Organization did not recognize any adjustments in changes in revenue, net assets, or any other financial statement line item as a result of adopting ASC 606.

Note 9 – Subsequent Event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, it is reasonably possible that the Organization is vulnerable to the risk of a near-term severe impact.

Note 10 – Recent Accounting Pronouncement

In February 2016, the FASB issued Accounting Standard Update (ASU) 2016-02, *Leases*, which requires lessees to record most leases with terms greater than twelve months on their statements of financial position 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 twelve 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 currently required for annual periods beginning after December 15, 2021. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements.