

International Christian Response USA

Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2020 and 2019

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 which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

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, 2020 and 2019, 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

July 21, 2021

International Christian Response USA

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 328,889	\$ 320,898
Pledge receivable	48,120	92,552
Lease deposit	1,600	1,600
Equipment, net	<u>25,006</u>	<u>23,727</u>
Total assets	<u>\$ 403,615</u>	<u>\$ 438,777</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 62,920	\$ 60,193
Net assets		
Without donor restrictions	<u>340,695</u>	<u>378,584</u>
Total liabilities and net assets	<u>\$ 403,615</u>	<u>\$ 438,777</u>

International Christian Response USA

Statements of Activities

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Support and other revenue without donor restrictions		
Contributions		
Foundation support	\$ 2,122,533	\$ 2,357,316
Other contributions	<u>3,653,192</u>	<u>2,382,932</u>
Total contributions	5,775,725	4,740,248
Other income	2,336	7,403
Gain on sale of equipment	<u>-</u>	<u>434</u>
Total support and other revenue without donor restrictions	5,778,061	4,748,085
Expenses		
Program services	5,457,051	4,465,612
Management and general	224,491	141,385
Fundraising	<u>134,408</u>	<u>132,118</u>
Total expenses	<u>5,815,950</u>	<u>4,739,115</u>
Change in net assets	(37,889)	8,970
Net assets – beginning of year	<u>378,584</u>	<u>369,614</u>
Net assets – end of year	<u>\$ 340,695</u>	<u>\$ 378,584</u>

International Christian Response USA

Statements of Functional Expenses

Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Support in hostile countries	\$ 5,162,030	\$ -	\$ -	\$ 5,162,030	\$ 4,180,548	\$ -	\$ -	\$ 4,180,548
Wages, benefits, and taxes	274,873	78,535	39,268	392,676	238,368	68,106	34,053	340,527
Advertising	-	53,384	53,384	106,768	-	-	64,316	64,316
Professional fees	-	35,297	35,296	70,593	-	24,482	24,482	48,964
Office	-	31,251	3,472	34,723	-	25,427	2,825	28,252
Travel	11,501	1,353	677	13,531	30,514	3,590	1,795	35,899
Bank fees	-	10,715	-	10,715	-	6,403	-	6,403
Rent	-	9,607	1,068	10,675	-	9,525	1,058	10,583
Depreciation	2,817	2,816	-	5,633	1,998	1,998	-	3,996
Guest speakers	2,269	-	567	2,836	9,890	-	2,473	12,363
Miscellaneous	2,297	270	135	2,702	2,763	324	163	3,250
Vehicle	1,264	1,263	-	2,527	1,531	1,530	-	3,061
Fundraising	-	-	541	541	-	-	953	953
	<u>\$ 5,457,051</u>	<u>\$ 224,491</u>	<u>\$ 134,408</u>	<u>\$ 5,815,950</u>	<u>\$ 4,465,612</u>	<u>\$ 141,385</u>	<u>\$ 132,118</u>	<u>\$ 4,739,115</u>

International Christian Response USA

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (37,889)	\$ 8,970
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,633	3,996
Gain on sale of equipment	-	(434)
(Increase) decrease in assets		
Pledge receivable	44,432	66,398
Increase in liabilities		
Accounts payable and accrued liabilities	<u>2,727</u>	<u>40,530</u>
Net cash provided by operating activities	14,903	119,460
Cash flows from investing activities		
Proceeds from sale of equipment	-	3,250
Purchase of equipment	<u>(6,912)</u>	<u>(17,574)</u>
Net cash used in investing activities	<u>(6,912)</u>	<u>(14,324)</u>
Net increase in cash	7,991	105,136
Cash – beginning of year	<u>320,898</u>	<u>215,762</u>
Cash – end of year	<u><u>\$ 328,889</u></u>	<u><u>\$ 320,898</u></u>

Notes to Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, 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.

Notes to Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, as all pledges are expected to be fully collectible.

Of the Organization's total pledges receivable at December 31, 2020 and 2019, 100% was due from two 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 that 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 \$106,768 and \$64,316 during the years ended December 31, 2020 and 2019, 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.

Notes to Financial Statements

December 31, 2020 and 2019

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 July 21, 2021, 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:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash	\$ 328,889	\$ 320,898
Pledge receivable	<u>48,120</u>	<u>92,552</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 377,009</u>	<u>\$ 413,450</u>

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:

	<u>2020</u>	<u>2019</u>
Computers and software	\$ 13,469	\$ 13,469
Vehicles	10,305	10,305
Furniture and fixtures	<u>13,657</u>	<u>6,745</u>
	37,431	30,519
Less accumulated depreciation	<u>(12,425)</u>	<u>(6,792)</u>
	<u>\$ 25,006</u>	<u>\$ 23,727</u>

Depreciation expense totaled \$5,633 and \$3,996 during the years ended December 31, 2020 and 2019, respectively.

Notes to Financial Statements

December 31, 2020 and 2019

Note 4 – Expense Breakdown

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

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Support in countries hostile to Christianity	\$ 5,162,030	89%	\$ 4,180,548	88%
U.S. awareness for persecuted Christians	295,021	5%	285,064	6%
Administration and ministry support	224,491	4%	141,385	3%
Fundraising	134,408	2%	132,118	3%
	<u>\$ 5,815,950</u>		<u>\$ 4,739,115</u>	

Note 5 – Operating Lease

The Organization renewed a lease for office space for an additional 2-year period effective August 1, 2020. The new lease amount is \$891 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 \$10,675 and \$10,583 for the years ended December 31, 2020 and 2019, respectively.

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

2021	\$ 10,694
2022	6,238
	<u>\$ 16,932</u>

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 \$12,300 and \$5,880 for the years ended December 31, 2020 and 2019, respectively.

Notes to Financial Statements

December 31, 2020 and 2019

Note 7 – Concentrations

The Organization had two donors that accounted for 54% and 39% of total contribution revenue for the years ended December 31, 2020 and 2019, respectively.

The Organization distributed 99% of support to hostile countries through one foreign organization for 2020 and 2019.

Note 8 – Risks and Uncertainties

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 financial effect will be to the Organization, it is reasonably possible that the Organization is vulnerable to the risk of a near-term impact.

Note 9 – 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.