International Christian Response USA

Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2021 and 2020

Larson Gross

International Christian Response USA

Contents

Independent Auditor's Report

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

Opinion
We have audited the accompanying financial statements of International Christian Response USA (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of International Christian Response USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about International Christian Response USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 International Christian Response USA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about International Christian Response USA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Larson Gross PLLC

Bellingham, Washington
July 27, 2022

International Christian Response USA

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets		
Cash	$ 385,404	$ 328,889
Pledge receivable	-	48,120
Lease deposit	1,600	1,600
Equipment, net	18,753	25,006
Total assets	$ 405,757	$ 403,615
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 57,827	$ 62,920
Net assets		
Without donor restrictions	347,930	340,695
Total liabilities and net assets	$ 405,757	$ 403,615

International Christian Response USA

Statements of Activities

Years Ended December 31, 2021 and 2020

	2021	2020
Support and other revenue without donor restrictions		
Contributions		
Foundation support	$ 2,855,809	$ 2,122,533
Other contributions	6,006,705	3,653,192
Total contributions	8,862,514	5,775,725
Other income	1,491	2,386
Gain on sale of equipment	3,340	-
Total support and other revenue without donor restrictions	8,867,345	5,778,111
Expenses		
Program services	8,386,403	5,457,093
Management and general	289,969	224,496
Fundraising	183,738	134,411
Total expenses	8,860,110	5,816,000
Change in net assets without donor restrictions	7,235	(37,889)
Net assets – beginning of year	340,695	378,584
Net assets – end of year	$ 347,930	$ 340,695

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

International Christian Response USA

Statements of Functional Expenses

Years Ended December 31, 2021 and 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Support in hostile countries	$ 8,005,070	$ -	$ -	$ 8,005,070	$ 5,162,030	$ -	$ -	$ 5,162,030
Wages, benefits, and taxes	331,836	94,810	47,405	474,051	274,873	78,535	39,268	392,676
Advertising	-	68,640	68,641	137,281	-	53,384	53,384	106,768
Professional fees	-	52,104	52,105	104,209	-	35,297	35,296	70,593
Office	-	41,615	4,624	46,239	-	31,251	3,472	34,723
Travel	27,049	3,182	1,591	31,822	11,501	1,353	677	13,531
Bank fees	-	13,509	-	13,509	-	10,715	-	10,715
Rent	-	9,940	1,104	11,044	-	9,607	1,068	10,675
Miscellaneous	9,143	1,075	538	10,756	2,339	275	138	2,752
Guest speakers	8,210	-	2,052	10,262	2,269	-	567	2,836
Depreciation	3,154	3,154	-	6,308	2,817	2,816	-	5,633
Fundraising	-	-	5,678	5,678	-	-	541	541
Vehicle	1,941	1,940	-	3,881	1,264	1,263	-	2,527
	$ 8,386,403	$ 289,969	$ 183,738	$ 8,860,110	$ 5,457,093	$ 224,496	$ 134,411	$ 5,816,000

International Christian Response USA

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

		2021		2020
Cash flows from operating activities				
Change in net assets	$	7,235	$	(37,889)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		6,308		5,633
Gain on sale of equipment		(3,340)		-
Decrease in assets				
Pledge receivable		48,120		44,432
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities		(5,093)		2,727
Net cash provided by operating activities		53,230		14,903
Cash flows from investing activities				
Proceeds from sale of equipment		10,411		-
Purchase of equipment		(7,126)		(6,912)
Net cash provided (used) by investing activities		3,285		(6,912)
Net increase in cash		56,515		7,991
Cash – beginning of year		328,889		320,898
Cash – end of year	$	385,404	$	328,889

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, 2021 and 2020, 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, 2021 and 2020, as all pledges are expected to be fully collectible.

There were no pledge receivables at December 31, 2021. Of the Organization's total pledges receivable at December 31, 2020, 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 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.

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 $137,281 and $106,768 during the years ended December 31, 2021 and 2020, 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.

Reclassifications – Certain reclassifications have been made to 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 July 27, 2022 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:

	2021	2020
Financial assets at year-end:		
Cash	$ 385,404	$ 328,889
Pledge receivable	-	48,120
Financial assets available to meet general expenditures over the next twelve months	$ 385,404	$ 377,009

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:

	2021	2020
Computers and software	$ 18,649	$ 13,469
Vehicles	6,495	10,305
Furniture and fixtures	8,329	13,657
	33,473	37,431
Less accumulated depreciation	(14,720)	(12,425)
	$ 18,753	$ 25,006

Depreciation expense totaled $6,308 and $5,633 during the years ended December 31, 2021 and 2020, 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:

	2021		2020	
	Amount	**Percentage**	**Amount**	**Percentage**
Support in countries hostile to Christianity	$ 8,005,070	90%	$ 5,162,030	89%
U.S. awareness for persecuted Christians	381,333	5%	295,063	5%
Administation and ministry support	289,969	3%	224,496	4%
Fundraising	183,738	2%	134,411	2%
	$ 8,860,110		$ 5,816,000	

Note 5 – Operating Lease

The Organization maintains a lease agreement for office space in Lynden, Washington with monthly payments totaling $891. The lease expires July 31, 2022. The lease was renewed for an additional 1-year period effective August 1, 2022 with a monthly payment totaling $918.

Rent expense totaled $11,044 and $10,675 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease payments under this operating lease existing at December 31, 2021 total $6,237 for the year ended December 31, 2022.

In February 2022, the Organization signed a six-month lease agreement for additional office space in Dallas, Texas with monthly payments totaling $480. The lease has an option to continue on a month-to-month basis upon expiration.

Note 6 – Retirement Plan

The Organization sponsors a Simplified Employee Pension Plan (SEP) available to employees in a management position which consisted of two employees during the years ended December 31, 2021 and 2020. After five years of service, the Organization matches voluntary contributions up to 7% of gross compensation. Employer contributions to this plan totaled $10,051 and $12,300 for the years ended December 31, 2021 and 2020, respectively.

Note 7 – Concentrations

The Organization had one and two donors that accounted for 46% and 54% of total support and other revenues for the years ended December 31, 2021 and 2020, respectively.

The Organization distributed 99% of support to hostile countries through one foreign organization during the years ended December 31, 2021 and 2020.

Note 8 – Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases.* This guidance, as amended by subsequent ASU's on the topic, requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Lessees are permitted to make an accounting policy election to not recognize an asset and liability for leases with a term of twelve months or less. Additional qualitative and quantitative disclosures, including significant judgments made by management, are required. Application is required for annual periods beginning after December 15, 2021. The Organization expects to adopt this standard on January 1, 2022. While the Organization is still evaluating impact of the new accounting guidance on its financial statements, based on management's preliminary assessment, the Organization will record assets and liabilities for long-term leases currently included in Note 5 – Operating Leases.