International Christian Response USA

Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2022 and 2021

Larson Gross

International Christian Response USA

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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, 2022 and 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, 2022 and 2021, 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 audits. 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.

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 24, 2023

International Christian Response USA

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Cash	$ 606,296	$ 385,404
Deposit	1,600	1,600
Equipment, net	21,218	18,753
Total assets	$ 629,114	$ 405,757
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 103,659	$ 57,827
Net assets		
Without donor restrictions	525,455	347,930
Total liabilities and net assets	$ 629,114	$ 405,757

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

International Christian Response USA

Statements of Activities

Years Ended December 31, 2022 and 2021

	2022	2021
Support and other revenue without donor restrictions		
Contributions		
Foundation support	$ 3,829,507	$ 2,855,809
Individual support	8,743,160	6,006,705
Total contributions	12,572,667	8,862,514
Other income	5,712	1,491
Gain on sale of equipment	-	3,340
Total support and other revenue without donor restrictions	12,578,379	8,867,345
Expenses		
Program services	11,758,790	8,386,403
Management and general	389,995	289,969
Fundraising	252,069	183,738
Total expenses	12,400,854	8,860,110
Change in net assets without donor restrictions	177,525	7,235
Net assets – beginning of year	347,930	340,695
Net assets – end of year	$ 525,455	$ 347,930

International Christian Response USA

Statements of Functional Expenses

Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Support in hostile countries	$ 11,260,660	$ -	$ -	$ 11,260,660	$ 8,005,070	$ -	$ -	$ 8,005,070
Wages, benefits, and taxes	418,313	119,518	59,759	597,590	331,836	94,810	47,405	474,051
Advertising	-	94,158	94,158	188,316	-	68,640	68,641	137,281
Professional fees	-	78,743	78,744	157,487	-	52,104	52,105	104,209
Travel	50,761	5,972	2,986	59,719	27,049	3,182	1,591	31,822
Office	-	51,730	5,748	57,478	-	41,615	4,624	46,239
Miscellaneous	10,975	1,291	645	12,911	9,143	1,075	538	10,756
Lease expense	-	15,466	1,719	17,185	-	9,940	1,104	11,044
Bank fees	-	16,878	-	16,878	-	13,509	-	13,509
Guest speakers	11,842	-	2,961	14,803	8,210	-	2,052	10,262
Vehicle	3,418	3,418	-	6,836	1,941	1,940	-	3,881
Depreciation	2,821	2,821	-	5,642	3,154	3,154	-	6,308
Fundraising	-	-	5,349	5,349	-	-	5,678	5,678
	$ 11,758,790	$ 389,995	$ 252,069	$ 12,400,854	$ 8,386,403	$ 289,969	$ 183,738	$ 8,860,110

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

International Christian Response USA

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 177,525	$ 7,235
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,642	6,308
Gain on sale of equipment	-	(3,340)
Decrease in assets		
Pledge receivable	-	48,120
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	45,832	(5,093)
Net cash provided by operating activities	228,999	53,230
Cash flows from investing activities		
Proceeds from sale of equipment	-	10,411
Purchase of equipment	(8,107)	(7,126)
Net cash (used) provided by investing activities	(8,107)	3,285
Net increase in cash	220,892	56,515
Cash – beginning of year	385,404	328,889
Cash – end of year	$ 606,296	$ 385,404

Note 1 – Summary of Significant Accounting Principles

Organization – International Christian Response USA (the Organization), is a Christian nonprofit corporation formed in Washington state in March 2008. The Organization mobilizes spiritual and material support to encourage persecuted Christians to persevere and proclaim the gospel. This supply of material and spiritual support is primarily directed to countries or regions that are demonstrably hostile towards Christians, the church, and activities aimed at advancing the gospel. The Organization supports efforts and projects in these hostile areas focused on supporting the persecuted, equipping local churches, and advancing the gospel. The Organization also endeavors to faithfully share stories and news from these various fields with its United States base of support. This effort is aimed at facilitating greater unity within the global church by helping its supporters with more effectively praying and giving.

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, 2022 and 2021, 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)

Equipment – Equipment is 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.

Leases – The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 842, *Leases*, in the Accounting Standards Codification (ASC). Topic 842 supersedes previous guidance in FASB ASC 840, *Leases*, and is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. The Organization adopted the new guidance as of January 1, 2022, the effective date, utilizing the optional transition method with financial statements prior to the effective date presented in accordance with previous guidance. The FASB made available several practical expedients in adopting the amended lease accounting guidance. The Organization elected the package of practical expedients within the new standard, which among other things, allowed it to carry forward the historical lease classification. The adoption of Topic 842 resulted in no recognition of right-of-use assets and operating lease liabilities as of January 1, 2022. The adoption of Topic 842 did not have a material impact on the Organizations' financial position, results of operations or cash flows as of and for the year ended December 31, 2022.

The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected not to record right-of-use assets and lease liabilities for leases with an initial term of 12 months or less and recognizes lease expense on a straight-line basis over the lease term.

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.

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

Advertising – The Organization's policy is to expense advertising costs as incurred. Advertising expense totaled $188,316 and $137,281 during the years ended December 31, 2022 and 2021, 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.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 24, 2023 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:

	2022	2021
Financial assets at year-end:		
Cash	$ 606,296	$ 385,404
Financial assets available to meet general expenditures over the next twelve months	$ 606,296	$ 385,404

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:

	2022	2021
Computers and software	$ 26,756	$ 18,649
Furniture and fixtures	8,329	8,329
Vehicles	6,495	6,495
	41,580	33,473
Less accumulated depreciation	(20,362)	(14,720)
	$ 21,218	$ 18,753

Note 3 – Equipment – (Continued)

Depreciation expense totaled $5,642 and $6,308 during the years ended December 31, 2022 and 2021, 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:

	2022		2021	
	Amount	**Percentage**	**Amount**	**Percentage**
Support in countries hostile to Christianity	$ 11,260,660	91%	$ 8,005,070	90%
U.S. awareness for persecuted Christians	498,130	4%	381,333	5%
Administation and ministry support	389,995	3%	289,969	3%
Fundraising	252,069	2%	183,738	2%
	$ 12,400,854		$ 8,860,110	

Note 5 – Leases

The Organization maintains a short-term lease agreement for office space in Lynden, Washington. The lease expires July 31, 2023. Monthly payments totaled $891 through July 2022 and increasing to $918 until the expiration date.

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 was renewed for an additional six-month period effective September 2022 with monthly payments totaling $576. The lease expired in February 2023 and was not renewed.

Short-term lease expense totaled $17,185 and $11,044 for the years ended December 31, 2022 and 2021, respectively.

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, 2022 and 2021. After five years of service, the Organization matches voluntary contributions up to 7% of gross compensation. Employer contributions to this plan totaled $11,340 and $10,051 for the years ended December 31, 2022 and 2021, respectively.

Note 7 – Concentrations

The Organization had one donor that accounted for 50% and 46% of total support and other revenues for the years ended December 31, 2022 and 2021, respectively.

The Organization distributed 99% of support to hostile countries through one foreign organization during the years ended December 31, 2022 and 2021.