



Financial Statements

International Child Care (USA), Inc.

Year ended June 30, 2014

International Child Care (USA), Inc.

Year ended June 30, 2014

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JANSEN VALK THOMPSON REAHM PC

Certified Public Accountants and Consultants

Report of Independent Auditors

Board of Directors
International Child Care (USA), Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of International Child Care (USA), Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Organization'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 Organization'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 Child Care (USA), Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jansen Valk Thompson & Reahm PC

September 11, 2014

International Child Care (USA), Inc.

Statement of Financial Position (with Comparative Totals for 2013)

	June 30	
	2014	2013
Assets		
Cash	\$ 279,696	\$ 339,836
Receivables:		
Grants	-	400,000
Contributions	6,481	12,238
ICC Canada	-	65,487
Other	1,076	-
Inventory	4,129	4,240
Prepaid expenses	3,452	3,881
Beneficial interest in assets held by Columbus Foundation	38,624	33,830
Furniture and equipment, less accumulated depreciation	450	418
Trademarks	21,293	18,209
Total assets	<u>\$ 355,201</u>	<u>\$ 878,139</u>
Liabilities		
Accounts payable	\$ 6,758	\$ 3,139
Net Assets		
Unrestricted	38,740	41,470
Temporarily restricted	309,703	833,530
Total net assets	<u>348,443</u>	<u>875,000</u>
Total liabilities and net assets	<u>\$ 355,201</u>	<u>\$ 878,139</u>

See accompanying notes to financial statements.

International Child Care (USA), Inc.

Statement of Activities (with Comparative Totals for 2013)

	Year ended June 30			
	2014			2013
	Temporarily			Total
	Unrestricted	Restricted	Total	
Support and revenue:				
Appreciation in beneficial interest	\$ 4,794	\$ -	\$ 4,794	\$ 4,732
Book and other merchandise sales, net of cost	568	-	568	166
Capital campaign	31,297	73,026	104,323	137,876
Capital items and other special projects	-	12,407	12,407	5,894
Child to child	312	729	1,041	776
Community health	2,907	6,784	9,691	23,051
Grace Children's Hospital	81,126	189,294	270,420	271,896
HIV/AIDS	-	-	-	100
Individual contributions	219,234	2,650	221,884	188,866
In-kind contributions	573,209	-	573,209	16,149
Interest	364	-	364	346
Mission encounter trips	16,064	50,236	66,300	107,165
Other	1,598	-	1,598	8,786
Partners in Grace	16,107	-	16,107	17,614
Rehabilitation	801	1,868	2,669	32,796
Vaccinations	282	658	940	3,368
Total support and revenue	948,663	337,652	1,286,315	819,581
Net assets released from restrictions	861,479	(861,479)	-	-
Total support, revenue and reclassifications	1,810,142	(523,827)	1,286,315	819,581

International Child Care (USA), Inc.

Statement of Activities (continued) (with Comparative Totals for 2013)

	Year ended June 30			
	2014			2013
	Temporarily			Total
	Unrestricted	Restricted	Total	
Expenses:				
Program services:				
Field programs	1,308,470	-	1,308,470	477,833
Education	209,058	-	209,058	207,006
Total program services	1,517,528	-	1,517,528	684,839
Supportive services:				
Fund-raising	209,153	-	209,153	91,972
General and administrative	86,191	-	86,191	73,443
Total supportive services	295,344	-	295,344	165,415
Total expenses	1,812,872	-	1,812,872	850,254
Change in net assets	(2,730)	(523,827)	(526,557)	(30,673)
Net assets, beginning of year	41,470	833,530	875,000	905,673
Net assets, end of year	\$ 38,740	\$ 309,703	\$ 348,443	\$ 875,000

See accompanying notes to financial statements.

International Child Care (USA), Inc.

Statement of Functional Expenses (with Comparative Totals for 2013)

	Year ended June 30						2014	2013		
	Program Services			Supportive Services					Total	Total
	Field Programs	Education	Total	Fund-raising	General and Administrative	Total			Expenses	Expenses
Bank and software charges	\$ -	\$ 2,908	\$ 2,908	\$ 1,454	\$ 4,219	\$ 5,673	\$ 8,581	\$ 2,682		
Board expenses	-	5,410	5,410	5,411	-	5,411	10,821	13,359		
Capital	-	-	-	-	868	868	868	140		
Communications	-	2,335	2,335	1,167	1,167	2,334	4,669	5,047		
Depreciation	-	-	-	-	349	349	349	463		
Dues and subscriptions	-	399	399	255	196	451	850	1,125		
Insurance	-	3,360	3,360	546	294	840	4,200	3,955		
Marketing	-	19,498	19,498	19,499	-	19,499	38,997	23,990		
Mission encounter trips	-	69,921	69,921	-	-	-	69,921	83,650		
Occupancy	-	3,300	3,300	1,650	2,409	4,059	7,359	7,037		
Office supplies and printing	-	808	808	405	405	810	1,618	1,820		
Other	-	(800)	(800)	(777)	(777)	(1,554)	(2,354)	641		
Personnel	-	93,341	93,341	140,007	46,671	186,678	280,019	180,686		
Postage and delivery	-	-	-	3,851	963	4,814	4,814	6,057		
Professional services	-	-	-	31,395	25,137	56,532	56,532	34,240		
Transfers to field programs	1,308,470	-	1,308,470	-	-	-	1,308,470	477,833		
Travel	-	8,578	8,578	4,290	4,290	8,580	17,158	7,529		
Total	\$ 1,308,470	\$ 209,058	\$ 1,517,528	\$ 209,153	\$ 86,191	\$ 295,344	\$ 1,812,872	\$ 850,254		

See accompanying notes to financial statements.

International Child Care (USA), Inc.

Statement of Cash Flows (with Comparative Totals for 2013)

	Year ended June 30	
	2014	2013
Operating activities		
Change in net assets	\$ (526,557)	\$ (30,673)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	349	463
Appreciation in beneficial interest in assets held by Columbus Foundation	(4,794)	(4,732)
Changes in operating assets and liabilities:		
Receivables	470,168	(59,559)
Inventory	111	(1,409)
Prepaid expenses	429	(2,287)
Accounts payable	3,619	(13,206)
Total adjustments	469,882	(80,730)
Net cash used in operating activities	(56,675)	(111,403)
Investing activities		
Grants from Columbus Foundation	-	40,000
Trademark expenditures	(3,084)	(195)
Property and equipment expenditures	(381)	-
Net cash provided by (used in) investing activities	(3,465)	39,805
Net decrease in cash	(60,140)	(71,598)
Cash, beginning of year	339,836	411,434
Cash, end of year	\$ 279,696	\$ 339,836

See accompanying notes to financial statements.

International Child Care (USA), Inc.

Notes to Financial Statements
June 30, 2014

Note A—Summary of Accounting Policies

Organization

International Child Care (USA), Inc. (ICC-USA or the “Organization”) is a Christian health and development organization whose focus is promoting health and wholeness for children in Haiti and the Dominican Republic. ICC-USA solicits and receives contributions from sources within the United States, and in turn provides funding to the field programs run by ICC-Haiti and ICC-Dominican Republic. The field programs also receive funding from ICC-Canada.

ICC-USA has entered into an agreement with ICC-Canada, ICC-Haiti and ICC-Dominican Republic, the purpose of which is to establish an administrative managerial structure for regulating and overseeing the ministry activities that are co-funded by the parties. This agreement recognizes that each of the organizations is an autonomous organization, and provides for an international council to oversee activities pursuant to the agreement.

These financial statements reflect the activity of ICC-USA only.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and payables.

Basis of Presentation

The Organization follows net asset accounting methods, whereby revenues are classified for accounting and reporting purposes into one of three net asset classes:

- Unrestricted net assets—net assets which are not subject to donor-imposed restrictions.
- Temporarily restricted net assets—net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization or the passage of time, or both. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.”
- Permanently restricted net assets—net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets.

International Child Care (USA), Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Use of Estimates

Management uses estimates and assumptions in preparing the Organization's financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Inventory

Inventory consists of books and shirts available for sale and donated supplies and equipment that have not yet been sent to the field, and is valued at cost using the specific identification method.

Furniture, Equipment and Depreciation

Expenditures for furniture and equipment are stated at cost. Depreciation is computed by the straight-line method over the depreciable lives (five to ten years) of the assets. The cost of maintenance and repairs is charged to operations as incurred, whereas costs of significant replacements and improvements are capitalized and depreciated over the periods benefited.

Trademarks

Legal fees incurred to submit trademark applications and other related correspondence to the United States Patent and Trademark Office have been capitalized. Since trademarks are considered to have an indefinite life, generally accepted accounting principles do not allow amortization, but the assets are subject to an annual impairment test.

Donated Materials and Equipment

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt.

Revenue Recognition

Grant support is recognized over the grant period. Grants received under cost-reimbursement programs are recognized to the extent expenses are incurred. Grants received in advance of grant periods are recorded as deferred income until the services are performed.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs. The value of this time cannot be determined objectively and therefore is not reflected in the financial statements.

International Child Care (USA), Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Functional Allocation of Expenses

The cost of providing program and support services has been reported on a functional basis in the statement of activities. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Income Tax

The Organization is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies as a charitable organization as described in Section 170(c) and has been classified under Section 509(a)(2) as an organization that is not a private foundation.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Subsequent Events

Subsequent events were evaluated through September 11, 2014, which is the date the financial statements were available to be issued.

Note B—Cash

Cash is comprised of the following:

	<u>2014</u>	<u>2013</u>
Cash in checking account	\$ 64,654	\$ 164,594
Cash in money market accounts	215,042	175,242
Total	<u>\$ 279,696</u>	<u>\$ 339,836</u>

International Child Care (USA), Inc.

Notes to Financial Statements (continued)

Note C—Contributions Receivable

Contributions receivable are summarized as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 6,000	\$ 6,000
Receivable in one year to five years	500	6,500
Total contributions receivable	<u>6,500</u>	12,500
Less discount to net present value	19	262
Net contributions receivable	<u>\$ 6,481</u>	<u>\$ 12,238</u>

Contributions receivable in more than one year were discounted at 2% per annum for 2014 and 2013.

Note D—Furniture and Equipment

Furniture and equipment are summarized as follows:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 14,828	\$ 14,447
Less accumulated depreciation	14,378	14,029
Net furniture and equipment	<u>\$ 450</u>	<u>\$ 418</u>

Note E—Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Grace Children's Hospital	\$ 206,160	\$ 214,995
Mission Encounter trips	20,873	40,466
Rehabilitation program	94	2,790
Capital campaign	5,423	489,688
Capital items and other	77,153	85,591
Total	<u>\$ 309,703</u>	<u>\$ 833,530</u>

International Child Care (USA), Inc.

Notes to Financial Statements (continued)

Note F—Funding

ICC-USA received a portion of its public support through the United Methodist Committee on Relief (UMCOR), an unrelated nonprofit organization, to be used primarily for Grace Children's Hospital. UMCOR collects contributions from various churches and individuals on behalf of ICC-USA and other organizations, and remits these contributions on a monthly basis. Contributions from UMCOR totaled \$144,381 in 2014 and \$182,168 in 2013. These contributions represented approximately 11% and 22% of public support received in 2014 and 2013, respectively.

Although ICC-USA has no formal agreement with UMCOR, substantial support has been received each year.

Contributions from UMCOR are recognized as revenue when received by ICC-USA.

Note G—In-Kind Contributions

Useable supplies and medical services donated to the field programs by mission encounter groups are reflected in the financial statements as in-kind contributions at their estimated fair value on the date of receipt. These donated supplies and medical services are also included in the caption "Transfers to field programs" in the statement of functional expenses.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by ICC-USA.

In-kind contributions of supplies and medical services donated to field programs totaled \$573,209 in 2014 and \$16,149 in 2013. The amount recorded in these financial statements may not correspond to the total value of donated supplies and medical services received in the field as individuals or groups may make contributions without notifying the ICC-USA office.

Note H—Lease

In June 2011, ICC-USA entered into a three year operating lease agreement for office space. Terms of the lease provided for lease payments of \$6,000 in the first year, increasing to \$6,300 in year two and \$6,600 in year three. Rent expense was \$6,600 in 2014 and \$6,300 in 2013.

Subsequent to year end, ICC-USA signed a 24-month lease extension which provides for lease payments of \$7,800 in the first year and \$9,000 in the second year.

International Child Care (USA), Inc.

Notes to Financial Statements (continued)

Note I—Retirement Plan

The Organization maintains a simplified employee pension plan for the retirement benefit of its employees. All employees who meet the age, length of service and hours worked requirements are eligible to participate. The Organization contributes a percentage of each eligible employee's wages. Pension expense was \$8,688 in 2014 and \$6,170 in 2013.

Note J—Funds Held at Foundation

In 1998, ICC-USA established the International Child Care USA Foundation Fund (the "Fund") at Columbus Foundation (the "Foundation"). The Fund is to be used for charitable, educational, and public purposes. Distributions will be made from the Fund to charitable organizations at the discretion of the Foundation's Board of Trustees. ICC-USA's Board of Trustees has reserved the right to recommend how the money will be distributed. In addition, ICC-USA may request that the Fund be returned to ICC-USA, although final authority rests with the Foundation.

When a nonprofit organization establishes a fund at a foundation with its own funds and specifies itself as the beneficiary of that fund, the organization must account for the transfer of such assets as a beneficial interest in assets held by the foundation. Foundations refer to such funds as agency endowment funds. The Foundation maintains variance power and legal ownership of its agency endowment funds and continues to report the funds as assets of the Foundation. However, the Organization has recognized a beneficial interest in assets held by the Foundation for the fair value of its agency endowment fund, which is generally equivalent to the present value of future payments expected to be received by the Organization.

The following table summarizes the activity in the Organization's agency endowment fund at the Foundation:

	2014	2013
Beneficial interest in assets held in the agency endowment fund, beginning of year	\$ 33,830	\$ 69,098
Contributions received from the Organization	—	—
Grants made to the Organization	—	(40,000)
Investment return	4,794	4,732
Beneficial interest in assets held in the agency endowment fund, end of year	\$ 38,624	\$ 33,830