International Child Care (USA), Inc.

(a nonprofit Indiana corporation)
Ann Arbor, Michigan

Financial Statements

June 30, 2018

International Child Care (USA), Inc.

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Independent Auditors' Report

To the Board of Directors
International Child Care (USA), Inc.
Ann Arbor, Michigan

We have audited the accompanying financial statements of International Child Care (USA), Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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.

Auditors' 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 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 qualified audit opinion.

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Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence to support certain disbursements paid by the Organization during July 2017. Consequently, we were unable to determine whether any adjustments to those amounts were necessary for the year ended June 30, 2018.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, 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, 2018, 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.

Altruic Advisors, PLLC
Certified Public Accountants

Ann Arbor, Michigan
May 20, 2019

International Child Care (USA), Inc.

Statement of Financial Position

June 30, 2018

ASSETS		
Current Assets		
Cash and cash equivalents	$	**207,045**
Investments		**4,156**
Prepaid expenses		**1,531**
Total current assets		**212,732**
Property and Equipment		
Land		**5,000**
Office equipment		**2,260**
Less accumulated depreciation		**(517)**
Net property and equipment		**6,743**
Other Assets		
Trademarks		**24,344**
Security deposits		**185**
Total other assets		**24,529**
Total assets	$	**244,004**
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	**387**
Funds held for others		**21,940**
Total current liabilities		**22,327**
Net Assets		
Without donor restrictions		**221,677**
Total net assets		**221,677**
Total liabilities and net assets	$	**244,004**

International Child Care (USA), Inc.

Statement of Activities

Year ended June 30, 2018

	Without Donor Restrictions
Operating Support	
Contributions and grants	$ 524,917
In-kind support	1,128
Total operating support	526,045
Operating Expenses	
Program services	278,222
Supporting services	
General and administrative	52,763
Fundraising	74,528
Total operating expenses	405,513
Total operating support in excess of operating expenses	120,532
Other Changes	
Net investment income	38
Change in Net Assets	120,570
Net Assets, Beginning of Year	101,107
Net Assets, End of Year	$ 221,677

International Child Care (USA), Inc.

Statement of Functional Expenses

Year ended June 30, 2018

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries and wages	$ 16,474	$ 33,231	$ 16,428	$ 49,659	$ 66,133
Payroll taxes	2,099	420	2,729	3,149	5,248
Employee benefits	2,770	-	2,770	2,770	5,540
Total personnel costs	21,343	33,651	21,927	55,578	76,921
Grants and assistance	255,950	-	-	-	255,950
Legal and professional fees	634	5,402	11,104	16,506	17,140
Website and IT expenses	-	728	9,576	10,304	10,304
Marketing expenses	-	-	7,592	7,592	7,592
Licenses and fees	-	-	5,693	5,693	5,693
Postage and shipping	-	581	4,784	5,365	5,365
Contracted labor	-	-	4,307	4,307	4,307
Bank and credit card fees	295	1,127	2,755	3,882	4,177
Occupancy	-	1,995	1,995	3,990	3,990
Office expenses	-	3,418	405	3,823	3,823
Travel	-	746	2,653	3,399	3,399
Insurance	-	3,253	-	3,253	3,253
Telephone and internet	-	682	682	1,364	1,364
Supplies	-	601	756	1,357	1,357
Miscellaneous expenses	-	215	299	514	514
Depreciation	-	364	-	364	364
Total expenses	$ 278,222	$ 52,763	$ 74,528	$ 127,291	$ 405,513

The accompanying Notes are an integral
part of these financial statements

International Child Care (USA), Inc.

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Year ended June 30, 2018

Cash Flows From Operating Activities		
Change in net assets	**$**	**120,570**
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation		**364**
Net realized gains on investments		**(7)**
Donated stocks		**(1,952)**
Increase (decrease) from changes in assets and liabilities		
Pledges receivable		**2,200**
Prepaid expenses		**767**
Security deposits		**(185)**
Additional investment in trademarks		**(1,628)**
Accounts payable		**(11,508)**
Funds held for others		**(11,495)**
Net cash provided by operating activities		**97,126**
Cash Flows From Investing Activities		
Purchases of equipment		**(530)**
Net cash used by investing activities		**(530)**
Net Increase in Cash and Cash Equivalents		**96,596**
Cash and Cash Equivalents, Beginning of Year		**110,449**
Cash and Cash Equivalents, End of Year	**$**	**207,045**

The accompanying Notes are an integral
part of these financial statements

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization's Activities. International Child Care USA, Inc. ("the Organization") is an Indiana non-profit corporation that was established in 1965 whose mission, in response to a loving God, is to provide financial, educational, and volunteer resources which promote health and well-being to the children and families of Haiti and the Dominican Republic. The Organization receives the majority of its support from contributions.

<u>Description of Program Services:</u>

International Child Care (Haiti): The Organization provides support to Grace Children's Hospital in Port-Au-Prince, Haiti for the medical care of children. In Haiti, the Organization seeks to empower communities by providing education to promote healthy hygiene and nutrition practices and to prevent diseases. The Organization works directly with children, adolescents, and their families and the schools and communities in the area. The Organization also focuses on community inclusion of people with disabilities.

International Child Care (The Dominican Republic): The Organization provides support to hospitals and schools within the city and surrounding neighborhoods of Santiago De Los Caballeros. As with the program in Haiti, the Dominican Republic program focuses their work directly with children, adolescents, their families, and community inclusion of people with disabilities.

<u>Description of Supporting Services:</u>

Management and General - Includes the functions necessary to provide support to the Foundation's program activities. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, foundations, governments, and corporations, including donations and pledges received during special events. The Foundation's special event revenue is generated through events held at conferences and an online auction.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Net Asset Classification. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. The Organization complies with established standards for external reporting by not-for-profit organizations, which requires that resources be classified for reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two net asset categories are as follows:

> *Without donor restrictions.* Net assets not subject to donor-imposed stipulations.

Net Asset Classification (continued)

> *With donor restrictions.* Net assets subject to donor-imposed stipulations that may or may not be met by either actions of the Organization and/or the passage of time. The Organization does not currently have net assets with donor restrictions.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments. The Organization investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See *Fair Value Measurements* .

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued):

Level 2 (continued):
If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization values equity securities and mutual funds with readily determinable market values at fair value as determined by quoted market prices on national security exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2018.

In general, investments are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

Property and Equipment. The Organization capitalizes all expenditures for property and equipment in excess of $500. Property and equipment are recorded at cost for purchased items and at fair market value at the time of receipt for donated items. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets which are currently calculated at five years for equipment and seven years for furniture. Expenditures for major renewal and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts, and any resulting gain or loss is recorded in the year of sale or disposal. Depreciation expense for the year ended June 30, 2018 was $364.

Long-term use of Land. The Organization has granted long-term use of land that it owns in Haiti. This verbal agreement stipulates that Grace Children's Hospital must use the property for use related to its hospital. The Organization maintains title to the property.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Trademarks. The Organization owns name and design trademarks associated with *International Child Care* that are of material importance to the Organization and are protected by registration in the United States of America. Trademarks have an indefinite life and are not amortized or otherwise depreciated. Occasionally however, the Organization will incur expenses in protecting these intellectual property rights.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, trademarks, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the year ended June 30, 2018.

Funds Held for Others. As part of its mission, the Organization routinely grants funds to organizations located in Haiti and in the Dominican Republic. Once granted, these funds are often held by the Organization on behalf of these grantee organizations. The grantee organizations may withdraw these funds at any time.

Contributions. Contributions are recognized when support is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Goods and Services. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. Contributed goods and services received during the year ended June 30, 2018 included professional training services of $827 and donated postage of $301.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 20, 2019, the date at which the financial statements were available for release.

Note 2 – New Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* , with the stated purpose of improving financial reporting by not-for-profit entities. During the year ended June 30, 2018, the Organization adopted the requirements of ASU 2016-14 and, as a result, has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Organization's financial statements:

The temporarily restricted net asset class has been renamed "net assets with donor restrictions".

The unrestricted net asset class has been renamed "net assets without donor restrictions".

The statement of activities now separates operating activities from other changes.

The financial statements include a new disclosure about liquidity and availability of resources (Note 5).

Note 3 – Fair Value Measurements

The following table summaries the Organization's fair value of assets measured on a recurring basis, by fair value hierarchy, as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Common stock	$ 4,156	$ -	$ -	$ 4,156
Total assets at fair value	$ 4,156	$ -	$ -	$ 4,156

Changes in Fair Value Levels . The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the year ended June 30, 2018 there were no significant transfers in or out of fair value levels.

Net investment income consisted of the following for the year ended June 30, 2018:

	2018
Dividends and interest	$ 31
Net realized investment gains	7
	$ 38

Note 4 - Commitments and Subsequent Event

Operating Leases . The Organization leased office space under an operating lease agreement that ended in August 2017. The Organization's base rent was $775 per month plus an allocable share of common area maintenance and utilities. The Organization commenced a new lease in October 2017 that was renewed in October 2018 and expires in September 2019. The base rent of this lease is currently $195 per month. Rent expense for all operating leases was $3,990 for the year ended June 30, 2018.

Future annual minimum lease payments under operating leases are as follows at June 30, 2018:

Year ended June 30	Facilities
2019	$ 2,310
2020	585
	$ 2,895

Note 5 - Liquidity and Availability of Resources

The Organization receives significant contributions that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a goal to maintain current financial assets less current liabilities at a minimum of three months budgeted operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the year ended June 30, 2018, the level of liquidity and reserves was managed within the policy requirements.

The Organization's financial assets available for general expenditures within one year are as follows at June 30:

	2018
Financial assets at year end:	
Cash and cash equivalents	**$ 207,045**
Investments	**4,156**
Prepaid expenses	**1,531**
Financial assets available for general expenditures within one year	**$ 212,732**

Note 6 - Concentrations of Credit Risk

Major Donors . During the year ended June 30, 2018, one major donor of the Organization comprised 22% of total support.