



Financial Statements

International Child Care (USA), Inc.

Year ended June 30, 2016



JANSEN VALK THOMPSON REAHM PC
Certified Public Accountants and Consultants

International Child Care (USA), Inc.

Year ended June 30, 2016

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JANSEN VALK THOMPSON REAHM PC

Chartered Public Accountants and CPAs

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, 2016, 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 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Correction of Error

As discussed in Note K to the financial statements, certain errors resulting in understatement of amounts previously reported for contributions receivable and contribution revenue as of June 30, 2015, were discovered by management of the Organization during the current year. Accordingly, amounts reported for contributions receivable and contribution revenue have been restated in the 2015 summarized comparative information presented, and an adjustment has been made to net assets as of June 30, 2015, to correct the error. Our opinion is not modified with respect to that matter.

Jansen Valk Thompson & Reahm PC

September 9, 2016

International Child Care (USA), Inc.

Statement of Financial Position (with Comparative Totals for 2015)

	June 30	
	2016	2015 (As Restated)
Assets		
Cash	\$ 69,715	\$ 192,969
Accounts receivable	191	-
Contributions receivable, less allowances for doubtful pledges of \$1,800 in 2016 and \$0 in 2015	33,049	11,124
Inventory	3,334	4,652
Prepaid expenses	7,267	4,313
Beneficial interest in assets held by Columbus Foundation	41,968	39,474
Furniture and equipment, less accumulated depreciation	246	322
Trademarks	34,782	28,783
Total assets	<u>\$ 190,552</u>	<u>\$ 281,637</u>
Liabilities		
Accounts payable	\$ 731	\$ 8,018
Net Assets		
Unrestricted	(85,012)	(32,651)
Temporarily restricted	274,833	306,270
Total net assets	<u>189,821</u>	<u>273,619</u>
Total liabilities and net assets	<u>\$ 190,552</u>	<u>\$ 281,637</u>

See accompanying notes to financial statements.

International Child Care (USA), Inc.

Statement of Activities (with Comparative Totals for 2015)

	Year ended June 30			2015 (As Restated)
	2016			
	Unrestricted	Temporarily Restricted		Total
		Unrestricted	Restricted	
Support and revenue:				
Individual contributions	\$ 221,057	\$ 14,450	\$ 235,507	\$ 247,424
Grace Children's Hospital	63,219	147,512	210,731	215,530
In-kind contributions	374,335	-	374,335	35,339
Capital campaign	588	1,373	1,961	20,143
Capital items and other special projects	-	43,655	43,655	18,856
Child to child	492	1,149	1,641	337
Community health	7,807	18,217	26,024	34,453
Mission encounter trips	9,759	44,259	54,018	49,692
Partners in Grace	-	-	-	15,873
Rehabilitation	1,614	3,766	5,380	9,566
Vaccinations	48	112	160	550
Appreciation in beneficial interest	2,494	-	2,494	850
Interest	85	-	85	210
Other	712	-	712	2,299
Total support and revenue	682,210	274,493	956,703	651,122
Net assets released from restrictions	305,930	(305,930)	-	-
Total support, revenue and reclassifications	988,140	(31,437)	956,703	651,122

International Child Care (USA), Inc.

Statement of Activities (continued) (with Comparative Totals for 2015)

	Year ended June 30			2015
	2016			(As Restated)
	Temporarily			Total
	Unrestricted	Restricted	Total	
Expenses:				
Program services:				
Field programs	689,368	-	689,368	304,898
Education	174,975	-	174,975	180,320
Total program services	864,343	-	864,343	485,218
Supportive services:				
Fund-raising	96,893	-	96,893	154,122
General and administrative	79,265	-	79,265	86,606
Total supportive services	176,158	-	176,158	240,728
Total expenses	1,040,501	-	1,040,501	725,946
Change in net assets	(52,361)	(31,437)	(83,798)	(74,824)
Net assets, beginning of year	(32,651)	306,270	273,619	348,443
Net assets, end of year	\$ (85,012)	\$ 274,833	\$ 189,821	\$ 273,619

See accompanying notes to financial statements.

International Child Care (USA), Inc.

Statement of Functional Expenses (with Comparative Totals for 2015)

	Year ended June 30								
	Program Services			Supportive Services			2016	2015	
	Field Programs	Education	Total	Fund-raising	General and Administrative	Total	Total Expenses	Total Expenses	
Transfers to field programs	\$ 689,368	\$ -	\$ 689,368	\$ -	\$ -	\$ -	\$ 689,368	\$ 304,898	
Personnel costs	-	90,993	90,993	45,497	45,497	90,994	181,987	238,915	
Bank and software charges	-	4,944	4,944	2,472	3,532	6,004	10,948	13,425	
Board expenses	-	3,969	3,969	3,969	-	3,969	7,938	4,324	
Capital	-	-	-	-	1,985	1,985	1,985	1,112	
Communications	-	1,972	1,972	986	986	1,972	3,944	4,457	
Depreciation	-	-	-	-	76	76	76	128	
Dues and subscriptions	-	423	423	270	207	477	900	875	
Insurance	-	2,480	2,480	403	217	620	3,100	5,088	
Marketing	-	10,665	10,665	10,665	-	10,665	21,330	27,749	
Mission encounter trips	-	47,540	47,540	-	-	-	47,540	48,577	
Occupancy	-	4,400	4,400	2,200	3,065	5,265	9,665	8,223	
Office supplies and printing	-	1,302	1,302	651	651	1,302	2,604	1,511	
Other	-	510	510	495	2,295	2,790	3,300	3,708	
Postage and delivery	-	-	-	7,293	1,823	9,116	9,116	3,424	
Professional services	-	-	-	19,103	16,042	35,145	35,145	52,389	
Travel	-	5,777	5,777	2,889	2,889	5,778	11,555	7,143	
Total	\$ 689,368	\$ 174,975	\$ 864,343	\$ 96,893	\$ 79,265	\$ 176,158	\$ 1,040,501	\$ 725,946	

See accompanying notes to financial statements.

International Child Care (USA), Inc.

Statement of Cash Flows (with Comparative Totals for 2015)

	Year ended June 30	
	2015	
	2016	(As Restated)
Operating activities		
Change in net assets	\$ (83,798)	\$ (74,824)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	76	128
Provision for losses on contributions receivable	1,800	-
Appreciation in beneficial interest in assets held by Columbus Foundation	(2,494)	(850)
Changes in operating assets and liabilities:		
Receivables	(23,916)	(3,567)
Inventory	1,318	(523)
Prepaid expenses	(2,954)	(861)
Accounts payable	(7,287)	1,260
Total adjustments	(33,457)	(4,413)
Net cash used in operating activities	(117,255)	(79,237)
Investing activities		
Trademark expenditures	(5,999)	(7,490)
Net decrease in cash	(123,254)	(86,727)
Cash, beginning of year	192,969	279,696
Cash, end of year	\$ 69,715	\$ 192,969

See accompanying notes to financial statements.

International Child Care (USA), Inc.

Notes to Financial Statements

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.

ICC-USA has entered into an agreement with 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)(2) and has been classified under Section 509(a)(1) 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, 2015, from which the summarized information was derived.

Subsequent Events

Subsequent events were evaluated through September 9, 2016, which is the date the financial statements were available to be issued.

Note B—Cash

Cash is comprised of the following:

	<u>2016</u>	<u>2015</u>
Cash in checking account	\$ 3,910	\$ 67,905
Cash in money market accounts	65,805	125,064
Total	<u>\$ 69,715</u>	<u>\$ 192,969</u>

International Child Care (USA), Inc.

Notes to Financial Statements (continued)

Note C—Contributions Receivable

Contributions receivable are summarized as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 17,500	\$ 5,300
Receivable in one year to five years	16,000	6,000
Total contributions receivable	<u>33,500</u>	11,300
Less discount to net present value	451	176
Net contributions receivable	<u>\$ 33,049</u>	<u>\$ 11,124</u>

Contributions receivable in more than one year were discounted at 1% per annum for 2016 and 2015.

Note D—Furniture and Equipment

Furniture and equipment are summarized as follows:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 6,602	\$ 14,828
Less accumulated depreciation	6,356	14,506
Net furniture and equipment	<u>\$ 246</u>	<u>\$ 322</u>

Note E—Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Grace Children's Hospital	\$ 114,076	\$ 174,254
Mission encounter trips	17,323	18,018
Rehabilitation program	70	70
Capital items and other	143,364	113,928
Total	<u>\$ 274,833</u>	<u>\$ 306,270</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 \$188,727 in 2016 and \$194,967 in 2015. These contributions represented approximately 20% and 30% of public support received in 2016 and 2015, 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 \$374,335 in 2016 and \$35,339 in 2015. 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 August 2014, ICC-USA signed a 24-month lease extension on their operating lease agreement for office space. The extension provides for lease payments of \$7,800 in the first year and \$9,000 in the second year. Rent expense was \$8,800 in 2016 and \$7,600 2015.

Subsequent to year end, ICC-USA signed another 24-month lease extension which provides for lease payments of \$9,300 in the first year and \$9,600 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 \$5,897 in 2016 and \$8,300 in 2015.

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:

	<u>2016</u>	<u>2015</u>
Beneficial interest in assets held in the agency endowment fund, beginning of year	\$ 39,474	\$ 38,624
Investment return	2,494	850
Beneficial interest in assets held in the agency endowment fund, end of year	<u>\$ 41,968</u>	<u>\$ 39,474</u>

International Child Care (USA), Inc.

Notes to Financial Statements (continued)

Note K—Error Corrections

During the year, management determined that a pledge receivable was not recorded in the previously issued 2015 financial statements. Correction of the error resulted in an increase in both contributions receivable and unrestricted net assets of \$7,824, an increase in individual contributions of \$2,400 and an increase in capital campaign contributions of \$5,424.

Note L—Going Concern

As indicated in the accompanying financial statements, the Organization reported a decrease in net assets of \$83,798 in 2016. As of June 30, 2016, the Organization's temporarily restricted net assets exceeded its assets (excluding property and equipment) by \$84,527. Those factors, as well as the uncertain conditions that the Organization faces regarding future funding levels from UMCOR, create uncertainty (substantial doubt) about the Organization's ability to continue as a going concern (within one year after the date that the financial statements are available to be issued).

The Board of Directors of the Organization has approved a plan to increase revenue over the long term and decrease expenses immediately. The plan to decrease expenses included outsourcing full-time staff positions at a substantial savings and cutting travel significantly. In addition, a complete evaluation of expenses will be conducted to find cost savings. To increase revenue, the Organization has hired an Executive Director with fundraising experience and, the Board of Directors has agreed to give \$25,000 in donations this year. The Organization is also kicking off a 50th year fundraiser that will last 12 months.

The ability of the Organization to continue as a going concern is dependent on receipt of ongoing operational and program funding and the reduction of expenses. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.