



INTERNATIONAL CARE MINISTRIES

Financial Statements
For the Years Ended May 31, 2017 and 2016

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Independent Auditor's Report

**To the Board of Directors
International Care Ministries
La Plata, Maryland**

We have audited the accompanying financial statements of International Care Ministries (ICM-US), which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities and changes in unrestricted net assets and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 principles used and the reasonableness of significant 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ICM-US as of May 31, 2017 and 2016, and the changes in its unrestricted net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The unaudited data presented in footnote 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Clark Nuber PS

Certified Public Accountants
November 7, 2017

INTERNATIONAL CARE MINISTRIES

Statements of Financial Position
May 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 30,003	\$ 16,074
Note receivable	613,000	
Gifts-in-kind supplies on hand	<u>322,186</u>	<u>441,936</u>
Total Assets	<u>\$ 965,189</u>	<u>\$ 458,010</u>
Liabilities and Net Assets		
Liabilities:		
Gifts-in-kind payable	\$ 322,186	\$ 441,936
Note payable	<u>650,000</u>	
Total Liabilities	972,186	441,936
Net Assets:		
Unrestricted net assets	<u>(6,997)</u>	<u>16,074</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 965,189</u>	<u>\$ 458,010</u>

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Statements of Activities and Changes in Unrestricted Net Assets
For the Years Ended May 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Revenue and Support:		
Contributions	\$ 2,645,942	\$ 2,420,325
Gifts-in-kind	<u>2,650,363</u>	<u>3,777,613</u>
Total Unrestricted Revenue and Support	5,296,305	6,197,938
Expenses:		
Program-		
Gifts-in-kind	2,650,363	3,777,613
Other program expense	<u>2,618,679</u>	<u>2,396,714</u>
Total program expense	5,269,042	6,174,327
Management and general	<u>50,334</u>	<u>30,486</u>
Total Expenses	<u>5,319,376</u>	<u>6,204,813</u>
Change in Unrestricted Net Assets	(23,071)	(6,875)
Unrestricted net assets, beginning of year	<u>16,074</u>	<u>22,949</u>
Unrestricted Net Assets, End of Year	<u>\$ (6,997)</u>	<u>\$ 16,074</u>

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Statements of Cash Flows
For the Years Ended May 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in unrestricted net assets	\$ (23,071)	\$ (6,875)
Adjustments to reconcile change in unrestricted net assets to net cash used by operating activities-		
Change in operating assets and liabilities:		
Gifts-in-kind supplies on hand	119,750	62,700
Gifts-in-kind payable	<u>(119,750)</u>	<u>(62,700)</u>
Net Cash Used by Operating Activities	(23,071)	(6,875)
Cash Flows From Financing Activities:		
Principal additions on notes payable to donor	1,300,000	
Payments on notes payable to donor	(650,000)	
Principal additions on note receivable from ICM-HK	(1,263,000)	
Payments on note receivable from ICM-HK	<u>650,000</u>	
Net Cash Provided by Financing Activities	37,000	
Net Change in Cash and Cash Equivalents	13,929	(6,875)
Cash and cash equivalents, beginning of year	<u>16,074</u>	<u>22,949</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,003</u>	<u>\$ 16,074</u>
Supplementary Cash Flow Information:		
Cash paid for interest	\$ 18,630	\$ -
Gifts-in-kind supplies on hand and gifts-in-kind payable	\$ 322,186	\$ 441,936
Gifts-in-kind revenue and expense	\$ 2,650,363	\$ 3,777,613

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Notes to Financial Statements For the Years Ended May 31, 2017 and 2016

Note 1 - Organization

Organization - International Care Ministries (ICM-US) is a nonprofit organization whose primary goal is to free the poorest of the poor in the Philippines from physical, emotional and spiritual bondage. ICM-US provides donations of cash and goods to support the strategic programs of International Care Ministries organizations located in the Philippines and Hong Kong. These programs enhance the lives of more than 100,000 men, women and children (unaudited) each year in thousands of slum communities across the Philippines. ICM-US was organized in 1999 and is governed by a board of directors located in the United States and Hong Kong that is independent of International Care Ministries entities located in the Philippines and Hong Kong. Therefore, these financial statements reflect only the activity of ICM-US.

Note 2 - Significant Accounting Policies

Basis of Presentation - The financial statements of ICM-US are presented on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ICM-US and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met either by actions of ICM-US or passage of time. ICM-US has no temporarily restricted net assets at May 31, 2017 and 2016.

Permanently Restricted Net Assets - Support received in the form of endowment or sustaining funds which can never be spent. ICM-US has no permanently restricted net assets at May 31, 2017 and 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (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. Restricted contributions whose purpose has been met within the same year as the contribution is received are recognized as unrestricted.

Revenue Recognition - Cash contributions are recorded as revenue in the period received, in accordance with donor restrictions. ICM-US currently has no promises to give (pledges), which would be recorded at net realizable value in the period the promise is received, in accordance with donor-imposed restrictions.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and a checking account. Cash balances exceeded federally insured limits at times during the year. However, ICM-US has not had any losses as a result. For the purposes of reporting cash flows, ICM-US considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

INTERNATIONAL CARE MINISTRIES

Notes to Financial Statements For the Years Ended May 31, 2017 and 2016

Note 2 - Continued

Gifts-in-Kind - ICM-US receives gifts-in-kind (GIK) of rice and soy protein meal from several donors located in the United States. ICM-US contributes the goods to an organization located in the Philippines. In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and in consideration of Accord GIK Interagency Standards, ICM-US recognizes GIK revenue on the statements of activities and changes in unrestricted net assets in the period received at the fair value of the GIK based on current estimated wholesale prices. Program expense is recognized in the period the goods are shipped to the Philippines. GIK shipments in transit at the end of the accounting period for which ICM-US has assumed responsibility are recorded as GIK supplies on hand on the statements of financial position. Because the GIK in transit has been awarded to the organization in the Philippines, the shipments in transit are also recorded as GIK payable on the statements of financial position.

GIK contribution revenue and related expense totaled \$2,650,363 and \$3,777,613 for the years ended May 31, 2017 and 2016, respectively, and are reflected on the statements of activities and changes in unrestricted net assets.

Notes receivable - Notes receivable consist of a loan made by ICM-US to a related party. Notes receivable are ported at the principal balance outstanding. An allowance for doubtful accounts was not deemed necessary by management.

Concentrations - For the years ended May 31, 2017 and 2016, 78% and 87%, of ICM-US' GIK revenue was received from one and two donors each year, respectively. Approximately 42% of ICM-US' contribution revenue, net of GIK, was from two donors for the year ended May 31, 2017, and 45% from three donors for the year ended May 31, 2016. Gifts from board members totaled approximately \$23,875 and \$10,575 for the years ended May 31, 2017 and 2016, respectively. Program expense consists almost entirely of support provided by ICM-US to International Care Ministries organizations located in the Philippines and Hong Kong for the years ended May 31, 2017 and 2016.

Federal Income Tax Status - The Internal Revenue Service has determined ICM-US to be a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been made in these financial statements.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in unrestricted net assets based on the benefits derived by program and management and general activities.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from such estimates.

Subsequent Events - ICM-US has evaluated subsequent events through November 7, 2017, the date on which the financial statements were available to be issued. The following transactions occurred subsequent to year end.

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Notes to Financial Statements For the Years Ended May 31, 2017 and 2016

Note 3 - Notes Payable and Receivable

On July 5, 2016, ICM-US entered into a loan agreement with a donor. The amount of the loan was \$650,000 with interest accruing at 8% per annum. The entire balance of the loan and accrued interest was repaid during the year ended May 31, 2017. On March 22, 2017, ICM-US entered into another loan agreement with the same donor. The loan provides for draws up to \$650,000 and bears interest at 8% per annum and must be drawn in tranches of at least \$200,000. ICM-US drew the full amount available during the year ended May 31, 2017, and the outstanding balance as of May 31, 2017 was \$650,000. The loan will be repaid in consecutive monthly installments of interest only on the first day of each month commencing in the month following execution of the loan agreement with the entire balance due by November 30, 2017. ICM-US paid the entire balance of the loan subsequent to year end. The loan is unsecured.

On July 6, 2016, ICM-US entered into a loan agreement with ICM-HK. The amount of the interest free loan was \$450,000. On September 27, 2016, ICM-US entered into a further interest free loan agreement for \$200,000 with ICM-HK. Both loans were repaid during the year ended May 31, 2017. On March 22, 2017, ICM-US entered into another loan agreement with ICM-HK. The amount of the interest free loan was \$650,000 and is due November 30, 2017. The outstanding balance of the note receivable is \$613,000 as of May 31, 2017.

Note 4 - Negative Unrestricted Net Assets

ICM-US had negative net assets totaling \$6,997 as of May 31, 2017. The negative balance resulted from a timing difference associated with grants associated with medical expenses. ICM-US made grants to ICM-HK for expenses associated with medical treatment for ultrapoor individuals which a US foundation was likely to fund in subsequent months. The net asset balance became positive subsequent to year end when ICM-US received the anticipated donations from the US foundation in June 2017. Management monitors closely revenue and expenditures and feels confident negative net asset balances will not occur again in the next year.