



INTERNATIONAL CARE MINISTRIES

Financial Statements
For the Years Ended May 31, 2018 and 2017

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Unrestricted Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 8

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, 2018 and 2017, 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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, 2018 and 2017, 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 P.S.

Certified Public Accountants
December 12, 2018

INTERNATIONAL CARE MINISTRIES

Statements of Financial Position
May 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 70,245	\$ 30,003
Gifts-in-kind supplies on hand	621,562	322,186
Note receivable		613,000
	<u> </u>	<u> </u>
Total Assets	<u>\$ 691,807</u>	<u>\$ 965,189</u>
Liabilities and Net Assets		
Liabilities:		
Gifts-in-kind payable	\$ 621,562	\$ 322,186
Note payable		650,000
	<u> </u>	<u> </u>
Total Liabilities	621,562	972,186
Net Assets:		
Unrestricted net assets	<u>70,245</u>	<u>(6,997)</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 691,807</u>	<u>\$ 965,189</u>

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

**Statements of Activities and Changes in Unrestricted Net Assets
For the Years Ended May 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Unrestricted Revenue and Support:		
Contributions	\$ 1,747,385	\$ 2,645,942
Gifts-in-kind	<u>2,600,659</u>	<u>2,650,363</u>
Total Unrestricted Revenue and Support	4,348,044	5,296,305
Expenses:		
Program-		
Gifts-in-kind	2,524,698	2,650,363
Other program expense	<u>1,541,767</u>	<u>2,618,679</u>
Total program expense	4,066,465	5,269,042
Management and general	45,256	50,334
Fundraising-		
Gifts-in-kind	75,961	
Other fundraising expense	<u>83,120</u>	
Total fundraising expense	159,081	
Total Expenses	<u>4,270,802</u>	<u>5,319,376</u>
Change in Unrestricted Net Assets	77,242	(23,071)
Unrestricted net assets, beginning of year	<u>(6,997)</u>	<u>16,074</u>
Unrestricted Net Assets, End of Year	<u>\$ 70,245</u>	<u>\$ (6,997)</u>

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Statements of Cash Flows
For the Years Ended May 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in unrestricted net assets	\$ 77,242	\$ (23,071)
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities-		
Noncash grant awarded	585,000	
Noncash change in operating assets and liabilities:		
Gifts-in-kind supplies on hand	(299,376)	119,750
Gifts-in-kind payable	299,376	(119,750)
	<u>662,242</u>	<u>(23,071)</u>
Net Cash Provided (Used) by Operating Activities	662,242	(23,071)
Cash Flows From Investing Activities:		
Principal additions on note receivable from ICM-HK	(37,000)	(1,263,000)
Payments on note receivable from ICM-HK	65,000	650,000
	<u>28,000</u>	<u>(613,000)</u>
Net Cash Provided (Used) by Investing Activities	28,000	(613,000)
Cash Flows From Financing Activities:		
Principal additions on notes payable to donor		1,300,000
Payments on notes payable to donor	(650,000)	(650,000)
	<u>(650,000)</u>	<u>650,000</u>
Net Cash (Used) Provided by Financing Activities	(650,000)	650,000
Net Change in Cash and Cash Equivalents	40,242	13,929
Cash and cash equivalents, beginning of year	30,003	16,074
	<u>\$ 70,245</u>	<u>\$ 30,003</u>
Cash and Cash Equivalents, End of Year	\$ 70,245	\$ 30,003
Supplementary Cash Flow Information:		
Cash paid for interest	\$ 21,797	\$ 18,630
Gifts-in-kind supplies on hand and gifts-in-kind payable	\$ 621,562	\$ 322,186
Gifts-in-kind revenue and expense	\$ 2,600,659	\$ 2,650,363

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Notes to Financial Statements For the Years Ended May 31, 2018 and 2017

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. Since 2009, these programs have enhanced the lives of more than 1,000,000 men, women and children (unaudited) 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. ICM-US has presented an unclassified statement of financial position which sequences assets according to their nearness of conversion to cash and sequences liabilities according to their nearness of their maturity or resulting use of cash. 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, 2018 and 2017.

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, 2018 and 2017.

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. ICM-US considers all contributions received to be unrestricted. ICM-US currently has no promises to give (pledges), which would be recorded at net realizable value in the period the promise is received.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and cash held in bank accounts. 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, 2018 and 2017

Note 2 - Continued

Gifts-in-Kind - ICM-US received gifts-in-kind (GIK) of two kinds in the current year. Rice and soy protein meal were provided by several donors located in the United States, and fundraising services were provided by a related organization in Hong Kong.

Rice and soy protein GIK constituted 97.1% and 100% of the total value of GIK received during the years ended May 31, 2018 and 2017, respectively. 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.

Fundraising services GIK constituted 2.9% of the total value of GIK received during the year ended May 31, 2018. There was no fundraising services GIK during the year ended May 31, 2017. The services are recorded at the fair value of the GIK based on the actual amount paid for the services by the Hong Kong entity. The corresponding GIK expense is recognized in the period when such service is received.

GIK contribution revenue and related expense totaled \$2,600,659 and \$2,650,363 for the years ended May 31, 2018 and 2017, 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 (Note 3). Notes receivable are reported at the principal balance outstanding and are expected to be repaid within one year. An allowance for doubtful accounts was not deemed necessary by management.

Concentrations - For the years ended May 31, 2018 and 2017, 92% and 78%, of ICM-US' GIK revenue was received from two donors. Approximately 40% and 42% of ICM-US' contribution revenue, net of GIK, was from two donors for the years ended May 31, 2018 and 2017, respectively. Gifts from board members totaled approximately \$2,700 and \$23,875 for the years ended May 31, 2018 and 2017, 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, 2018 and 2017.

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.

INTERNATIONAL CARE MINISTRIES

Notes to Financial Statements For the Years Ended May 31, 2018 and 2017

Reclassification - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances, by classification, as previously reported.

Subsequent Events - ICM-US has evaluated subsequent events through December 12, 2018, the date on which the financial statements were available to be issued.

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 provided for draws up to \$650,000 with interest at 8% per annum. The loan must be drawn in tranches of at least \$200,000, and the full amount of \$650,000 was drawn at May 31, 2017. The loan was fully repaid to the donor during the year ended May 31, 2018.

During the year ended May 31, 2017, ICM-US entered into two loan agreements with ICM-HK totaling \$650,000. The loans were interest free and were both repaid during the year ended May 31, 2017. On March 22, 2017, ICM-US entered into another interest free loan agreement with ICM-HK totaling \$613,000. The loan balance was increased to \$650,000 during the year ended May 31, 2018. In October 2017, ICM-HK repaid \$65,000, and in November 2017, the Board of Directors of ICM-US forgave the remaining loan balance of \$585,000 as a gift to ICM-HK.

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 and remained positive during the year ended May 31, 2018.