



INTERNATIONAL CARE MINISTRIES

Financial Statements
For the Years Ended May 31, 2019 and 2018

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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, 2019 and 2018, and the related statements of activities and changes in net assets without donor restrictions 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, 2019 and 2018, and the changes in its net assets without donor restrictions and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 2, ICM-US adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended May 31, 2019. Our opinion is not modified with respect to this matter.

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 Note 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
October 15, 2019

INTERNATIONAL CARE MINISTRIES

Statements of Financial Position
May 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 385,237	\$ 70,245
Gifts-in-kind supplies on hand	<u>750,617</u>	<u>621,562</u>
Total Assets	<u>\$ 1,135,854</u>	<u>\$ 691,807</u>
Liabilities and Net Assets		
Liabilities:		
Gifts-in-kind payable	<u>\$ 750,617</u>	<u>\$ 621,562</u>
Total Liabilities	750,617	621,562
Net Assets:		
Net assets without donor restrictions	<u>385,237</u>	<u>70,245</u>
Total Liabilities and Net Assets	<u>\$ 1,135,854</u>	<u>\$ 691,807</u>

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Statements of Activities and Changes in Net Assets Without Donor Restrictions
For the Years Ended May 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue and Support Without Donor Restrictions:		
Contributions	\$ 2,169,217	\$ 1,747,385
Gifts-in-kind	<u>5,249,993</u>	<u>2,600,659</u>
Total Revenue and Support Without Donor Restrictions	7,419,210	4,348,044
Expenses:		
Program-		
Gifts-in-kind	5,079,472	2,524,698
Grants to affiliate organizations	1,584,534	1,432,000
Shipping	193,948	91,467
Other		<u>18,300</u>
Total program expense	6,857,954	4,066,465
Management and general-		
Professional Fees	21,611	14,454
Postage	120	129
Travel	5,644	4,566
Other	<u>10,444</u>	<u>26,107</u>
Total management and general	37,819	45,256
Fundraising-		
Gifts-in-kind	170,521	75,961
Other fundraising expense	<u>37,924</u>	<u>83,120</u>
Total fundraising expense	208,445	159,081
Total Expenses	<u>7,104,218</u>	<u>4,270,802</u>
Change in Net Assets Without Donor Restrictions	314,992	77,242
Net assets without donor restrictions, beginning of year	<u>70,245</u>	<u>(6,997)</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 385,237</u>	<u>\$ 70,245</u>

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Statements of Cash Flows
For the Years Ended May 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in net assets without donor restrictions	\$ 314,992	\$ 77,242
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities-		
Noncash grant awarded		585,000
Noncash change in operating assets and liabilities:		
Gifts-in-kind supplies on hand	(129,055)	(299,376)
Gifts-in-kind payable	129,055	299,376
	<u>314,992</u>	<u>662,242</u>
Net Cash Provided by Operating Activities	314,992	662,242
Cash Flows From Investing Activities:		
Principal additions on note receivable from ICM-HK		(37,000)
Payments on note receivable from ICM-HK		65,000
		<u>28,000</u>
Net Cash Provided by Investing Activities		28,000
Cash Flows From Financing Activities:		
Payments on notes payable to donor		(650,000)
		<u>(650,000)</u>
Net Cash Used by Financing Activities		(650,000)
Net Change in Cash and Cash Equivalents	314,992	40,242
Cash and cash equivalents, beginning of year	70,245	30,003
Cash and Cash Equivalents, End of Year	<u>\$ 385,237</u>	<u>\$ 70,245</u>
Supplementary Cash Flow Information:		
Cash paid for interest	\$ -	\$ 21,797
Gifts-in-kind supplies on hand and gifts-in-kind payable	\$ 750,617	\$ 621,562
Gifts-in-kind revenue and expense	\$ 5,249,993	\$ 2,600,659

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Notes to Financial Statements For the Years Ended May 31, 2019 and 2018

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. In June 2019, ICM-US started exploring the possibility of extending its support of strategic programs to Uganda. 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 unclassified statements of financial position which sequence assets according to their nearness of conversion to cash and sequence 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:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and net assets without donor restrictions that have been designated by ICM-US for various purposes.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of ICM-US or passage of time, as well as support received in the form of endowment or sustaining funds which can never be spent. ICM-US has no net assets with donor restrictions at May 31, 2019 and 2018.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of 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. Contributions with donor restrictions whose purpose has been met within the same year that the contribution is received are recognized as net assets without donor restrictions.

Revenue Recognition - Cash contributions are recorded as revenue in the period received. ICM-US considers all contributions received to be without 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.

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.

Gifts-in-Kind - ICM-US received gifts-in-kind (GIK) that consist of rice and soy protein meal from several donors located in the United States. ICM-US also recognizes GIK revenue and expenses for professional services that (a) create or enhance nonfinancial assets or (b) require specialized skill and would typically need to be purchased if not donated.

INTERNATIONAL CARE MINISTRIES

Notes to Financial Statements For the Years Ended May 31, 2019 and 2018

Note 2 - Continued

During the year ended May 31, 2019, ICM-US received approximately 3,575,000 packs of rice and soy protein, which represents approximately 21,449,500 meals. The meals were valued at \$0.22 to \$0.29 each. During the year ended May 31, 2018, ICM-US received approximately 1,958,600 packs of rice and soy protein, which represents approximately 11,399,184 meals. The meals were valued at \$0.22 to \$0.29 each. The GIK revenue and expense are reported as distinct line items on the statements of activities and changes in net assets without donor restrictions.

Rice and soy protein GIK constituted 96.75% and 97.1% of the total value of GIK received during the years ended May 31, 2019 and 2018, 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 net assets without donor restrictions 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 3.25% and 2.9% of the total value of GIK received during the years ended May 31, 2019 and 2018, respectively. In 2019 and 2018, the services were 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 was recognized in the period when such service was received.

Concentrations - For the years ended May 31, 2019 and 2018, 98% and 92%, respectively, of ICM-US' GIK revenue was received from two donors. Approximately 49% of ICM-US' contribution revenue, net of GIK, was from three donors for the year ended May 31, 2019 and 40% was from two donors for the year ended May 31, 2018. Gifts from board members totaled approximately \$18,231 and \$2,700 for the years ended May 31, 2019 and 2018, 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, 2019 and 2018.

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 net assets without donor restrictions based on the benefits derived by program and management and general activities. All costs are directly identified.

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, 2019 and 2018

Note 2 - Continued

Adoption of New Accounting Pronouncement - For the year ended May 31, 2019, ICM-US adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. The Organization has also included information regarding the liquidity and availability of its financial assets (Note 4).

Subsequent Events - ICM-US has evaluated subsequent events through October 15, 2019, the date on which the financial statements were available to be issued.

Note 3 - Notes Payable and Receivable

On March 22, 2017, ICM-US entered into a loan agreement with a 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.

On March 22, 2017, ICM-US entered into an 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 - Liquidity and Availability

As part of ICM-US's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

At May 31, 2019, ICM-US had \$385,238 of financial assets, consisting entirely of cash and cash equivalents, available within one year of the statement of financial position date to meet cash needs for general expenditures arising within the next year. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for use. If necessary, ICM-US has the ability to reduce the grants awarded to affiliated entities to reduce expenses and manage liquidity.