



INTERNATIONAL CARE MINISTRIES

Financial Statements
For the Years Ended May 31, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities and changes in 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, 2020 and 2019, and the changes in its 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 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
September 23, 2020

INTERNATIONAL CARE MINISTRIES

Statements of Financial Position
May 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 965,141	\$ 385,237
Gifts-in-kind supplies on hand	<u>596,246</u>	<u>750,617</u>
Total Assets	<u>\$ 1,561,387</u>	<u>\$ 1,135,854</u>
Liabilities and Net Assets		
Liabilities:		
Gifts-in-kind payable	<u>\$ 596,246</u>	<u>\$ 750,617</u>
Total Liabilities	596,246	750,617
Net Assets:		
Net assets without donor restrictions	<u>965,141</u>	<u>385,237</u>
Total Liabilities and Net Assets	<u>\$ 1,561,387</u>	<u>\$ 1,135,854</u>

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Statements of Activities and Changes in Net Assets
For the Years Ended May 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue and Support Without Donor Restrictions:		
Contributions	\$ 3,902,317	\$ 2,169,217
Gifts-in-kind	<u>5,804,339</u>	<u>5,249,993</u>
Total Revenue and Support Without Donor Restrictions	9,706,656	7,419,210
Expenses:		
Program-		
Gifts-in-kind	5,507,578	5,079,472
Grants to affiliate organizations	3,010,000	1,584,534
Shipping	203,713	193,948
Donations to other organizations	<u>57,087</u>	<u></u>
Total program expense	8,778,378	6,857,954
Management and general-		
Professional Fees	19,195	21,611
Other	14,306	10,444
Travel	9,102	5,644
Postage	<u>160</u>	<u>120</u>
Total management and general	42,763	37,819
Fundraising-		
Gifts-in-kind	296,761	170,521
Other fundraising expense	<u>8,850</u>	<u>37,924</u>
Total fundraising expense	305,611	208,445
Total Expenses	<u>9,126,752</u>	<u>7,104,218</u>
Change in Net Assets Without Donor Restrictions	579,904	314,992
Net assets without donor restrictions, beginning of year	<u>385,237</u>	<u>70,245</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 965,141</u>	<u>\$ 385,237</u>

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Statements of Cash Flows
For the Years Ended May 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 579,904	\$ 314,992
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Noncash change in operating assets and liabilities:		
Gifts-in-kind supplies on hand	154,371	(129,055)
Gifts-in-kind payable	<u>(154,371)</u>	<u>129,055</u>
Net Cash Provided by Operating Activities and Net Change in Cash and Cash Equivalents	579,904	314,992
Cash and cash equivalents, beginning of year	<u>385,237</u>	<u>70,245</u>
Cash and Cash Equivalents, End of Year	<u>\$ 965,141</u>	<u>\$ 385,237</u>
Supplementary Cash Flow Information:		
Gifts-in-kind supplies on hand and gifts-in-kind payable	\$ 596,246	\$ 750,617
Gifts-in-kind revenue and expense	\$ 5,804,339	\$ 5,249,993

See accompanying notes.

INTERNATIONAL CARE MINISTRIES

Notes to Financial Statements For the Years Ended May 31, 2020 and 2019

Note 1 - Organization

Organization - International Care Ministries (ICM-US) is a nonprofit organization whose primary goal is to free the poorest of the poor from physical, emotional and spiritual bondage. ICM-US provides donations of cash and goods to support the strategic programs of related International Care Ministries organizations operating in the Philippines and Hong Kong. Since 2009, these programs have enhanced the lives of more than 1,400,000 men, women and children (unaudited) in thousands of slum communities across the Philippines. In October 2019, the International Care Ministries organization located in Hong Kong formed a strategic partnership with a charitable partner in Uganda. Through its donations to the Hong Kong organization, ICM-US indirectly supports poverty alleviation programs in Uganda as well. 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, 2020 and 2019.

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 when the donor-imposed conditions, if any, have been met. ICM-US considers all contributions received to be without donor restrictions. ICM-US had no promises to give (pledges) as of May 31, 2020 and 2019, which would be recorded at net realizable value in the period the promise is received. ICM-US had no conditional contributions as of May 31, 2020 or 2019, which would be recognized as revenue in the period in which the donor conditions are satisfied.

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, 2020 and 2019

Note 2 - Continued

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.

During the year ended May 31, 2020, ICM-US received approximately 3,442,000 packs of rice and soy protein, which represents approximately 22,072,000 meals. The meals were valued at \$0.23 to \$0.29 each. 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. The GIK revenue and expense are reported as distinct line items on the statements of activities and changes in net assets.

Rice and soy protein GIK constituted approximately 95% and 97% of the total value of GIK received during the years ended May 31, 2020 and 2019, respectively. ICM-US contributes the goods to an International Care Ministries 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 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 approximately 5% and 3% of the total value of GIK received during the years ended May 31, 2020 and 2019, respectively. In 2020 and 2019, 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.

Grant Expense - ICM-US makes grants to affiliated organizations as well as other organizations. Grant expense is recognized in the period the grant is signed, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. ICM-US did not have any conditional grants outstanding as of May 31, 2020 or 2019.

Concentrations - For the years ended May 31, 2020 and 2019, 93% and 94%, respectively, of ICM-US' GIK revenue was received from two donors. Approximately 26% of ICM-US' contribution revenue, net of GIK, was from two donors for the year ended May 31, 2020 and 49% was from three donors for the year ended May 31, 2019.

Related Party Transactions - For the years ended May 31, 2020 and 2019, grants provided by ICM-US to the International Care Ministries organization located in Hong Kong totaled \$3,010,000 and \$1,584,534, respectively. Gifts-in-kind provided by ICM-US to the International Care Ministries organization in the Philippines totaled \$5,507,578 and \$5,079,472, respectively, for the years ended May 31, 2020 and 2019. Gifts from board members totaled approximately \$10,000 and \$18,000 for the years ended May 31, 2020 and 2019, respectively.

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.

INTERNATIONAL CARE MINISTRIES

Notes to Financial Statements For the Years Ended May 31, 2020 and 2019

Note 2 - Continued

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 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.

Adoption of New Accounting Pronouncement - During the year ended May 31, 2020, ICM-US adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 - Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional.

Subsequent Events - ICM-US has evaluated subsequent events through September 23, 2020, the date on which the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Financial Assets

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.

As of May 31, 2020 and 2019, ICM-US had \$965,141 and \$385,237, respectively, in 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.

Note 4 - COVID-19 Impact

In December 2019, a novel strain of coronavirus (COVID-19) was identified, and the World Health Organization declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 pandemic caused business disruption through mandated and voluntary closing of multiple businesses and organizations. The programs operated by ICM-US' rice and soy protein meal donors have been disrupted. As a result, ICM-US received fewer shipments of rice and soy protein donations (Note 2) than expected starting in April 2020. The International Care Ministries organization located in the Philippines has continued to distribute food during this period to help those who are in need, while certain poverty alleviation programs were revised to adapt to the evolving needs of the communities as well as government regulations. Subsequent to May 31, 2020, governments in the countries in which International Care Ministries organizations operate slowly began lifting restrictions. ICM-US continues to monitor events and conditions as they unfold and has established strategies to respond accordingly.