



FINANCIAL STATEMENTS
Year Ended December 31, 2019

with

Independent Auditors' Report

INTERNATIONAL CHILDREN'S CARE, INC.

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Independent Auditors' Report

The Board of Trustees
International Children's Care, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of International Children's Care, Inc., which comprise the statement of financial position as of December 31, 2019, 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 auditors' 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 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 Children's Care, Inc. as of December 31, 2019, 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 International Children's Care, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HANMAN, STEWART & SCHMIDT, P.C.

Lake Oswego, Oregon
September 18, 2020

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Financial Position

December 31, 2019 <i>(With Comparative Amounts for 2018)</i>	2019	2018
ASSETS		
Cash and cash equivalents	\$ 689,986	\$ 1,039,696
Investments	454,508	231,094
Contributions receivable	61,343	570,300
Other receivables	19,455	72
Prepaid expenses	28,614	34,557
Beneficial interest in funds held by Prolasa Canada, Inc.	126,737	-
Contribution receivable restricted for endowment	250,000	-
Receivable from charitable trusts	70,459	68,185
Receivable from charitable gift annuities	221,364	154,966
Property and equipment - net	135,286	148,478
Total assets	<u>\$ 2,057,752</u>	<u>\$ 2,247,348</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 5,789	\$ 20,523
Accrued vacation	69,416	67,127
Total liabilities	75,205	87,650
Net assets:		
Without donor restrictions	732,781	1,412,306
With donor restrictions	1,249,766	747,392
Total net assets	<u>1,982,547</u>	<u>2,159,698</u>
Total liabilities and net assets	<u>\$ 2,057,752</u>	<u>\$ 2,247,348</u>

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Activities

Year Ended December 31, 2019 *(With Comparative Totals for 2018)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Revenue and support:				
Contributions	\$ 3,449,895	\$ 230,065	\$ 3,679,960	\$ 4,166,150
In-kind contributions	28,400	-	28,400	12,166
Net assets released from restrictions	50,055	(50,055)	-	-
Net revenue and support	3,528,350	180,010	3,708,360	4,178,316
Expenses:				
Program services	3,863,195	-	3,863,195	3,411,488
Management and general	160,589	-	160,589	160,985
Fundraising	200,051	-	200,051	144,982
Total expenses	4,223,835	-	4,223,835	3,717,455
Income (loss) from operations	(695,485)	180,010	(515,475)	460,861
Non-operating activities:				
Contribution restricted for endowment	-	250,000	250,000	-
Change in value of receivable from:				
Charitable trusts	-	2,274	2,274	(8,700)
Charitable gift annuities	-	70,090	70,090	(21,175)
Net investment return	15,960	-	15,960	2,692
Gain from sale of equipment	-	-	-	3,200
Net non-operating activities	15,960	322,364	338,324	(23,983)
Increase (decrease) in net assets	(679,525)	502,374	(177,151)	436,878
Net assets, beginning of year	1,412,306	747,392	2,159,698	1,722,820
Net assets, end of year	\$ 732,781	\$ 1,249,766	\$ 1,982,547	\$ 2,159,698

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Functional Expenses

Year Ended December 31, 2019 *(With Comparative Totals for 2018)*

	Program Services	Management and General	Fundraising	Total	
				2019	2018
Grants and allocations	\$ 2,897,731	\$ -	\$ -	\$ 2,897,731	\$ 2,518,284
Salaries and wages	643,518	80,116	85,619	809,253	738,596
Payroll taxes	53,328	6,639	7,096	67,063	59,812
Employee benefits	111,632	13,898	14,853	140,383	123,238
Professional fees	2,587	16,000	20,870	39,457	36,269
Supplies	15,945	1,985	2,121	20,051	22,650
Telephone	9,746	1,213	1,297	12,256	11,252
Postage and shipping	13,670	3,417	5,696	22,783	17,265
Occupancy	11,953	4,327	4,327	20,607	20,566
Equipment rental and maintenance	7,515	2,721	2,721	12,957	14,390
Printing and publications	22,162	5,540	9,234	36,936	45,654
Travel	7,384	919	982	9,285	8,633
Conferences and meetings	380	47	51	478	337
Depreciation	9,446	3,420	3,420	16,286	15,181
Foreign development	-	-	21,417	21,417	1,519
Other	56,198	20,347	20,347	96,892	83,809
	\$ 3,863,195	\$ 160,589	\$ 200,051	\$ 4,223,835	\$ 3,717,455

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Cash Flows

Year Ended December 31, 2019 (With Comparative Totals for 2018)	2019	2018
Cash flows from operating activities:		
Cash receipts:		
Contributions	\$ 4,058,419	\$ 3,667,213
Interest and dividends	6,930	1,525
Cash paid:		
Grantees, suppliers, and employees	<u>(4,205,034)</u>	<u>(3,673,532)</u>
Net cash used by operating activities	(139,685)	(4,794)
Cash flows from investing activities:		
Purchases of equipment	(3,094)	(8,896)
Proceeds from sale of equipment	-	3,200
Purchases of investments	(206,931)	(200,989)
Proceeds from sale of investments	<u>-</u>	<u>20,000</u>
Net cash used by investing activities	(210,025)	(186,685)
Net decrease in cash and cash equivalents	(349,710)	(191,479)
Cash and cash equivalents, beginning of year	<u>1,039,696</u>	<u>1,231,175</u>
Cash and cash equivalents, end of year	<u>\$ 689,986</u>	<u>\$ 1,039,696</u>

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Cash Flows - Continued

Year Ended December 31, 2019 <i>(With Comparative Totals for 2018)</i>	2019	2018
Reconciliation of increase (decrease) in net assets to net cash used by operating activities:		
Increase (decrease) in net assets	\$ (177,151)	\$ 436,878
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	16,286	15,181
Contribution receivable restricted for endowment	(250,000)	-
Change in value of receivable from:		
Charitable trusts	(2,274)	8,700
Charitable gift annuities	(70,090)	21,175
Unrealized and realized gains on investments	(9,030)	(1,167)
Gain from sale of equipment	-	(3,200)
Contribution of investments	(7,453)	(2,437)
Distribution from a charitable gift annuity	3,692	14,298
Change in operating assets and liabilities:		
Contributions receivable	508,957	(510,798)
Beneficial interest in funds held by Prolasa Canada, Inc.	(126,737)	-
Other receivables	(19,383)	1,230
Prepaid expenses	5,943	1,634
Accounts payable and accrued liabilities	(14,734)	9,319
Accrued vacation	2,289	4,393
Net cash used by operating activities	<u>\$ (139,685)</u>	<u>\$ (4,794)</u>

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements

1. Significant Accounting Policies

Nature of Activities - International Children's Care, Inc. (ICC) is a private relief and development organization. ICC was established for the specific purpose of giving high-quality care for needy children. ICC supports orphanages and schools in foreign countries. Presently, ICC's involvement is most prevalent in the following countries:

Congo	India
Dominican Republic	Mexico
El Salvador	Nicaragua
Ghana	Romania
Guatemala	Zambia

ICC receives substantially all of its revenue from contributions. Fundraising efforts take place in the United States and abroad.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ICC and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met by either actions of ICC and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations - The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to ICC's ongoing program services. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in the financial statements for, among other things, the valuation of receivables from a charitable trust and gift annuities, the calculation of depreciation expense, and the functional allocation of certain expenses. For the year ended December 31, 2019, a large estimate for ICC was the value of the of a certain charitable remainder trust. As of the date of the financial statements, management was not provided with the value of the trust. As such, management estimated that it did not materially change from the previous year, and did not adjust the receivable balance.

Cash Equivalents - ICC considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. ICC maintains its cash balances in various financial institutions in Vancouver, Washington.

Investments - Investments are stated at fair value as determined by quoted prices in active markets.

Property and Equipment and Depreciation - Property and equipment is recorded at cost at date of purchase or estimated fair value at date of donation. Small equipment purchases of \$1,000 or less are charged to expense. Depreciation of property and equipment has been computed using the straight-line method over the following estimated useful lives:

Building	31.5 years
Furniture and fixtures	10 years
Equipment	3 - 10 years

Financial Instruments with Concentrations of Credit Risk - Financial instruments that potentially subject ICC to concentrations of credit risk consist primarily of cash equivalents and investments. At December 31, 2019, and often during this year, cash and cash equivalents include bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect the market value reported in the financial statements.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Fair Value Measurements - Accounting standards pertaining to fair value measurements establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. ICC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, ICC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets ICC has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs, other than quoted prices observable for the asset.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

Revenue Recognition - ICC recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

ICC reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In absence of explicit donor stipulations about how long those long-lived assets must be maintained, ICC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

In-Kind Contributions - ICC recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated services have not been reflected in the accompanying financial statements since the appropriate criteria for recording these services has not been met. Nevertheless, a substantial number of volunteers have donated significant amounts of their time to ICC's program services and its fundraising campaigns.

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions. In-kind contributions recognized are items that ICC will use for administrative or program purposes, and which ICC would otherwise need to purchase. During the year ended December 31, 2019, ICC recognized in-kind contributions of \$28,400 consisting mostly of donated supplies for ICC's program services.

Income Taxes - Income taxes are not provided for in the financial statements since ICC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. ICC is not classified as a private foundation.

GAAP prescribes a recognition threshold and a measurement process for accounting for uncertain tax positions, and also provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes ICC does not have any uncertain tax positions. ICC files informational returns. Generally, these returns are subject to examination by federal or state tax authorities for a period of three years from the filing of the return. There are currently no examinations in progress for any tax periods. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

Advertising - Advertising costs are charged to expense as incurred. Advertising and promotional expense for the year ended December 31, 2019, totaled \$36,609.

Functional Allocation of Expenses - Costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Most natural expenses are attributable to more than one functional expense category and are allocated using a variety of cost allocation methods such as estimates of time and effort and square footage.

Summarized Financial Information for 2018 - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with ICC's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Endowment - ICC's endowment consists of one fund established by a donor to provide annual funding for ICC's general operations. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. No net assets without donor restrictions were functioning as an endowment for 2019.

ICC manages its endowment in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors interpreted UPMIFA as allowing ICC to appropriate for expenditure or accumulate so much of an endowment fund as ICC determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift agreement. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors.

As a result of this interpretation, ICC classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by ICC in a manner consistent with the standard of prudence prescribed by UPMIFA.

Subsequent Events - Management has evaluated subsequent events through September 18, 2020, the date the financial statements were available for issue. As of that date financial markets and economic conditions in general had undergone a significant negative impact as a result of the COVID-19 health crisis. The extent of the impact of COVID-19 on ICC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on donors, employees, and vendors all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact ICC's financial position and results of operations cannot be reasonably estimated at this time. As of April 2020, ICC has secured a \$182,500 loan from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136 "The CARES Act"). If ICC meets certain criteria under the CARES Act, all or a portion of the loan may be forgiven. Any portion of the loan not forgiven will bear interest at one percent per annum over a two year period. ICC may elect to defer initial loan payments up to six months. Future monthly repayments will range from \$-0- to \$7,700 per month depending on the amount of loan forgiven.

New Accounting Standard - In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. ICC has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with implementation of ASU 2018-08.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Reclassifications - Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

2. Program and Supporting Services

Program Services - ICC supports the operations of orphanages and schools in several foreign countries, including providing financial support for the day-to-day operations of the orphanages and schools, and acquiring land and buildings for new orphanages. ICC also provides information about the plight of orphans and offers ways that interested individuals can become involved in their care and support.

Management and General - Management and general activities include business management, recordkeeping, budgeting, financing, and related administrative activities. These services provide the necessary developmental, organizational, and management support for the effective operation of programs.

Fundraising - Fundraising activities include conducting fundraising campaigns, preparing and distributing fundraising materials, and conducting other activities involving soliciting contributions from individuals, foundations, and others.

3. Liquidity and Availability of Resources

ICC's financial assets available within one year for general expenditures are as follows at December 31:

	2019	2018
Cash and cash equivalents	\$ 689,986	\$ 1,039,696
Investments	454,508	231,094
Contributions receivable	<u>61,343</u>	<u>570,300</u>
Total financial assets available within one year	1,205,837	1,841,090
Less:		
Board designated funds	(10,000)	-
Amounts unavailable for general expenditures within one year due to donor-stipulated purpose restrictions	<u>(581,206)</u>	<u>(524,241)</u>
Total financial assets available for general expenditures within one year	<u>\$ 614,631</u>	<u>\$ 1,316,849</u>

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

3. Liquidity and Availability of Resources - Continued

ICC maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets in excess of daily cash requirements are invested in a money market fund, which is a short-term investment. Additionally, ICC's Board designated funds are a component of net assets without donor restriction. Although management intends to use this fund in accordance with provisions outlined by the Board of Directors, amounts could be made available for current operations, if approved by the Board.

4. Investments

	2019	2018
Money market fund	\$ 411,683	\$ 205,285
Common stock	<u>42,825</u>	<u>25,809</u>
	<u><u>\$ 454,508</u></u>	<u><u>\$ 231,094</u></u>

5. Contributions Receivable

Contributions receivable represent the following at December 31:

	2019	2018
Estates receivable	\$ 5,000	\$ 534,384
Year-end gifts	<u>56,343</u>	<u>35,916</u>
	<u><u>\$ 61,343</u></u>	<u><u>\$ 570,300</u></u>

At December 31, 2019, there was also a contribution receivable restricted for endowment that totaled \$250,000. It is expected to be collected in two annual payments of \$125,000 in 2020 and 2021. Management has elected not to record a present value discount associated with the amount due beyond one year as such amount would not be material.

All other contributions receivable are expected to be collected within one year.

6. Receivable from Charitable Trusts

ICC has a remainder interest in two irrevocable charitable remainder unitrusts. The terms of the trusts provide ICC with the trust value (or percentage thereof) upon the death of lifetime beneficiaries. ICC's interest has been recorded at the present value of the estimated fair value of assets to be received in the future.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

7. Receivable from Charitable Gift Annuities

ICC has a beneficial interest in 10 (11 in 2018) charitable gift annuities. The annuities are being administered by North Pacific Union Conference Association of the Seventh-day Adventists and Western Adventist Foundation. The annuities have been recorded at their estimated fair values, based on the terms of each specific annuity.

8. Property and Equipment

	2019	2018
Land	\$ 95,000	\$ 95,000
Buildings	401,215	401,215
Furniture and fixtures	13,531	13,681
Equipment	<u>131,494</u>	<u>133,644</u>
	641,240	643,540
Less accumulated depreciation	<u>(505,954)</u>	<u>(495,062)</u>
	<u><u>\$ 135,286</u></u>	<u><u>\$ 148,478</u></u>

9. Commitments and Rent Expense

ICC leases certain equipment under operating leases expiring through July 2023. Future minimum lease payments under operating leases are as follows:

Years Ending December 31,	Amount
2020	\$ 15,784
2021	14,354
2022	7,200
2023	<u>3,600</u>
	<u><u>\$ 40,938</u></u>

Rent expense during the year ended December 31, 2019, totaled \$12,956.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

10. Net Assets

Net assets without donor restrictions include \$10,000 that has been designated by the Board of Directors for ICC's emergency reserve fund.

Net assets with donor restrictions are restricted as follows at December 31:

	2019	2018
Subject to expenditure for specified purpose:		
Congo Project	\$ 123,207	\$ 19,997
Development projects	329,642	227,943
Dominican Project	49,801	72,992
Education	7,713	8,595
El Salvador Project	88,073	110,362
Guatemala Los Pinos and ICAP Projects	69,548	58,498
India Project	3,735	3,515
Mexico Project	35,674	21,789
Other countries	550	550
	707,943	524,241
Subject to the passage of time:		
Receivable from charitable trusts	70,459	68,185
Receivable from charitable gift annuities	221,364	154,966
	291,823	223,151
Perpetual in nature:		
Contribution receivable restricted for endowment	250,000	-
	\$ 1,249,766	\$ 747,392

During the year ended December 31, 2019, net assets totaling \$50,055 were released from donor restrictions by the occurrence of specific events and the passage of time.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

11. Joint Costs of Activities Including a Fundraising Appeal

ICC conducts campaigns to distribute information about orphaned children in foreign countries and to appeal for funds. Joint costs, consisting of postage and shipping and printing and publication costs, were allocated as follows:

	2019	2018
Program services	\$ 35,832	\$ 37,751
Management and general	8,957	9,438
Fundraising	<u>14,930</u>	<u>15,730</u>
	<u>\$ 59,719</u>	<u>\$ 62,919</u>

12. Tax-Deferred Annuity Plan

ICC has a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the IRC. The Plan is available to all full-time employees of ICC who may make contributions to the Plan up to the maximum amount allowed by the IRC. ICC made discretionary contributions to the Plan totaling \$12,864 in 2019.

13. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, ICC's assets measured at fair value on a recurring basis as of December 31, 2019:

	Quoted Prices in Active Markets (Level 1)	Unobservable Inputs (Level 3)	Total
Money market fund	\$ 411,683	\$ -	\$ 411,683
Common stock	42,825	-	42,825
Receivable from charitable trusts	-	70,459	70,459
Receivable from charitable gift annuities	<u>-</u>	<u>221,364</u>	<u>221,364</u>
	<u>\$ 454,508</u>	<u>\$ 291,823</u>	<u>\$ 746,331</u>

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

13. Fair Value Measurements - Continued

Fair value for both the receivable from charitable trusts and receivable from charitable gift annuities is based on the present value of future cash receipts. The present value of future cash receipts is based on the market value of the underlying assets less the estimated present value of future payments to beneficiaries. Both inputs are provided by the trustees of the trusts and charitable gift annuities and are not observable by ICC.

A summary of changes in ICC's Level 3 assets for the year ended December 31, 2019, is as follows:

	Receivable from Charitable Trusts	Receivable from Charitable Gift Annuities	Total
Balance, beginning of year	\$ 68,185	\$ 154,966	\$ 223,151
Distribution	-	(3,692)	(3,692)
Change in value	<u>2,274</u>	<u>70,090</u>	<u>72,364</u>
Balance, end of year	<u>\$ 70,459</u>	<u>\$ 221,364</u>	<u>\$ 291,823</u>

14. Endowment

At December 31, 2019, ICC's endowment (the Farrow Endowment Fund) consisted of a contribution receivable of \$250,000. Once collected, ICC's investment objective will be to provide a predictable stream of income for ICC's programs while also achieving long-term growth. The spending rate for the endowment fund will be 80 percent of investment income earned each year.

Change in endowment funds for the year ended December 31 2019, is as follows:

Endowment net assets, beginning of year	\$ -
Contributions	<u>250,000</u>
Endowment net assets, end of year	<u>\$ 250,000</u>

15. Beneficial Interest in Funds Held by Prolasa Canada, Inc.

Prolasa Canada, Inc. (Prolasa) (a nonprofit organization in Canada) accepts contributions raised in Canada that have been designed for ICC. At the direction of ICC's management, Prolasa disburses these funds to one of ICC's project sites. Therefore, because ICC has the ability to direct the use of these funds, the funds held by Prolasa for ICC are recorded as an asset by ICC. At December 31, 2019, the balance of ICC's beneficial interest in funds held by Prolasa totaled \$126,737.

Prolasa is a related party to ICC as it has a management member that is related to management members of ICC.