



FINANCIAL STATEMENTS
Year Ended December 31, 2020

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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
May 6, 2021

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Financial Position

| December 31, 2020 <i>(With Comparative Amounts for 2019)</i> | 2020 | 2019 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 931,725 | \$ 689,986 |
| Investments | 483,552 | 454,508 |
| Contributions receivable | 84,298 | 61,343 |
| Loans receivable | 91,475 | 18,430 |
| Prepaid expenses | 31,339 | 29,639 |
| Beneficial interest in funds held by Prolasa Canada, Inc. | 121,122 | 126,737 |
| Investments held for endowment | 129,585 | - |
| Contribution receivable restricted for endowment | 125,000 | 250,000 |
| Receivable from charitable trusts | 85,023 | 70,459 |
| Receivable from charitable gift annuities | 155,357 | 221,364 |
| Property and equipment - net | 123,264 | 135,286 |
| Total assets | <u>\$ 2,361,740</u> | <u>\$ 2,057,752</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable and accrued liabilities | \$ 5,477 | \$ 5,789 |
| Accrued vacation | 82,400 | 69,416 |
| Total liabilities | 87,877 | 75,205 |
| Net assets: | | |
| Without donor restrictions | 1,034,468 | 732,781 |
| With donor restrictions | 1,239,395 | 1,249,766 |
| Total net assets | <u>2,273,863</u> | <u>1,982,547</u> |
| Total liabilities and net assets | <u>\$ 2,361,740</u> | <u>\$ 2,057,752</u> |

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Activities

Year Ended December 31, 2020 *(With Comparative Totals for 2019)*

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|---|-------------------------------|----------------------------|---------------------|---------------------|
| | | | 2020 | 2019 |
| Revenue and support: | | | | |
| Contributions | \$ 3,987,217 | \$ 118,998 | \$ 4,106,215 | \$ 3,679,960 |
| In-kind contributions | 30,272 | - | 30,272 | 28,400 |
| Net assets released from restrictions | 155,213 | (155,213) | - | - |
| Net revenue and support | 4,172,702 | (36,215) | 4,136,487 | 3,708,360 |
| Expenses: | | | | |
| Program services | 3,739,230 | - | 3,739,230 | 3,863,195 |
| Management and general | 166,532 | - | 166,532 | 160,589 |
| Fundraising | 172,571 | - | 172,571 | 200,051 |
| Total expenses | 4,078,333 | - | 4,078,333 | 4,223,835 |
| Income (loss) from operations | 94,369 | (36,215) | 58,154 | (515,475) |
| Non-operating activities: | | | | |
| Contribution restricted for endowment | - | - | - | 250,000 |
| Forgiveness of Paycheck Protection Program loan | 182,500 | - | 182,500 | - |
| Change in value of receivable from: | | | | |
| Charitable trusts | - | 14,564 | 14,564 | 2,274 |
| Charitable gift annuities | - | 6,695 | 6,695 | 70,090 |
| Net investment return | 24,818 | 4,585 | 29,403 | 15,960 |
| Net non-operating activities | 207,318 | 25,844 | 233,162 | 338,324 |
| Increase (decrease) in net assets | 301,687 | (10,371) | 291,316 | (177,151) |
| Net assets, beginning of year | 732,781 | 1,249,766 | 1,982,547 | 2,159,698 |
| Net assets, end of year | \$ 1,034,468 | \$ 1,239,395 | \$ 2,273,863 | \$ 1,982,547 |

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Functional Expenses

Year Ended December 31, 2020 (With Comparative Totals for 2019)

| | Program Services | Management and General | Fundraising | Total | |
|-------------------------------------|---------------------|------------------------------|-------------------|---------------------|---------------------|
| | | | | 2020 | 2019 |
| Grants and allocations | \$ 2,721,995 | \$ - | \$ - | \$ 2,721,995 | \$ 2,897,731 |
| Salaries and wages | 720,898 | 89,750 | 95,914 | 906,562 | 809,253 |
| Payroll taxes | 59,727 | 7,436 | 7,946 | 75,109 | 67,063 |
| Employee benefits | 113,996 | 14,192 | 15,167 | 143,355 | 140,383 |
| Professional fees | - | 20,773 | 150 | 20,923 | 39,457 |
| Supplies | 14,148 | 1,761 | 1,882 | 17,791 | 20,051 |
| Telephone | 9,235 | 1,150 | 1,228 | 11,613 | 12,256 |
| Postage and shipping | 10,581 | 2,645 | 4,409 | 17,635 | 22,783 |
| Occupancy | 13,784 | 4,991 | 4,991 | 23,766 | 20,607 |
| Equipment rental and maintenance | 7,281 | 2,636 | 2,636 | 12,553 | 12,957 |
| Printing and publications | 16,706 | 4,176 | 6,961 | 27,843 | 36,936 |
| Travel | 2,597 | 323 | 346 | 3,266 | 9,285 |
| Conferences and meetings | 3,289 | 409 | 438 | 4,136 | 478 |
| Depreciation | 9,700 | 3,512 | 3,512 | 16,724 | 16,286 |
| Foreign development | - | - | 14,213 | 14,213 | 21,417 |
| Other | 35,293 | 12,778 | 12,778 | 60,849 | 96,892 |
| | \$ 3,739,230 | \$ 166,532 | \$ 172,571 | \$ 4,078,333 | \$ 4,223,835 |

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Cash Flows

| Year Ended December 31, 2020 <i>(With Comparative Totals for 2019)</i> | 2020 | 2019 |
|---|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Cash receipts: | | |
| Contributions | \$ 4,161,577 | \$ 4,058,419 |
| Interest and dividends | 3,752 | 6,930 |
| Cash paid: | | |
| Grantees, suppliers, and employees | <u>(4,020,365)</u> | <u>(4,186,604)</u> |
| Net cash provided (used) by operating activities | 144,964 | (121,255) |
| Cash flows from investing activities: | | |
| Purchases of equipment | (4,702) | (3,094) |
| Purchases of investments | (249,807) | (206,931) |
| Proceeds from sale of investments | 116,829 | - |
| Loan receivable issuances | <u>(73,045)</u> | <u>(18,430)</u> |
| Net cash used by investing activities | (210,725) | (228,455) |
| Cash flows from financing activities: | | |
| Proceeds from contributions restricted for endowment | 125,000 | - |
| Proceeds from Paycheck Protection Program loan | <u>182,500</u> | <u>-</u> |
| Net cash provided by financing activities | 307,500 | - |
| Net increase (decrease) in cash and cash equivalents | 241,739 | (349,710) |
| Cash and cash equivalents, beginning of year | <u>689,986</u> | <u>1,039,696</u> |
| Cash and cash equivalents, end of year | <u>\$ 931,725</u> | <u>\$ 689,986</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, 2020 <i>(With Comparative Totals for 2019)</i> | 2020 | 2019 |
|---|-------------------|---------------------|
| Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Increase (decrease) in net assets | \$ 291,316 | \$ (177,151) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 16,724 | 16,286 |
| Contribution receivable restricted for endowment | - | (250,000) |
| Change in value of receivable from: | | |
| Charitable trusts | (14,564) | (2,274) |
| Charitable gift annuities | (6,695) | (70,090) |
| Unrealized and realized gains on investments | (25,651) | (9,030) |
| Contribution of investments | - | (7,453) |
| Distribution from a charitable gift annuity | 72,702 | 3,692 |
| Forgiveness of Paycheck Protection Program loan | (182,500) | - |
| Change in operating assets and liabilities: | | |
| Contributions receivable | (22,955) | 508,957 |
| Beneficial interest in funds held by Prolasa Canada, Inc. | 5,615 | (126,737) |
| Prepaid expenses | (1,700) | 4,990 |
| Accounts payable and accrued liabilities | (312) | (14,734) |
| Accrued vacation | 12,984 | 2,289 |
| Net cash provided (used) by operating activities | \$ 144,964 | \$ (121,255) |

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 statement 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 charitable trusts and gift annuities, the calculation of depreciation expense, and the functional allocation of certain expenses.

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, 2020, 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, 2020, ICC recognized in-kind contributions of \$30,272 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, 2020, totaled \$4,000.

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 2019 - 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, 2019, 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 2020.

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.

ICC's investment objective for endowment assets is to provide a predictable stream of income for programs while also achieving long-term growth. Currently, the spending rate is 80 percent of the annual net investment return with the remaining 20 percent added to the permanent endowment.

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.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

3. Liquidity and Availability of Resources

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

| | 2020 | 2019 |
|---|------------------------------|------------------------------|
| Cash and cash equivalents | \$ 931,725 | \$ 689,986 |
| Operating investments | 483,552 | 454,508 |
| Contributions receivable | 84,298 | 61,343 |
| Loans receivable | 91,475 | 18,430 |
| Beneficial interest in funds held by Prolasa Canada, Inc. | <u>121,122</u> | <u>126,737</u> |
| Total financial assets available within one year | 1,712,172 | 1,351,004 |
| Less: | | |
| Board designated funds | (10,000) | (10,000) |
| Amounts unavailable for general expenditures within one year due to donor-stipulated purpose restrictions | <u>(744,430)</u> | <u>(707,943)</u> |
| Total financial assets available for general expenditures within one year | <u><u>\$ 957,742</u></u> | <u><u>\$ 633,061</u></u> |

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

| | 2020 | 2019 |
|---|--------------------------|--------------------------|
| Money market fund | \$ 409,487 | \$ 411,683 |
| Common stock | 81,198 | 42,825 |
| Fixed income fund | <u>122,452</u> | <u>-</u> |
| | 613,137 | 454,508 |
| Less investments held for endowment | <u>(129,585)</u> | <u>-</u> |
| | <u><u>\$ 483,552</u></u> | <u><u>\$ 454,508</u></u> |

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

5. Contributions Receivable

Contributions receivable represent the following at December 31:

| | 2020 | 2019 |
|-------------------|------------------|------------------|
| Estate receivable | \$ 5,000 | \$ 5,000 |
| Year-end gifts | 79,298 | 56,343 |
| | <u>\$ 84,298</u> | <u>\$ 61,343</u> |

In addition, ICC has a contribution receivable restricted for the ICC Endowment Fund. At December 31, 2020, the balance of this contribution receivable was \$125,000.

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

6. Loans Receivable

ICC has loans receivable from the Congo Project and the Guatemala Los Pinos Project. The repayment terms are not under formal agreements. The loans are unsecured, do not bear interest, and are expected to be repaid during the next fiscal year. At December 31, 2020 and 2019, the balance of loans receivable totaled \$91,475 and \$18,430, respectively.

7. 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, 2020, the balance of ICC's beneficial interest in funds held by Prolasa totaled \$121,122.

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

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

8. 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.

For one charitable trust, the value is based on the most recently provided information on the fair value of the trust assets, which is not as of the year-end. However, based on historical values, management does not believe this would cause a material difference in the receivable amount recorded.

9. Receivable from Charitable Gift Annuities

ICC has a beneficial interest in 9 (10 in 2019) 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.

10. Property and Equipment - Net

| | 2020 | 2019 |
|-------------------------------|-------------------|-------------------|
| Land | \$ 95,000 | \$ 95,000 |
| Buildings | 401,215 | 401,215 |
| Furniture and fixtures | 13,531 | 13,531 |
| Equipment | <u>136,196</u> | <u>131,494</u> |
| | 645,942 | 641,240 |
| Less accumulated depreciation | <u>(522,678)</u> | <u>(505,954)</u> |
| | <u>\$ 123,264</u> | <u>\$ 135,286</u> |

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

11. 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:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Subject to expenditure for specified purpose: | | |
| Congo Project | \$ 85,030 | \$ 123,207 |
| Development projects | 360,215 | 329,642 |
| Dominican Project | 21,874 | 49,801 |
| Education | 5,590 | 7,713 |
| El Salvador Project | 85,667 | 88,073 |
| Guatemala Los Pinos and ICAP Projects | 70,388 | 69,548 |
| India Project | 69,814 | 3,735 |
| Mexico Project | 45,602 | 35,674 |
| Other countries | 250 | 550 |
| | 744,430 | 707,943 |
| Subject to the passage of time: | | |
| Receivable from charitable trusts | 85,023 | 70,459 |
| Receivable from charitable gift annuities | 155,357 | 221,364 |
| | 240,380 | 291,823 |
| Endowment: | | |
| Unspent earnings available for expenditure | 3,668 | - |
| Perpetual in nature: | | |
| ICC Endowment Fund | 250,917 | 250,000 |
| Total endowment | 254,585 | 250,000 |
| | <u>\$ 1,239,395</u> | <u>\$ 1,249,766</u> |

During the year ended December 31, 2020, net assets totaling \$155,213 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

12. Endowment

Change in endowment funds for the year ended December 31 2020, is as follows:

| | Unspent Earnings Available for Expenditures | Permanent Endowment Balance | Total |
|---|--|--|--------------|
| Endowment net assets, beginning of year | \$ - | \$ 250,000 | \$ 250,000 |
| Net investment return | 3,668 | 917 | 4,585 |
| Endowment net assets, end of year | \$ 3,668 | \$ 250,917 | \$ 254,585 |

13. Paycheck Protection Program Loan

In April 2020, ICC received loan proceeds in the amount of \$182,500 from Umpqua Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if loan proceeds are used for qualifying expenses and certain other conditions are satisfied.

The loan was forgiven in full by the Small Business Administration (SBA) in November 2020 and, as such, ICC has recognized a non-operating gain on the statement of activities of \$182,500, the full amount of the original loan.

14. 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 |
|--------------------------------------|---------------|
| 2021 | \$ 14,354 |
| 2022 | 7,200 |
| 2023 | 3,600 |
| | \$ 25,154 |

Rent expense during the year ended December 31, 2020, totaled \$12,400.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

15. 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, shipping, printing, and publication costs, were allocated as follows:

| | 2020 | 2019 |
|------------------------|------------------|------------------|
| Program services | \$ 27,287 | \$ 35,832 |
| Management and general | 6,821 | 8,957 |
| Fundraising | <u>11,370</u> | <u>14,930</u> |
| | <u>\$ 45,478</u> | <u>\$ 59,719</u> |

16. 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 contribute to the Plan up to the maximum amount allowed by the IRC. ICC made discretionary contributions to the Plan totaling \$12,881 in 2020.

17. 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, 2020:

| | Quoted Prices in Active Markets (Level 1) | Unobservable Inputs (Level 3) | Total |
|---|--|--|-------------------|
| Money market fund | \$ 409,487 | \$ - | \$ 409,487 |
| Common stock | 81,198 | - | 81,198 |
| Fixed income fund | - | 122,452 | 122,452 |
| Receivable from charitable trusts | - | 85,023 | 85,023 |
| Receivable from charitable gift annuities | <u>-</u> | <u>155,357</u> | <u>155,357</u> |
| | <u>\$ 490,685</u> | <u>\$ 362,832</u> | <u>\$ 853,517</u> |

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

17. 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.

The fixed income fund are investments held and managed by Western Adventist Foundation (WAF). The investments are not actively traded and significant other observable inputs are not available. The fair value of the investment is provided by WAF.

A summary of changes in ICC's Level 3 assets for the year ended December 31, 2020, is as follows:

| | Receivable from Charitable Trusts | Receivable from Charitable Gift Annuities | Fixed Income Fund | Total |
|----------------------------|---|---|----------------------|-------------------|
| Balance, beginning of year | \$ 70,459 | \$ 221,364 | \$ - | \$ 291,823 |
| Distribution | - | (72,702) | - | (72,702) |
| Purchases | - | - | 121,398 | 121,398 |
| Net investment return | - | - | 1,054 | 1,054 |
| Change in value | <u>14,564</u> | <u>6,695</u> | <u>-</u> | <u>21,259</u> |
| Balance, end of year | <u>\$ 85,023</u> | <u>\$ 155,357</u> | <u>\$ 122,452</u> | <u>\$ 362,832</u> |

18. Uncertainty Related to COVID-19 Pandemic

Since March 2020, financial markets and economic conditions in general continue to be volatile 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, and the related impact on donors, orphanages, employees, and vendors, all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact ICC's future financial position and results of operations cannot be reasonably estimated at this time.

19. Subsequent Events

Management has evaluated subsequent events through May 6, 2021, the date the financial statements were available for issue.