



FINANCIAL STATEMENTS
Year Ended December 31, 2023

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.

Opinion

We have audited the accompanying financial statements of International Children's Care, Inc., which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of International Children's Care, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about International Children's Care, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 International Children's Care, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about International Children's Care, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited International Children's Care, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon

April 17, 2024

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Financial Position

December 31, 2023 (With Comparative Amounts for 2022)	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,125,909	\$ 804,383
Investments (Note 4)	526,223	483,895
Contributions receivable (Note 5)	50,963	113,838
CARES Act tax credits receivable	-	107,902
Loans receivable (Note 6)	60,230	18,825
Prepaid expenses	39,507	32,717
Beneficial interest in funds held by Prolasa Canada, Inc. (Note 7)	187	-
Investments held for endowment (Note 4)	255,968	268,770
Receivable from charitable trusts (Note 8)	306,626	298,962
Receivable from charitable gift annuities (Note 9)	142,214	137,286
Property and equipment - net (Note 10)	109,482	112,630
Operating lease right-of-use assets (Note 11)	48,920	63,140
Total assets	\$ 2,666,229	\$ 2,442,348
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 4,907	2,653
Accrued vacation	62,338	71,914
Operating lease liabilities (Note 11)	48,920	63,140
Total liabilities	116,165	137,707
Net assets:		
Without donor restrictions	654,041	793,104
With donor restrictions (Note 12)	1,896,023	1,511,537
Total net assets	2,550,064	2,304,641
Total liabilities and net assets	\$ 2,666,229	\$ 2,442,348

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Activities

Year Ended December 31, 2023 (With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Revenue and support:				
Contributions	\$ 3,638,618	\$ 545,975	\$ 4,184,593	\$ 3,850,910
In-kind contributions	11,295	-	11,295	14,158
Net assets released from restrictions (Note 12)	199,692	(199,692)	-	-
Net revenue and support	3,849,605	346,283	4,195,888	3,865,068
Expenses:				
Program services	3,581,221	-	3,581,221	3,614,643
Management and general	211,010	-	211,010	204,209
Fundraising	238,823	-	238,823	181,494
Total expenses	4,031,054	-	4,031,054	4,000,346
Change in net assets from operations	(181,449)	346,283	164,834	(135,278)
Non-operating activities:				
Contribution of charitable trust	-	-	-	205,264
Loss on disposal of equipment	-	-	-	(242)
Change in value of receivable from:				
Charitable trusts	-	7,664	7,664	9,291
Charitable gift annuities	-	18,342	18,342	(46,603)
Net investment return (loss)	42,386	12,197	54,583	(18,402)
Net non-operating activities	42,386	38,203	80,589	149,308
Change in net assets	(139,063)	384,486	245,423	14,030
Net assets, beginning of year	793,104	1,511,537	2,304,641	2,290,611
Net assets, end of year	\$ 654,041	\$ 1,896,023	\$ 2,550,064	\$ 2,304,641

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Functional Expenses

Year Ended December 31, 2023 *(With Comparative Totals for 2022)*

	Program Services	Management and General	Fundraising	Total	
				2023	2022
Grants and allocations	\$ 2,607,680	\$ -	\$ -	\$ 2,607,680	\$ 2,659,113
Salaries and wages	669,634	115,342	145,201	930,177	888,955
Payroll taxes	58,913	10,148	12,774	81,835	78,904
Employee benefits	92,573	15,945	20,073	128,591	125,726
Professional fees	-	20,775	-	20,775	21,450
Supplies	15,029	2,589	3,258	20,876	26,588
Telephone	8,328	1,434	1,806	11,568	12,378
Postage and shipping	11,135	2,784	4,640	18,559	16,951
Occupancy	17,685	6,948	6,948	31,581	28,600
Equipment rental and maintenance	7,782	3,057	3,058	13,897	14,525
Printing and publications	24,032	6,008	10,013	40,053	29,243
Travel	3,095	533	671	4,299	9,589
Conferences and meetings	1,003	173	217	1,393	486
Depreciation	2,186	859	858	3,903	4,228
Foreign development	-	-	4,891	4,891	171
Other	62,146	24,415	24,415	110,976	83,439
	\$ 3,581,221	\$ 211,010	\$ 238,823	\$ 4,031,054	\$ 4,000,346

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Cash Flows

Year Ended December 31, 2023 <i>(With Comparative Totals for 2022)</i>	2023	2022
Cash flows from operating activities:		
Cash receipts:		
Contributions	\$ 4,368,599	\$ 3,931,002
Interest and dividends	33,838	39
Cash paid:		
Grantees, suppliers, and employees	<u>(4,029,970)</u>	<u>(4,004,460)</u>
Net cash provided (used) by operating activities	372,467	(73,419)
Cash flows from investing activities:		
Purchases of equipment	(755)	(4,985)
Purchases of investments	(8,781)	(1,557)
Loan receivable issuances	(85,050)	-
Loan receivable repayments	<u>43,645</u>	<u>77,125</u>
Net cash provided (used) by investing activities	<u>(50,941)</u>	<u>70,583</u>
Net increase (decrease) in cash and cash equivalents	321,526	(2,836)
Cash and cash equivalents, beginning of year	<u>804,383</u>	<u>807,219</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,125,909</u></u>	<u><u>\$ 804,383</u></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, 2023 <i>(With Comparative Totals for 2022)</i>	2023	2022
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$ 245,423	\$ 14,030
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,903	4,228
Change in value of receivable from:		
Charitable trusts	(7,664)	(9,291)
Charitable gift annuities	(18,342)	46,603
Unrealized and realized (gain) loss on investments	(20,745)	18,441
Loss from disposal of equipment	-	242
Distributions from charitable gift annuities	13,414	-
Contribution of charitable trust	-	(205,264)
Change in operating assets and liabilities:		
Contributions receivable	62,875	(11,045)
CARE Act tax credits receivable	107,902	89,659
Beneficial interest in funds held by Prolasa Canada, Inc.	(187)	1,478
Prepaid expenses	(6,790)	3,191
Accounts payable and accrued liabilities	2,254	(2,480)
Accrued vacation	(9,576)	(23,211)
Net cash provided (used) by operating activities	<u>\$ 372,467</u>	<u>\$ (73,419)</u>

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

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements

1. Nature of Activities and 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, whereby 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. Nature of Activities and 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 reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

Loans Receivable - Loans receivable represent short-term loans to support programs in various countries. ICC uses the allowance method to account for uncollectible loans receivable. The allowance for credit losses is estimated by management based on a variety of factors, including past history and current economic conditions. ICC considers loans receivable to be fully collectible at year end. Accordingly, management believes no allowance is necessary.

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, 2023, 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. Nature of Activities and 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. There were no conditional promises to give as of December 31, 2023 and 2022.

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. Nature of Activities and 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, 2023, ICC recognized in-kind contributions of \$11,295 consisting of donated supplies for ICC's program services. The value was based on the estimated cost of the supplies if purchased.

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.

Advertising - Advertising costs are charged to expense as incurred. Advertising and promotional expense for the year ended December 31, 2023, totaled \$43,995.

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.

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 2023.

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.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Nature of Activities and Significant Accounting Policies - Continued Endowment - Continued

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.

Adoption of New Accounting Standard - In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB ASC 326) which significantly changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by ICC that are subject to the guidance in FASB ASC 326 were loans receivable.

ICC adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Summarized Financial Information for 2022 - 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, 2022, from which the summarized information was derived.

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.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

2. Program and Supporting Services - Continued

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:

	2023	2022
Cash and cash equivalents	\$ 1,125,909	\$ 804,383
Operating investments	526,223	483,895
Contributions receivable	50,963	113,838
CARE Act tax credits receivable	-	107,902
Beneficial interest in funds held by Prolasa Canada, Inc.	187	-
	<u>1,703,282</u>	<u>1,510,018</u>
Total financial assets available within one year	1,703,282	1,510,018
Less:		
Board designated funds	(10,000)	(10,000)
Amounts unavailable for general expenditures within one year due to donor-stipulated purpose restrictions	<u>(1,191,215)</u>	<u>(806,519)</u>
Total financial assets available for general expenditures within one year	<u>\$ 502,067</u>	<u>\$ 693,499</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.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

4. Investments

	2023	2022
Money market fund	\$ 470,480	\$ 418,457
Common stock	51,405	54,335
Fixed income fund	260,306	263,394
Equity mutual funds	-	16,479
	<u>782,191</u>	<u>752,665</u>
Less investments held for endowment	<u>(255,968)</u>	<u>(268,770)</u>
	<u>\$ 526,223</u>	<u>\$ 483,895</u>

5. Contributions Receivable

At December 31, 2023 and 2022, ICC's contributions receivable are all expected to be collected within one year.

6. Loans Receivable

ICC has loan receivables from the Guatemala Los Pinos Project and Congo Project. The repayment terms are not under formal agreements, are unsecured, and do not bear interest. At December 31, 2023 and 2022, the balance of loans receivable totaled \$60,230 and \$18,825, respectively.

At each statement of financial position date, ICC recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is determined by evaluating each loan. However, at December 31, 2023 and 2022, an allowance for credit losses was not considered necessary by management.

ICC will write off loans receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery, in accordance with ICC's accounting policy election.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

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 designated 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, they are recorded as an asset by ICC. At December 31, 2023, ICC's beneficial interest in funds held by Prolasa was \$187.

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

8. Receivable from Charitable Trusts

ICC has a remainder interest in three 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 6 charitable gift annuities (8 in 2022). 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.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

10. Property and Equipment - Net

	2023	2022
Land	\$ 95,000	\$ 95,000
Buildings	401,970	401,215
Furniture and fixtures	13,488	13,531
Equipment	<u>91,925</u>	<u>124,150</u>
	602,383	633,896
Less accumulated depreciation	<u>(492,901)</u>	<u>(521,266)</u>
	<u>\$ 109,482</u>	<u>\$ 112,630</u>

11. Operating Leases

ICC determines if an arrangement is a lease or a service contract at inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement is a lease, ICC determines whether it is an operating or finance lease.

Leases result in recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. ICC has elected not to separate lease components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as expense in the period in which the obligation for payment is incurred. ICC considers any options to extend or terminate a lease when determining the lease term, and only options that ICC believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

ICC leases copiers and a postage machine under operating leases with 5-year initial terms. The lease agreements do not include any residual value guarantees or restrictive covenants. ICC has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor ICC's incremental borrowing rate are readily available.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

11. Operating Leases - Continued

Lease expense was composed of the following as of December 31, 2023:

Operating lease expenses	\$ 15,384
Variable lease expenses	<u>940</u>
	<u><u>\$ 16,324</u></u>

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities for operating leases included in operating cash flows	\$ 15,384
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Weighted average lease term and discount rate were as follows at December 31, 2023:

Weighted-average remaining lease term (in years) for operating leases	3.33
Weighted-average discount rate for operating leases	2.12%

The maturities of operating lease liabilities were as follows as of December 31, 2023:

Years Ending December 31,	Amount
2024	\$ 15,384
2025	15,384
2026	15,384
2027	<u>4,616</u>
	50,768
Less present value discount	<u>(1,848)</u>
Operating lease liabilities	<u><u>\$ 48,920</u></u>

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

12. 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:

	2023	2022
Subject to expenditure for specified purpose:		
Congo Project	\$ 122,827	\$ 48,373
Development projects	335,252	468,067
Dominican Project	74,543	69,895
Education	4,000	4,000
El Salvador Project	82,607	83,027
Guatemala Los Pinos and ICAP Projects	30,525	36,119
India Project	24,877	41,856
Mexico Project	516,334	54,932
Romania Project	250	250
	1,191,215	806,519
Subject to the passage of time:		
Receivable from charitable trusts	306,626	298,962
Receivable from charitable gift annuities	142,214	137,286
	448,840	436,248
Endowment:		
Unspent earnings available for expenditure	114	15,015
Perpetual in nature:		
ICC Endowment Fund	255,854	253,755
	255,968	268,770
Total endowment	255,968	268,770
	\$ 1,896,023	\$ 1,511,537

During the year ended December 31, 2023, net assets totaling \$199,692 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

13. Endowment

Change in endowment funds for the year ended December 31, 2023, is as follows:

	Unspent Earnings Available for Expenditures	Permanent Endowment Balance	Total
Endowment net assets, beginning of year	\$ 15,015	\$ 253,755	\$ 268,770
Net investment return	10,098	2,099	12,197
Appropriated for expenditure	<u>(24,999)</u>	<u>-</u>	<u>(24,999)</u>
Endowment net assets, end of year	<u>\$ 114</u>	<u>\$ 255,854</u>	<u>\$ 255,968</u>

14. 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, 2023:

	(Level 1)	(Level 3)	Total
Money market fund	\$ 470,480	\$ -	\$ 470,480
Common stock	51,405	-	51,405
Fixed income fund	<u>-</u>	<u>260,306</u>	<u>260,306</u>
Total investments	521,885	260,306	782,191
Receivable from charitable trusts	-	306,626	306,626
Receivable from charitable gift annuities	<u>-</u>	<u>142,214</u>	<u>142,214</u>
	<u>\$ 521,885</u>	<u>\$ 709,146</u>	<u>\$ 1,231,031</u>

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.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

14. Fair Value Measurements - Continued

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.

During the year ended December 31, 2023, there were no purchases, sales, or transfers into or out of Level 3 classification.

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:

	2023	2022
Program services	\$ 35,167	\$ 27,717
Management and general	8,792	6,929
Fundraising	<u>14,653</u>	<u>11,548</u>
	<u>\$ 58,612</u>	<u>\$ 46,194</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 \$12,531 in 2023.

17. Subsequent Events

Management has evaluated subsequent events through April 17, 2024, the date the financial statements were available for issue.