

**International Children's Network
Financial Statements
December 31, 2020**

International Children's Network

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VENTURA PRANAS
ACCOUNTANTS WITHOUT BORDERS

Pranas Accounting Tax & Bookkeeping Services, Inc.

Independent Auditor's Report

To the Board of Directors of
International Children's Network

We have audited the accompanying financial statements of International Children's Network (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities and changes in net assets, 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

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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.



VENTURA PRANAS
ACCOUNTANTS WITHOUT BORDERS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Children's Network 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.

Pranas Accounting, Tax and Bookkeeping Services Inc.

Pranas Accounting, Tax and Bookkeeping Services Inc.
2316, Hill Street
Santa Monica, CA 90405
June 15, 2021

International Children's Network
Statement of Financial Position
December 31, 2020

	<u>2020</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 619,084
Prepaid expense	2,390
Prepaid credit cards	<u>2,116</u>
Total current assets	623,590
Property and equipment, net	380,696
Other assets	<u>113,236</u>
Total assets	<u><u>\$ 1,117,522</u></u>
Liabilities and net assets	
Liabilities	
Accounts payable and accrued expenses	<u>\$ 51,426</u>
Total current liabilities	51,426
Net assets	
Without donor restrictions	<u>1,066,096</u>
Total liabilities and net assets	<u><u>\$ 1,117,522</u></u>

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

International Children's Network
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020

	2020
Revenue and support	
Contributions	838,999
Fund raising income	118,935
Investment return	27
Total revenue and support	<u>957,961</u>
Expenses	
Program services	724,029
Management and general	61,765
Fund raising	41,089
Total expenses	<u>826,883</u>
Increase in net assets without donor restrictions	<u>131,078</u>
Other income	
Forgiveness of PPP Loan	<u>37,827</u>
Net increase in net assets without donor restrictions	168,905
Net assets without donor restrictions, beginning of year	<u>897,191</u>
Net assets without donor restrictions, end of year	<u><u>1,066,096</u></u>

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

International Children's Network
Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Children</u>	<u>Management and General</u>	<u>Fund raising</u>	
Compensation and related expenses				
Compensation	\$ 166,507	\$ 13,245	\$ 9,461	\$ 189,213
Employee benefits and payroll taxes	18,578	1,478	1,056	21,111
Total compensation and related expenses	185,085	14,723	10,516	210,324
Child care	352,002	-	18,526	370,528
Office expenses	52,164	4,149	2,964	59,277
Depreciation	-	41,285	-	41,285
Accounting fees	15,200	-	-	15,200
Travel	24,218	255	1,020	25,493
Automobiles expense	7,096	564	403	8,064
Bank fees	16,434	-	-	16,434
Management fees	12,000	-	-	12,000
Insurance	1,906	-	-	1,906
Advertising and promotions	45,957	-	6,267	52,224
Legal fees	1,730	-	-	1,730
Information technology	5,456	434	310	6,200
Postage	2,831	225	161	3,217
Food and entertainment	1,624	129	92	1,846
Choir equipment	-	-	830	830
Professional fees	325	-	-	325
Total expenses	\$ 724,029	\$ 61,765	\$ 41,089	\$ 826,883

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

International Children's Network
Statement of Cash Flows
Year Ended December 31, 2020

	2020
Cash flows from operating activities	
Net increase in net assets without donor restrictions	\$ 168,905
Adjustments to reconcile net increase in net assets without donor restrictions to net cash provided by operating activities	
Depreciation	41,285
Forgiveness of PPP Loan	37,827
Changes in operating assets and liabilities	
Prepaid expenses	(1,235)
Accounts payable and accrued expenses	(3,614)
Other assets	81
Net cash provided by operating activities	<u>243,249</u>
Cash flows from investing activities	
Payment for purchase of property and improvements	<u>(78,755)</u>
Cash flows from financing activities	
Proceeds from PPP loan	<u>(37,827)</u>
Net increase in cash and cash equivalents	126,667
Cash and cash equivalents, beginning of year	<u>492,417</u>
Cash and cash equivalents, end of year	<u><u>\$ 619,084</u></u>

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

Note 1 Nature of Activities and Organization

The mission of International Children's Network (the "organization") is to provide as many of our world's 600 million orphaned and at-risk children sponsorship for a complete education through their nation's highest university or vocational levels. By doing so, every child will be on equal footing with their nation's most privileged children. They will return to their villages to help other children who are in the same condition, they once were in order to break the cycle of utter dependency and despair and replace it with empowerment and hope. Management and general activities include the functions necessary to provide support for the organization's program activities. They include activities that provide governance (Board of Trustees), oversight, business management, financial recordkeeping, budgeting, legal services, human resources management, and similar functions that ensure an adequate working environment and equitable employment program. Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions.

Note 2 Significant Accounting Policies

Adoption of New Standards

The Organization follows Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, requirements for the presentation of expenses in both natural and functional classifications, and the lack of consistency in the type of information provided about expenses and investment return.

The Organization follows FASB issued ASU 2019-09, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between non conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than no-for-profits to identify and account for contributions made.

Note 2 Significant Accounting Policies (continued)

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, are prepared on the accrual basis of accounting. The financial statement presentation is in accordance with FASB ASU Topic 958, *Not-for-Profit Entities*. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor – (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

There were no net assets with donor restrictions at December 31, 2020.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Revenue Recognition

Contributions received are recorded as available for undesignated use, unless specifically designated by the donor in which case, they are classified as net assets with donor restrictions.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities and changes in net assets without donor restrictions, which includes all expenses incurred for the year. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the methodology required, which does not materially differ from the requirements of GAAP.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires Organization's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Significant Accounting Policies (continued)

Property and equipment

Property and equipment are carried at cost. The Organization capitalizes all expenditures for property and equipment in excess of \$5,000 with a useful life of greater than two years. Depreciation and amortizations are computed on the straight-line method over estimated useful life. Repairs and maintenance expenditures are charged to operations as incurred.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of the future undiscounted cash flows produced by the asset, or the appropriate groupings of assets, is compared to the asset's carrying value to determine if impairment exists. The Company recognizes an impairment loss only if the carrying amount of the asset is not recoverable from its undiscounted cash flows and records an impairment loss as the difference between the carrying amount and fair value of the asset. There were no impairments for the year ended December 31, 2020.

Tax-Exempt Status

The Organization is a not-for-profit organization that is exempt from income taxes under section 501 (C)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Note 3 Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other gross restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>
Financial assets available at year end	\$ 619,084
Less: those unavailable for general expenditures within one year, due to Donor-restricted payment	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 619,084</u></u>

As part of Organization liquidity management plan, they monitor cash flows for capital requirements.

Note 4 Property and Equipment

Property and equipment consist of the following:

	<u>2020</u>
Land	\$ 66,900
Building	254,022
Equipments	39,230
Vehicles	<u>173,695</u>
	533,847
Less: accumulated depreciation	<u>153,151</u>
	<u><u>\$ 380,696</u></u>

The Organization completed the construction project in Liberia as of December 31, 2020 and has been capitalized in full..

Depreciation expense for the year ended December 31, 2020 was \$41,285.

Note 5 Related party transaction

During 2020, Organization has paid approximately \$180,000 to Don Windham, President and Founder of ICN and their family members, which is included in the compensation and related expenses presented in the schedule of functional expense.

Note 6 Concentrations of Credit Risk

Concentrations of credit risk relate primarily to cash and cash equivalents. The Organization maintains its cash and cash equivalents at financial institutions in amounts which at times exceed federally insured limits. The Organization has not experienced any losses in these accounts, and management does not believe it is subject to significant risk on such assets.

Note 7 Contingencies

The Organization engaged an attorney in Liberia and filed a law suit against a former employee who misappropriated funds in the amount of \$110,000, which is included as a component of other asset on the accompanying statement of financial position. The matter is at an early stage of legal recourse and the organization believes the amount is fully recoverable.

Note 8 Uncertainties

In January 2020, the World Health organization declared coronavirus (COVID-19) which had emanated in China, a Public Health Emergency of International Concern. This contagious disease outbreak has continued to spread to additional countries throughout the world during the subsequent period. The current uncertainty about the containment of COVID 19 and related adverse public health and economic developments, could adversely affect Organization through-out the remainder of 2021. Management continues to monitor the outbreak, however, as of the date of these financial statements the potential impact of such event on the Organization cannot be quantified.

Note 9 SBA Paycheck Protection Program Loan Payable

On May 1, 2020, the Company qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of approximately \$37,827 (the "PPP Loan"). The PPP Loan is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Company's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company. The Company has applied and obtained forgiveness of the PPP Loan in the amount of \$37,827 and recognized as income on the accompanying statement of activities and changes in net assets.

Note 10 Subsequent Events

The Organization has evaluated subsequent events through June 15, 2021, which is the date the financial statements were available to be issued and noted