

THE DAVID KUNSMAN CORPORATION, INC.

MEMBER OF AMERICAN AND PENNSYLVANIA INSTITUTES OF CPA'S
A CERTIFIED PUBLIC ACCOUNTING PRACTICE

MAILING ADDRESS: P.O. BOX 1173 Easton, PA 18044-1173

PHONE
610-438-1345

E-MAIL
lyn.dav@rcn.com

FAX
610-438-1346

OFFICE LOCATION: 2029 Northampton St. Wilson Borough, PA

INDEPENDENT AUDITOR'S REPORT

Board of Trustees of International Children's Network
P.O. Box 7695
Covington, WA 98042

We have audited the accompanying financial statements of **INTERNATIONAL CHILDREN'S NETWORK** (a nonprofit organization), as of December 31, 2016, and the related statement of activities and functional expenses 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 the modified cash basis of accounting as described in Note 2; 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 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 assets, liabilities, and net assets of the **INTERNATIONAL CHILDREN'S NETWORK** as of December 31, 2016, and its support, revenue, and expenses for the year then ended in accordance with cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

THE DAVID KUNSMAN CORPORATION, INC.

BY:

David L. Kunsman Sr.
David L. Kunsman, Sr., CPA
Audit Engagement Shareholder

INTERNATIONAL CHILDREN'S NETWORK
STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS
December 31, 2016

	<u>2015</u>	<u>2016</u>
ASSETS		
Cash & Cash Equivalents	\$ 279,245	\$ 466,862
Loans Receivable	17,645	17,645
Property (Net Accum. Depr.)	8,142	14,350
Equipment (Net Accum. Depr.)	6,008	7,975
Land	575,970	575,970
Vehicles (Net Accum. Deprec.)	<u>0</u>	<u>7,830</u>
TOTAL ASSETS	\$ 887,010	\$ 1,090,632
LIABILITIES		
Accounts Payable	\$ 3,394	\$ 7,831
Payroll Liabilities	<u>1,708</u>	<u>1,559</u>
TOTAL LIABILITIES	\$ 5,102	\$ 9,390
NET ASSETS		
Unrestricted	881,908	\$ 1,081,242
Temporarily Restricted	0	0
Permanently Restricted	<u>0</u>	<u>0</u>
TOTAL NET ASSETS	<u>881,908</u>	<u>1,081,242</u>
TOTAL LIABILITIES & NET ASSETS	\$ 887,010	\$ 1,090,632

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

INTERNATIONAL CHILDREN'S NETWORK
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS & OTHER SUPPORT:				
Contributions – General	\$ 163,870	-	-	\$ 163,870
Contributions – Sponsorship Program	462,754	-	-	462,754
Fundraising Income	215,273	-	-	215,273
Investment Return	24	-	-	24
Other	1,079	-	-	1,079
TOTAL REVENUES, GAINS & OTHER SUPPORT	<u>843,000</u>	<u>-</u>	<u>-</u>	<u>843,000</u>
EXPENSES:				
Program Services	491,679	-	-	491,679
General & Administrative	63,582	-	-	63,582
Fundraising Expenses	88,405	-	-	88,405
TOTAL EXPENSES	<u>643,666</u>	<u>-</u>	<u>-</u>	<u>643,666</u>
CHANGE IN NET ASSETS	<u>\$ 199,334</u>	<u>-</u>	<u>-</u>	<u>\$ 199,334</u>

The accompanying notes are an integral part of these financial statements.
(restated 11/5/18)

INTERNATIONAL CHILDREN'S NETWORK
STATEMENT FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
For the Year Ended December 31, 2016

	Program <u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 95,328	\$ 11,215	\$ 5,607	\$112,150
Employee Benefits & Payroll Taxes	<u>24,388</u>	<u>2,869</u>	<u>1,435</u>	<u>28,692</u>
TOTAL SALARIES & RELATED EXPENSES	119,716	14,084	7,042	140,842
Professional Fees	3,187	10,500	188	13,875
Bank Fees	0	13,232	0	13,232
Building Improvements	0	4,072	0	4,072
Licensing Fees	0	20	0	20
Sponsorship Program	237,811	0	24,507	262,318
Auto Expense	30,361	3,572	1,786	35,719
Advertising	39,096	4,600	2,464	46,160
Information & Technology	3,764	443	221	4,428
Postage	3,104	365	182	3,651
Printing	5,648	664	332	6,644
Travel	4,557	536	46,274	51,367
Food & Entertainment	16,570	1,949	975	19,494
Office Supplies	2,336	275	137	2,748
Telephone	7,674	903	451	9,028
Utilities	637	75	38	750
Subscriptions	2,313	272	136	2,720
Office	1,857	218	109	2,184
Equipment	11,087	1,304	3,448	15,839
Insurance	611	72	36	719
Depreciation	0	6,267	0	6,267
Miscellaneous	<u>1,350</u>	<u>159</u>	<u>79</u>	<u>1,588</u>
TOTAL	<u>\$491,679</u>	<u>\$ 63,582</u>	<u>\$ 88,405</u>	<u>\$643,666</u>

The accompanying notes are an integral part of these financial statements.
(restated 11/5/18)

INTERNATIONAL CHILDREN'S NETWORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

1. DESCRIPTION OF ORGANIZATION

The mission of International Children's Network 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The organization prepares its financial statements in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities. These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

• *Basis of Accounting*

The organization prepares its financial statements using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities.

• *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances; however, the actual results could differ from those estimates.

• *Net Assets*

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

a. Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of restricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

b. Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

c. Permanently Restricted Net Assets

Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with the donor's restriction nor the passage of time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class, as is the organization's beneficial interest in a perpetual charitable trust held by a bank trustee.

• *Classification of Transactions*

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets.

• *Cash & Cash Equivalents*

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. The Organization maintains cash balances at several financial institutions located throughout the United States of America. Deposit accounts at each bank are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000 per account. The balances occasionally exceed those limits.

• *Other Assets*

Other assets are primarily a loan receivable from the owner of the Organization, Don Windham. There are no repayment terms for this loan.

• *Land, Buildings, Equipment, & Vehicles*

Buildings, land, equipment, and vehicles are reported in the statement of financial

position at cost, if purchased, and at fair value at the date of donation, if donated. No land is capitalized. All buildings are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more, and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings & Improvements	27 ½ years
Furnishings & Equipment	5-7 years
Vehicles	5 years

- *Accounting for Contributions*

Contributions are recognized when received. All contributions are reported as increases in unrestricted net assets unless the use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction.

- *Expense Recognition & Allocation*

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited on the basis of usage studies. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses, in accordance with standards of accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

- *Tax Status*

The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC).

Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

3. LAND, BUILDINGS, EQUIPMENT, & VEHICLES

Fixed Assets at December 31, 2016, are as follows:

Land and Land Improvements	\$575,970
Buildings and Building Improvements	16,400
Furnishings and Equipment	18,300
Vehicles	<u>51,200</u>
	661,870
Accumulated Depreciation	<u>(55,745)</u>
Total Land, Buildings, Equipment, & Vehicles, Net	<u>606,125</u>

4. COMMITMENTS & CONTINGENCIES

There are not any commitments or contingencies at this time.

5. CONCENTRATIONS OF RISK

A significant portion of the organization's annual funding comes from individual donations. As such, the organization's ability to generate resources via contributions is dependent upon the economic health of the area the donations are received from.

6. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year ended December 31, 2016.

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 26, 2017, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.