
THE INTERNATIONAL CENTER

FINANCIAL STATEMENTS

Year Ended December 31, 2015

and

Supplementary Financial Information

with

Independent Auditors' Report

THE INTERNATIONAL CENTER

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Independent Auditors' Report

The Board of Directors
The International Center

Report on the Financial Statements

We have audited the accompanying financial statements of The International Center (the Center), which comprise the statement of financial position as of December 31, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 upon 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 Center'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 Center'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 the Center as of December 31, 2015 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Center's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary financial information on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements of the Center. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 4, 2016, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The International Center's internal control over financial reporting and compliance.

Hollman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
August 4, 2016

THE INTERNATIONAL CENTER

Statement of Financial Position

December 31, 2015 <i>(With Comparative Amounts for 2014)</i>	2015	2014
ASSETS		
Cash and cash equivalents	\$ 28,020	\$ 245,849
Accounts receivable and advances	84,835	229,937
Contributions receivable <i>(Note 3)</i>	3,315	4,000
Prepaid expenses	5,650	8,038
Furniture and equipment	30,835	30,835
Less accumulated depreciation	<u>30,835</u>	<u>26,777</u>
Net furniture and equipment	<u>-</u>	<u>4,058</u>
Total assets	<u>\$ 121,820</u>	<u>\$ 491,882</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,668	\$ 75,960
Accrued payroll and related expenses	79,733	63,332
Grant advances	<u>39,516</u>	<u>-</u>
Total liabilities	129,917	139,292
Commitments and contingencies <i>(Notes 4 and 7)</i>		
Net assets (deficit):		
Unrestricted	(8,097)	15,888
Temporarily restricted <i>(Note 5)</i>	<u>-</u>	<u>336,702</u>
Total net assets (deficit)	<u>(8,097)</u>	<u>352,590</u>
Total liabilities and net assets	<u>\$ 121,820</u>	<u>\$ 491,882</u>

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

THE INTERNATIONAL CENTER

Statement of Activities

Year Ended December 31, 2015 *(With Comparative Totals for 2014)*

	Unrestricted	Temporarily Restricted	Total	
			2015	2014
Revenue and support:				
Contributions - individuals	\$ 44,611	\$ -	\$ 44,611	\$ 70,456
Contracts and grants	856,790	-	856,790	1,016,027
Foundation support	-	-	-	145,178
Program income	-	-	-	121,441
Net assets released from restrictions <i>(Note 6)</i>	336,702	(336,702)	-	-
Total revenue and support	1,238,103	(336,702)	901,401	1,353,102
Expenses:				
Program services:				
Cambodia Program	293,173	-	293,173	640,868
New Forest Program	28,204	-	28,204	23,955
Vietnam Program	699,170	-	699,170	575,154
Total program services	1,020,547	-	1,020,547	1,239,977
Supporting services:				
Administration	241,541	-	241,541	275,144
Fundraising	-	-	-	2,938
Total expenses	1,262,088	-	1,262,088	1,518,059
Decrease in net assets	(23,985)	(336,702)	(360,687)	(164,957)
Net assets, beginning of year	15,888	336,702	352,590	517,547
Net assets (deficit), end of year	\$ (8,097)	\$ -	\$ (8,097)	\$ 352,590

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

THE INTERNATIONAL CENTER

Statement of Functional Expenses

Year Ended December 31, 2015 (With Comparative Totals for 2014)

	Program Services			Supporting Services	Total	
	Cambodia Program	New Forest Program	Vietnam Program	Administration	2015	2014
Bank charges	\$ 813	\$ -	\$ 3,306	\$ 7,632	\$ 11,751	\$ 9,998
Consulting fees	2,708	181	4,839	1,300	9,028	-
Delegation	-	-	87,841	-	87,841	-
Depreciation and amortization	-	-	-	4,058	4,058	4,609
Employee payroll taxes and benefits	11,379	3,551	13,373	33,542	61,845	62,123
Insurance	-	-	-	1,744	1,744	1,734
Office supplies and expense	701	892	1,045	1,698	4,336	2,277
Postage and delivery	6	327	273	1,556	2,162	2,151
Printing and copying	-	157	-	-	157	602
Professional fees	708	8,180	2,725	19,259	30,872	51,887
Regional employee payroll taxes and benefits	2,696	-	34,907	2,930	40,533	50,595
Regional office expense	10,066	-	48,373	-	58,439	73,852
Regional patient and school services	57,621	-	288,470	-	346,091	383,018
Regional staff salaries and wages	132,329	-	145,819	16,510	294,658	441,262
Regional travel	17,079	-	6,198	470	23,747	68,169
Rent and utilities	-	-	-	5,180	5,180	5,530
Repairs and maintenance	5,692	-	-	2,393	8,085	8,311
Salaries and wages	45,861	14,314	53,899	135,190	249,264	280,376
Telephone	573	467	1,724	4,393	7,157	6,733
Travel	4,941	135	6,378	3,686	15,140	30,304
Bad debt	-	-	-	-	-	21,747
Conferences and meetings	-	-	-	-	-	6,126
Direct mail	-	-	-	-	-	2,938
Entertainment	-	-	-	-	-	23
Grants and allocations	-	-	-	-	-	3,694
	<u>\$ 293,173</u>	<u>\$ 28,204</u>	<u>\$ 699,170</u>	<u>\$ 241,541</u>	<u>\$ 1,262,088</u>	<u>\$ 1,518,059</u>

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

THE INTERNATIONAL CENTER

Statement of Cash Flows

Year Ended December 31, 2015 (With Comparative Totals for 2014)	2015	2014
Cash flows from operating activities:		
Decrease in net assets	\$ (360,687)	\$ (164,957)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,058	4,609
(Increase) decrease in:		
Accounts receivable and advances	145,102	327,923
Contributions receivable	685	16,000
Prepaid expenses	2,388	(173)
Increase (decrease) in:		
Accounts payable and accrued expenses	(65,292)	(48,930)
Accrued payroll and related expenses	16,401	14,934
Grant advances	39,516	-
Net cash provided (used) by operating activities	(217,829)	149,406
Net increase (decrease) in cash and cash equivalents	(217,829)	149,406
Cash and cash equivalents, beginning of year	245,849	96,443
Cash and cash equivalents, end of year	\$ 28,020	\$ 245,849

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

THE INTERNATIONAL CENTER

Notes to Financial Statements

1. Organization

The International Center (the Center) is a District of Columbia non-profit corporation, incorporated on May 4, 1977, which focuses on issues between the United States and the developing world. The Center's largest programs are in Vietnam and Cambodia. The Vietnam Program conducts humanitarian assistance activities in Vietnam as well as covering international commercial law and trade policies. In 2009, the humanitarian program in Cambodia was added. The New Forests Program conducts reforestation activities worldwide.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Center are described below to enhance the usefulness of the financial statements to the reader.

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 the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2015.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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. Among other areas, estimates are used in the financial statements in determining any allowance for uncollectible receivables and the useful lives of equipment and leasehold improvements. Actual results could differ from these estimates.

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Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Contribution Recognition - Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Center 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. Absent donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets have been placed in service.

In-Kind Contributions - The Center records donated services that create or enhance a nonfinancial asset or require specialized skills the Center would have purchased if not donated as support in the statement of activities. In-kind contributions of equipment and other materials are recorded at estimated fair value where there is an objective basis on which to value these contributions and where the contributions are an essential part of the Center's activities. There were no contributed services recognized as revenue during 2015 and 2014.

Cash and Cash Equivalents - The Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are recognized when services are provided or when qualifying costs are incurred. The Center does not assess finance charges on past due accounts. The Center uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is estimated by management based on various factors, including past history and current economic conditions. Receivables are written off when they are determined to be uncollectible and management has exhausted all reasonable collection efforts. No allowance for doubtful accounts is provided as all receivables are considered collectible.

Furniture and Equipment - Furniture and equipment are recorded at cost or estimated fair value at date of donation, and are depreciated and amortized using the straight-line method over the estimated useful lives of the assets, which range from three to five years.

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Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Income Taxes - The Center is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state provisions. The Center is not a private foundation.

GAAP prescribes a recognition threshold and a measurement process for accounting for uncertain tax positions, and provide guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe the Center has any uncertain tax positions. The Center has not paid any interest or penalties related to its income tax positions. Interest or penalties assessed by taxing authorities, if any, would be included with administration expenses. Currently, there are no tax examinations in progress.

Grant and Contract Revenue Recognition - A significant portion of the Center's revenue is derived from cost reimbursement grants and contracts. Revenue is recognized at the time qualifying costs are incurred.

Advances on certain grants and contracts have been provided to the Center. As costs are incurred, revenue is recognized against the advance. The remaining unearned amounts have been included as grant advances in the accompanying statement of financial position.

Advertising - The Center charges all nondirect advertising costs to expense as they are incurred.

Functional Allocation of Expenses - Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Summarized Financial Information for 2014 - 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 the Center's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

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Notes to Financial Statements - Continued

3. Contributions Receivable

Contributions receivable at December 31 represent unconditional promises expected to be collected as follows:

	2015	2014
Less than one year	<u>\$ 3,315</u>	<u>\$ 4,000</u>

4. Commitments

Lease Obligation - At December 31, 2015, the Center had entered into operating lease agreements for office space and certain office equipment in Vietnam through July 2018. The Center's annual lease commitments under these agreements are as follows:

Years Ending December 31,	Amount
2016	\$ 19,488
2017	20,597
2018	<u>10,589</u>
	<u>\$ 50,674</u>

Lease expense for the above leases totaled \$18,960 for the years ended December 31, 2015 and 2014.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Vietnam Program	\$ -	\$ 258,532
Cambodia Program	<u>-</u>	<u>78,170</u>
	<u>\$ -</u>	<u>\$ 336,702</u>

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Notes to Financial Statements - Continued

6. Net Assets Released from Restrictions

During the year ended December 31, 2015, net assets were released from donor restrictions by satisfying the following restricted purposes:

Vietnam Program	\$ 258,532
Cambodia Program	<u>78,170</u>
	<u>\$ 336,702</u>

7. Concentrations and Contingencies

Financial instruments that potentially subject the Center to concentrations of risk consist primarily of cash and cash equivalents and contributions receivable. The Center maintains its cash in bank deposit accounts, which at times may exceed Federal Deposit Insurance Corporation (FDIC) insurable limits. The Center also maintains bank deposit accounts in Vietnam and Cambodia that are not covered by the FDIC.

The Center received a significant amount of its funding from governmental agencies during the year ended December 31, 2015. If a significant reduction in the level of this funding were to occur, it would affect the Center's ability to provide programs and services.

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Notes to Financial Statements - Continued

8. Retirement Plan

The Center has a defined contribution retirement plan that operates under Section 403(b) of the IRC for all eligible employees. The Center contributes an amount based on a percentage of each eligible employee's annual salary. The percentage contributed is at the discretion of the Board of Directors (currently 5 percent). The funds become vested immediately and are nonforfeitable. Contributions for the years ended December 31, 2015 and 2014, were \$12,723 and \$14,019, respectively.

9. Foreign Operations

The Center received funding from the U.S. Department of State and USAID that require an active program in Vietnam and Cambodia, as well as funding from non-government grantors. There are no significant foreign earnings.

10. Subsequent Events

Management has evaluated subsequent events through August 4, 2016, the date the financial statements were available for issue.

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Supplementary Financial Information

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Schedule of Unrestricted Program Functional Support and Revenue and Expenses

Year Ended December 31, 2015

	Cambodia Program	New Forest Program	Vietnam Program	Total
Revenue and support:				
Contributions - individuals	\$ -	\$ 44,611	\$ -	\$ 44,611
Contracts and grants	285,871	-	570,919	856,790
Net assets released from restrictions	78,170	-	258,532	336,702
Total revenue and support	364,041	44,611	829,451	1,238,103
Expenses:				
Administration allocation	69,388	6,675	165,478	241,541
Bank charges	813	-	3,306	4,119
Consulting fees	2,708	181	4,839	7,728
Delegation	-	-	87,841	87,841
Employee fringe benefits	11,379	3,551	13,373	28,303
Office supplies and expense	701	892	1,045	2,638
Postage and delivery	6	327	273	606
Printing and copying	-	157	-	157
Professional fees	708	8,180	2,725	11,613
Regional employee fringe benefits	2,696	-	34,907	37,603
Regional office expense	10,066	-	48,373	58,439
Regional patient and school services	57,621	-	288,470	346,091
Regional staff salaries and wages	132,329	-	145,819	278,148
Regional travel	17,079	-	6,198	23,277
Repairs and maintenance	5,692	-	-	5,692
Salaries and wages	45,861	14,314	53,899	114,074
Telephone	573	467	1,724	2,764
Travel	4,941	135	6,378	11,454
Total expenses	362,561	34,879	864,648	1,262,088
Excess (deficit) of revenue and support over expenses	\$ 1,480	\$ 9,732	\$ (35,197)	\$ (23,985)