

CONSOLIDATED FINANCIAL STATEMENTS

**THE INTERNATIONAL CENTRE FOR
MISSING & EXPLOITED CHILDREN AND
ICMEC LIMITED**

FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The International Centre for Missing & Exploited Children and ICMEC Limited
Alexandria, Virginia

We have audited the accompanying consolidated financial statements of The International Centre for Missing & Exploited Children and ICMEC Limited (collectively, ICMEC), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICMEC as of December 31, 2015, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

April 15, 2016

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THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,052,570
Grants and pledges receivable	555,145
Other receivables	5,141
Prepaid expenses	<u>61,342</u>
Total current assets	<u>3,674,198</u>

FIXED ASSETS

Website development	168,708
Leasehold improvements	<u>470,079</u>
	638,787
Less: Accumulated amortization	<u>(411,802)</u>
Net fixed assets	<u>226,985</u>

OTHER ASSETS

Grants and pledges receivable, net of current portion and present value discount of \$7,226	242,862
Deposits	<u>26,884</u>
Total other assets	<u>269,746</u>

TOTAL ASSETS \$ 4,170,929

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 177,026
Deferred revenue	59,801
Deferred rent	<u>69,149</u>
Total current liabilities	<u>305,976</u>

LONG-TERM LIABILITIES

Deferred rent	<u>5,825</u>
Total liabilities	<u>311,801</u>

NET ASSETS

Unrestricted	2,073,944
Temporarily restricted	<u>1,785,184</u>
Total net assets	<u>3,859,128</u>

TOTAL LIABILITIES AND NET ASSETS \$ 4,170,929

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 1,126,701	\$ 865,526	\$ 1,992,227
Interest income	410	-	410
Contributed services	92,078	8,750	100,828
Gala, net of expenses totaling \$266,166	619,420	271,523	890,943
Net assets released from donor restrictions	<u>1,157,890</u>	<u>(1,157,890)</u>	<u>-</u>
Total support and revenue	<u>2,996,499</u>	<u>(12,091)</u>	<u>2,984,408</u>
EXPENSES			
Program Services	<u>2,100,774</u>	<u>-</u>	<u>2,100,774</u>
Supporting Services:			
Management and General	274,084	-	274,084
Fundraising	<u>239,284</u>	<u>-</u>	<u>239,284</u>
Total supporting services	<u>513,368</u>	<u>-</u>	<u>513,368</u>
Total expenses	<u>2,614,142</u>	<u>-</u>	<u>2,614,142</u>
Change in net assets	382,357	(12,091)	370,266
Net assets at beginning of year	<u>1,691,587</u>	<u>1,797,275</u>	<u>3,488,862</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,073,944</u>	<u>\$ 1,785,184</u>	<u>\$ 3,859,128</u>

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Supporting Services</u>				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and fringe benefits	\$ 809,365	\$ 112,008	\$ 130,892	\$ 242,900	\$ 1,052,265
Professional and contract fees	333,077	116,554	60,853	177,407	510,484
Travel	128,878	2,588	3,096	5,684	134,562
Supplies and deliveries	36,483	3,902	5,654	9,556	46,039
Occupancy and building costs	286,248	32,745	32,745	65,490	351,738
Outreach	280,967	-	-	-	280,967
Other	225,756	6,287	6,044	12,331	238,087
TOTAL	<u>\$ 2,100,774</u>	<u>\$ 274,084</u>	<u>\$ 239,284</u>	<u>\$ 513,368</u>	<u>\$ 2,614,142</u>

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 370,266
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	81,623
Change in discount	(3,613)
Donated website development	(8,750)
(Increase) decrease in:	
Grants and pledges receivable	284,582
Other receivables	2,094
Prepaid expenses	(2,707)
Deposits	(85)
Increase (decrease) in:	
Accounts payable and accrued expenses	82,473
Deferred revenue	1,696
Deferred rent	<u>(59,903)</u>
Net cash provided by operating activities	<u>747,676</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	<u>(159,958)</u>
Net cash used by investing activities	<u>(159,958)</u>
Net increase in cash and cash equivalents	587,718
Cash and cash equivalents at beginning of year	<u>2,464,852</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,052,570</u>

SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS

Donated Stock	<u>\$ 25,443</u>
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THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The International Centre for Missing and Exploited Children (ICMEC) is a non-profit organization, incorporated in the State of New York and located in Alexandria, Virginia. ICMEC was organized for the purposes of protecting the world's children from sexual exploitation and abduction, and other activities in support of these purposes.

In May 2009, ICMEC created ICMEC Limited, a Singapore public company limited by guarantee. ICMEC is the sole member of ICMEC Limited. The office was established to direct ICMEC's policies and programmatic initiatives in the Asia-Pacific Region. ICMEC Limited is funded by ICMEC. During the year ended December 31, 2015, ICMEC sent \$170,413 to ICMEC Limited. ICMEC Limited has one full-time employee and one ICMEC staff member serves on the ICMEC Limited Board of Directors.

Basis of presentation -

The accompanying consolidated financial statements of ICMEC and ICMEC Limited (the organization) are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities, Consolidation*. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and cash equivalents -

ICMEC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, ICMEC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Foreign currency -

The U.S. dollar is the functional currency of ICMEC. ICMEC Limited financial statements are reported in Singapore dollars. The financial information of the Singapore entity has been translated in U.S. dollars at the exchange rate in effect at the date of the Consolidated Statement of Financial Position. The effects of this translation are recorded in the Consolidated Statement of Activities and Change in Net Assets and are immaterial.

Grants and pledges receivable -

Grants and pledges receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue.

Fixed assets -

Fixed assets in excess of \$10,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Website development costs are amortized over three years once placed in service. Costs incurred for the ongoing maintenance of the existing website are expensed as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Fixed assets (continued) -

The capitalization and ongoing assessment of recoverability of development costs incurred require considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility and estimated economic life. Amortization expense for the year ended December 31, 2015 totaled \$81,623.

Income taxes -

ICMEC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. ICMEC Limited is recognized as a public company limited by guarantee in accordance with the laws and regulations of Singapore. A public company limited by guarantee is exempt from income tax if any surplus funds are from contributions or if over 50% of gross revenue receipts are from members and are not tax deductible for members. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. ICMEC is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2015, ICMEC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Deferred revenue -

Deferred revenue consists of gala registrations. ICMEC recognizes gala revenue when the related event has occurred.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of ICMEC and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of ICMEC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Contributed services -

Contributed services consist of professional services and are recorded at their fair market value as of the date of the gift.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. **GRANTS AND PLEDGES RECEIVABLE**

ICMEC has received pledges to be paid over the next several years. The pledges have been discounted using an interest rate of 3.25%.

Following is a summary of all pledges receivable as of December 31, 2015:

Year Ending December 31,

2016	\$ 555,145
2017	<u>250,088</u>
	805,233
Less: Discount	<u>(7,226)</u>
PLEDGES RECEIVABLE, NET DISCOUNT	<u>\$ 798,007</u>

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2015:

Program	\$ 1,654,053
Time restricted	<u>131,131</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,785,184</u>

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Program	\$ 678,920
Passage of time	<u>478,970</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>1,157,890</u>

4. CONTRIBUTED SERVICES

During the year ended December 31, 2015, ICMEC was the beneficiary of professional services which allowed ICMEC to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense (excluding \$8,750 of which has been capitalized and restricted) for the year ended December 31, 2015.

Donated legal services	\$ 40,743
Donated consulting services	50,835
Other donations (gala and website)	<u>9,250</u>
TOTAL CONTRIBUTED SERVICES	\$ <u>100,828</u>

5. LEASE COMMITMENTS

ICMEC leases office space under a seven-year agreement, which expires in January 2017. Base rent is \$24,516 per month, plus a proportionate share of expenses, increasing by a factor of 2.75% per year. ICMEC received a build-out allowance and other modifications from the landlord totaling \$303,324, which is considered to be a lease incentive.

Accounting principles generally accepted in the United States of America require that the total rent commitment and lease incentive should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position. As of December 31, 2015, the deferred rent liability totaled \$74,974.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2016	\$ 345,424
2017	<u>28,850</u>
	\$ <u>374,274</u>

Rent expense for the year ended December 31, 2015 was \$319,608.

ICMEC Limited leases office space in Singapore under a short-term lease agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. RETIREMENT PLAN

ICMEC participates in The National Center for Missing and Exploited Children (NCMEC) defined contribution plan. The retirement contribution is 100% employer funded in an amount equal to 7% percent of W-2 wages for all staff over 20 1/2 years of age who have met eligibility requirements. Employees are vested after being employed for two years, with at least 1,000 hours worked in each year. ICMEC's contributions to the plan during the year ended December 31, 2015 totaled \$36,695. A separate 403(b) plan offers employees the opportunity to contribute a percentage or a specific dollar amount of their bi-weekly pay on a pre- or post-tax basis, up to the allowed each year.

7. RELATED PARTY

ICMEC reimburses The National Center for Missing and Exploited Children (NCMEC) for expenses incurred on its behalf for employee services and other overhead expenses. For the year ended December 31, 2015, ICMEC reimbursed NCMEC \$82,820.

For the year ended December 31, 2015, contributions from Board members totaled \$394,618, with promises to give of \$24,225. For part of 2015, ICMEC had one contractor that was related to a Board member. For the year ended December 31, 2015, ICMEC paid the contractor \$35,100.

8. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, ICMEC has evaluated events and transactions for potential recognition or disclosure through April 15, 2016, the date the consolidated financial statements were issued.