

CONSOLIDATED FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

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CPAs & ADVISORS

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, 2020, 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 Consolidated 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2020, 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.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that ICMEC will continue as a going concern. As discussed in Note 9 to the consolidated financial statements, ICMEC has sustained ongoing declines in funding which raises substantial doubt about ICMEC's ability to continue as a going concern. Management's plan in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited ICMEC's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



October 18, 2021

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

| ASSETS | | <u>2020</u> | <u>2019</u> |
|---|----|----------------------------|----------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ | 213,785 | \$ 110,121 |
| Investments | | - | 257,165 |
| Contributions receivable | | 1,034,116 | 358,043 |
| Other receivables | | - | 7,613 |
| Prepaid expenses | | <u>120,807</u> | <u>109,145</u> |
| Total current assets | | <u>1,368,708</u> | <u>842,087</u> |
| FIXED ASSETS | | | |
| Website development | | 443,014 | 443,014 |
| Leasehold improvements | | <u>247,683</u> | <u>247,683</u> |
| | | 690,697 | 690,697 |
| Less: Accumulated amortization | | <u>(430,427)</u> | <u>(316,396)</u> |
| Net fixed assets | | <u>260,270</u> | <u>374,301</u> |
| OTHER ASSETS | | | |
| Deposits | | <u>42,279</u> | <u>42,279</u> |
| TOTAL ASSETS | | <u>\$ 1,671,257</u> | <u>\$ 1,258,667</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Notes payable | \$ | 515,193 | \$ 164,833 |
| Accounts payable and accrued expenses | | 301,438 | 165,250 |
| Deferred revenue | | 36,651 | 33,751 |
| Refundable advances | | 83,903 | - |
| Deferred rent | | <u>26,782</u> | <u>41,609</u> |
| Total current liabilities | | <u>963,967</u> | <u>405,443</u> |
| LONG-TERM LIABILITIES | | | |
| Notes payable, net of current portion | | 350,000 | - |
| Deferred rent, net of current portion | | <u>327,026</u> | <u>319,024</u> |
| Total long-term liabilities | | <u>677,026</u> | <u>319,024</u> |
| Total liabilities | | <u>1,640,993</u> | <u>724,467</u> |
| NET ASSETS | | | |
| Without donor restrictions (deficit) | | (853,927) | (690,457) |
| With donor restrictions | | <u>884,191</u> | <u>1,224,657</u> |
| Total net assets | | <u>30,264</u> | <u>534,200</u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u>\$ 1,671,257</u> | <u>\$ 1,258,667</u> |

See accompanying notes to consolidated financial statements.

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, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

| | 2020 | | | 2019 |
|---|----------------------------------|----------------------------|-------------------------|--------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| SUPPORT AND REVENUE | | | | |
| Contributions and grants | \$ 2,435,228 | \$ 97,000 | \$ 2,532,228 | \$ 1,277,769 |
| Investment income | 2,634 | - | 2,634 | 80,615 |
| Contributed services | - | - | - | 1,843 |
| Program revenue | 196,715 | - | 196,715 | - |
| Gala | - | 137,605 | 137,605 | 318,234 |
| Other revenue | - | - | - | 32,392 |
| Net assets released from donor restrictions | <u>575,071</u> | <u>(575,071)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>3,209,648</u> | <u>(340,466)</u> | <u>2,869,182</u> | <u>1,710,853</u> |
| EXPENSES | | | | |
| Program Services | <u>2,373,574</u> | <u>-</u> | <u>2,373,574</u> | <u>2,880,892</u> |
| Supporting Services: | | | | |
| Management and General | 432,042 | - | 432,042 | 564,918 |
| Fundraising | <u>567,502</u> | <u>-</u> | <u>567,502</u> | <u>364,787</u> |
| Total supporting services | <u>999,544</u> | <u>-</u> | <u>999,544</u> | <u>929,705</u> |
| Total expenses | <u>3,373,118</u> | <u>-</u> | <u>3,373,118</u> | <u>3,810,597</u> |
| Change in net assets | (163,470) | (340,466) | (503,936) | (2,099,744) |
| Net assets (deficit) at beginning of year | <u>(690,457)</u> | <u>1,224,657</u> | <u>534,200</u> | <u>2,633,944</u> |
| NET ASSETS (DEFICIT) AT END OF YEAR | <u>\$ (853,927)</u> | <u>\$ 884,191</u> | <u>\$ 30,264</u> | <u>\$ 534,200</u> |

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

| | 2020 | | | | 2019 | |
|-----------------------------------|---------------------|---------------------------|-------------------|---------------------------------|---------------------|---------------------|
| | Supporting Services | | | Total Supporting Services | Total Expenses | Total Expenses |
| | Program Services | Management and General | Fundraising | | | |
| Salaries and fringe benefits | \$ 897,125 | \$ 150,907 | \$ 33,788 | \$ 184,695 | \$ 1,081,820 | \$ 1,688,536 |
| Professional and contract fees | 606,089 | 223,767 | 447,795 | 671,562 | 1,277,651 | 1,028,333 |
| Travel | 52,330 | 1,229 | 13,130 | 14,359 | 66,689 | 252,337 |
| Supplies and deliveries | 257,355 | 5,975 | 8,482 | 14,457 | 271,812 | 114,516 |
| Occupancy and building costs | 163,887 | 29,252 | 33,752 | 63,004 | 226,891 | 228,984 |
| Outreach | 164,517 | - | - | - | 164,517 | 199,109 |
| Trainings/roundtables/conferences | 84,858 | - | - | - | 84,858 | 493,274 |
| Amortization | 82,102 | 14,824 | 17,105 | 31,929 | 114,031 | 80,291 |
| Other | 65,311 | 6,088 | 13,450 | 19,538 | 84,849 | 52,295 |
| Subtotal | 2,373,574 | 432,042 | 567,502 | 999,544 | 3,373,118 | 4,137,675 |
| Direct costs of special events | - | - | - | - | - | (327,078) |
| TOTAL | \$ 2,373,574 | \$ 432,042 | \$ 567,502 | \$ 999,544 | \$ 3,373,118 | \$ 3,810,597 |

See accompanying notes to consolidated financial statements.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (503,936) | \$ (2,099,744) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Amortization expense | 114,031 | 80,291 |
| Unrealized loss (gain) on investments | 13,249 | (41,306) |
| Realized gain on sale of investments | (15,253) | (24,586) |
| Receipt of donated securities | (15,568) | (25,639) |
| Proceeds from the sale of donated securities | 15,568 | 25,639 |
| Change in discount on long-term contributions receivable | - | (17,042) |
| Change in discount on non-interest bearing note payable | - | (7,167) |
| (Increase) decrease in: | | |
| Contributions receivable | (676,073) | 740,261 |
| Other receivables | 7,613 | 4,686 |
| Prepaid expenses | (11,662) | 5,414 |
| Deposits | - | (2,470) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 136,188 | 67,057 |
| Deferred revenue | 2,900 | 9,431 |
| Refundable advances | 83,903 | - |
| Deferred rent | (6,825) | (35,484) |
| Net cash used by operating activities | <u>(855,865)</u> | <u>(1,320,659)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | - | (168,775) |
| Purchase of investments | - | (336,026) |
| Proceeds from sale of investments | <u>259,169</u> | <u>1,388,365</u> |
| Net cash provided by investing activities | <u>259,169</u> | <u>883,564</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from notes payable | 800,360 | 172,000 |
| Payments on notes payable | <u>(100,000)</u> | <u>-</u> |
| Net cash provided by financing activities | <u>700,360</u> | <u>172,000</u> |
| Net increase (decrease) in cash and cash equivalents | 103,664 | (265,095) |
| Cash and cash equivalents at beginning of year | <u>110,121</u> | <u>375,216</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 213,785</u> | <u>\$ 110,121</u> |
| SUPPLEMENTAL INFORMATION: | | |
| Interest Paid | <u>\$ 14,577</u> | <u>\$ -</u> |

See accompanying notes to consolidated financial statements.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2020, ICMEC sent \$162,388 to ICMEC Limited. ICMEC Limited has one full-time employee and one ICMEC staff member serves on the ICMEC Limited Board of Directors.

Principles of consolidation -

The accompanying consolidated financial statements reflect the activity of The International Centre for Missing & Exploited Children and ICMEC Limited (ICMEC) as of December 31, 2020, pursuant to the criterion established by FASB ASC 958-810, *Not-for-Profit Entities - Consolidation*. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control and significant economic interest in that other organization. All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ICMEC's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

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. All assets and liabilities of the Singapore entity have been translated into U.S. Dollars using the spot exchange rate in effect as of year-end. All revenues and expenses of the Singapore entity have been translated into U.S. Dollars using the average annual exchange rate. The effects of this translation are recorded in the Consolidated Statement of Activities and Change in Net Assets and are immaterial.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses net of investment fees are included in investment income in the Consolidated Statement of Activities and Change in Net Assets.

Contributions and other receivables -

Contributions and other receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

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.

The capitalization and ongoing assessment of recoverability of website 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, 2020 totaled \$114,031.

Income taxes -

The International Centre for Missing and Exploited Children is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The International Centre for Missing and Exploited Children is not a private foundation.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Income taxes (continued) -

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.

Uncertain tax positions -

For the year ended December 31, 2020, 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 and training registrations. Gala and training registrations classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue at a point in time when the performance obligations are met. ICMEC recognizes gala and training revenue when the related event/training has occurred. Transaction price is determined based on cost and/or sales price. ICMEC has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. ICMEC performs an analysis of the individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Contributions or grants qualifying as conditional contributions contain a right of return from obligation provision that limits ICMEC on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met (generally, when qualifying expenditures are incurred).

Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as conditional contributions, ICMEC had approximately \$84,000 in unrecognized awards as of December 31, 2020.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

Direct identification of specific expenses is ICMEC's preferred method for charging expenses to various functions. If an expense can be specifically identified with a program or a supporting service, it will be assigned to that function. When it is not possible or practical to make a direct identification, an allocation of funds approach is used.

Indirect costs are those expenses that benefit more than one project, activity, or service. They are not readily identifiable with a particular grant, contract, project function, or activity, but are necessary for ICMEC's general operations. Indirect costs are allocated to functional categories in proportion to direct costs in each area.

All ICMEC employees are required to complete a timesheet on a bi-weekly basis. Those employees whose responsibilities include tasks that fall into more than one functional category or program record their time to the different functional categories based upon effort spent on separate identifiable activities.

Special event expenses -

The Consolidated Statement of Functional Expenses includes special event expenses which are deducted from special event revenue in the Consolidated Statement of Activities and Change in Net Assets. During the year ended December 31, 2020, the event was cancelled due to the Coronavirus disease (COVID-19) pandemic. As a result, expenses were not deducted from special event revenue during the year ended December 31, 2020.

Going concern -

ICMEC adopted FASB ASU 2014-15, *Presentation of Financial Statements - Going Concern* and evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an ability to continue as a going concern within one year after the date the consolidated financial statements are issued. See Note 9 for the analysis of the principal conditions and management's plans to mitigate these concerns.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact ICMEC's operations. The overall potential impact is unknown at this time.

New accounting pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

ICMEC plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption methods and the impact of the new standard on its accompanying consolidated financial statements.

Risks and uncertainties -

ICMEC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

2. **INVESTMENTS**

Included in investment income are the following for the year ended December 31, 2020:

| | | |
|--------------------------------------|-----------|---------------------|
| Interest and dividends | \$ | 684 |
| Unrealized loss | | (13,249) |
| Realized gain on sale of investments | | 15,253 |
| Management fees | | <u>(54)</u> |
| TOTAL INVESTMENT INCOME, NET | \$ | <u>2,634</u> |

3. **NOTES PAYABLE**

ICMEC entered into a two-year \$172,000 note payable with the International Centre for Missing and Exploited Children Switzerland in October 2019. The amount is due in full no later than October 4, 2021. The note is non-interest bearing.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. NOTES PAYABLE (Continued)

On January 30, 2020, ICMEC entered into two notes payable with Board members. The first note is a two-year \$200,000 note payable with an annual interest rate of 3%. The note is due in full on or before January 30, 2022. The second note is a two-year \$100,000 note payable with an annual interest rate of 3% and is due in full on or before January 30, 2022. During the year ended December 31, 2020, the \$100,000 note payable was paid in full.

On April 27, 2020, ICMEC received loan proceeds in the amount of \$285,782 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first seven months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. ICMEC intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. ICMEC applied for forgiveness after completing the 24-week period. Subsequent to year end, ICMEC received forgiveness from the Small Business Administration in the full amount of the loan.

On August 3, 2020, ICMEC entered into a 30-year \$150,000 note payable with the Small Business Administration with an annual interest rate of 2.75%. Monthly payments begin August 4, 2021.

ICMEC entered into a six-month \$50,000 note payable with a Board member on November 23, 2020. The amount is due in full no later than May 23, 2021. The note is non-interest bearing.

Principal payments are due as follows:

Year Ending December 31,

| | |
|------------|--------------------------|
| 2021 | \$ 454,570 |
| 2022 | 260,623 |
| 2023 | 3,374 |
| 2024 | 3,706 |
| 2025 | 3,809 |
| Thereafter | <u>139,111</u> |
| | <u>\$ 865,193</u> |

For the year ended December 31, 2020 interest paid was \$14,577.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

| | |
|---|--------------------------|
| Program | \$ 697,386 |
| Time Restricted | <u>186,805</u> |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | <u>\$ 884,191</u> |

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

| | |
|----------------|--------------------------|
| Program | <u>\$ 575,071</u> |
|----------------|--------------------------|

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. LIQUIDITY

Financial assets available for use within one year of the Consolidated Statement of Financial Position, comprise the following at December 31, 2020:

| | |
|--|------------------|
| Cash and cash equivalents | \$ 213,785 |
| Contributions receivable | 1,034,116 |
| Less: Those unavailable for general expenditures within one year due to restricted by donor with time or purpose restrictions | <u>(697,386)</u> |

| | |
|---|--------------------------|
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | <u>\$ 550,515</u> |
|---|--------------------------|

ICMEC has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2020, ICMEC has financial assets equal to approximately two months of operating expenses. See Note 9 for management's plan to mitigate going concern matters.

6. LEASE COMMITMENTS

In May 2016, ICMEC signed a lease for 111 months, commencing on November 15, 2016, for office space in Virginia. ICMEC received build-out allowance and other modifications paid by the landlord in the amount totaling \$244,884, which was recorded as a deferred rent liability and will be amortized using the straight-line method over the life of the lease. In February 2021, ICMEC signed an amendment to the lease extending it for an additional 22 months. Additionally, the lease calls for an annual two and one-half percent rent escalation adjustment and eleven months of rent abatement.

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 Consolidated Statement of Financial Position. As of December 31, 2020, the deferred rent liability totaled \$353,808.

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

Year Ending December 31,

| | |
|------------|----------------------------|
| 2021 | \$ 257,082 |
| 2022 | 263,494 |
| 2023 | 270,087 |
| 2024 | 276,802 |
| 2025 | 283,758 |
| Thereafter | <u>72,709</u> |
| | <u>\$ 1,423,932</u> |

Rent expense under this lease for the year ended December 31, 2020 was \$212,313 and is included in Occupancy and building costs on the accompanying Consolidated Statement of Functional Expenses. ICMEC Limited leases office space in Singapore under a short-term lease agreement.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020

7. RETIREMENT PLAN

In January 2017, ICMEC started participating in a new 403(b) defined contribution plan covering all eligible employees of ICMEC.

The Plan offers employee elective deferrals, voluntary after-tax contributions and Roth contributions up to the maximum allowed by law. Employees are immediately vested in their elective deferrals. Under the same 403(b) plan, ICMEC may, at its sole discretion, elect to make contributions to the Plan. Employees are vested after being employed for two (2) years, with at least 1,000 hours worked in each year. ICMEC made no contributions to the Plan during the year ended December 31, 2020.

8. RELATED PARTY

For the year ended December 31, 2020, ICMEC received contributions from Board members totaling \$158,221.

9. GOING CONCERN

ICMEC has suffered recurring significant losses and has a deficit in net assets without donor restrictions that raises doubt about its ability to continue as a going concern. The ability of ICMEC to continue is dependent on the success of ICMEC's Board and management in raising without donor restrictions funding during the coming year and subsequent years to ensure that expenditures do not continue to exceed available funds. The financial statements have been prepared assuming that ICMEC will continue as a going concern.

Given historic financial information and long-standing relationships with the sources of expected funds, management has confidence in the following specific 2021 revenue projections totaling over \$4.1 million to meet expense needs:

- \$1 MM verbally committed from an individual donor.
- \$950,000 committed in writing from a corporate donor.
- \$850,000 verbally committed by a corporate donor.
- \$708,000 received contributions for the 2021 gala.
- \$313,000 in unrestricted donations and program service fee revenue received as of June 30, 2021.
- \$261,000 in additional unrestricted donations and program service fee revenue expected through the end of 2021.

10. LITIGATION

As of December 31, 2020, ICMEC is a respondent in a charge of discrimination pending before the Equal Employment Opportunity Commission (EEOC). ICMEC has not recorded a loss for this charge, as management does not believe the amount of the loss, if any, is estimable at this time. While the final outcome cannot be determined at this time, ICMEC believes it will prevail. Accordingly, ICMEC is of the opinion that the ultimate liability, if any, from the final resolution of this matter will not have a material effect on ICMEC's financial statements.

11. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, ICMEC has evaluated events and transactions for potential recognition or disclosure through October 18, 2021, the date the consolidated financial statements were issued.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND ICMEC LIMITED

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. SUBSEQUENT EVENTS (Continued)

On March 25, 2021, ICMEC created the International Centre for Missing and Exploited Children, Australia LTD, an Australian public company limited by guarantee.