# THE INTERNATIONAL CENTER

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

THOMAS JENKINS AND COMPANY
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTANTS

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, 2016, 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. 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, 2016, 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 Previous Audit and Summarized Comparative Information

The financial statements of The International Center as of December 31, 2015, were audited by other auditors whose report dated August 4, 2016, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Thomas Jenkins and Company

May 26, 2017

THE INTERNATIONAL CENTER
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31

| | 2016 | 2015 |
|---|---|---|
| Current assets | | |
| Cash and equivalents | $ 53,746 | $ 28,020 |
| Accounts receivable and advances | 18,129 | 84,835 |
| Contributions receivable | – | 3,315 |
| Prepaid expenses | 3,789 | 5,650 |
| Total current assets | 75,664 | 121,820 |
| Fixed assets: | | |
| Furniture and equipment | 30,835 | 30,835 |
| Less accumulated depreciation | (30,835) | (30,835) |
| Net fixed assets | – | – |
| Total assets | $ 75,664 | $ 121,820 |
| Current liabilities: | | |
| Accounts payable | $ 24,241 | $ 10,668 |
| Accrued payroll and related expenses | 33,155 | 79,733 |
| Grant advances | – | 39,516 |
| Total liabilities | 57,396 | 129,917 |
| Net assets: | | |
| General unrestricted | 18,268 | (8,097) |
| Temporarily restricted | – | – |
| Total net assets | 18,268 | (8,097) |
| Total liabilities and net assets | $ 75,664 | $ 121,820 |

See independent accountants' audit report and notes to financial statements.

THE INTERNATIONAL CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31

| | 2016 | | | 2015 |
|---|---|---|---|---|
| | General Unrestricted | Temporarily Restricted | Total | Total |
| Revenue and support: | | | | |
| Contributions - individuals | $ 51,355 | $ | $ 51,355 | $ 44,611 |
| Contracts and grants | 679,650 | | 679,650 | 856,790 |
| Donated services | 14,266 | -- | 14,266 | -- |
| Total Revenue | 745,271 | -- | 745,271 | 901,401 |
| Expenses: | | | | |
| Program services: | | | | |
| Vietnam program | 551,257 | -- | 551,257 | 699,170 |
| Other programs | 28,878 | -- | 28,878 | 321,377 |
| Total Program Expenses | 580,135 | -- | 580,135 | 1,020,547 |
| Supporting services: | | | | |
| Administration | 138,771 | | 138,771 | 241,541 |
| Fundraising | -- | | -- | -- |
| Total expenses | 718,906 | -- | 718,906 | 1,262,088 |
| Change in net assets before comprehensive income | 26,365 | -- | 26,365 | (360,687) |
| Net assets, beginning of year | (8,097) | -- | (8,097) | 352,590 |
| Net assets, end of year | $ 18,268 | $ -- | $ 18,268 | $ (8,097) |

See independent accountants' audit report and notes to financial statements.

CAPITOL HILL VILLAGE
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Program | | | | |
| | Vietnam Expenses | United States Expenses | Administrative Expenses | Total Expenses | Total Expenses |
| Salaries | $ 20,532 | $ 17,344 | $ 39,779 | $ 77,655 | $ 249,264 |
| Fringe benefits | 5,005 | 4,228 | 8,943 | 18,176 | 61,845 |
| Consultants | 36,031 | 6,489 | 35,051 | 77,571 | 9,028 |
| Donated project services | 14,267 | -- | -- | 14,267 | -- |
| Office expense | 229 | 62 | 1,263 | 1,554 | 4,493 |
| Postage/delivery | 250 | 196 | 749 | 1,195 | 2,162 |
| Professional fees | 4,306 | -- | 22,167 | 26,473 | 30,872 |
| Regional consultants | 52,625 | -- | -- | 52,625 | -- |
| Regional office expense | 45,785 | -- | -- | 45,785 | 58,439 |
| Regional program activities | 271,746 | -- | -- | 271,746 | 433,932 |
| Regional staff salaries | 66,581 | | 8,746 | 75,327 | 294,658 |
| Regional staff benefits | 8,104 | | 1,011 | 9,115 | 40,533 |
| Regional travel | 20,937 | | -- | 20,937 | 23,747 |
| Telephone | 2,222 | 373 | 2,252 | 4,847 | 7,157 |
| Travel | 2,637 | 186 | 1,080 | 3,903 | 15,140 |
| Bank charges | -- | -- | 8,357 | 8,357 | 11,751 |
| Depreciation | -- | -- | -- | -- | 4,058 |
| Insurance | -- | -- | 2,214 | 2,214 | 1,744 |
| Rent | -- | -- | 5,622 | 5,622 | 5,180 |
| Repairs/maintenance | -- | -- | 1,537 | 1,537 | 8,085 |
| | $ 551,257 | $ 28,878 | $ 138,771 | $ 718,906 | $ 1,262,088 |

See independent accountants' audit report and notes to financial statements.

THE INTERNATIONAL CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31

| | 2016 | 2015 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ 26,365 | $ (360,687) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | - - | 4,058 |
| (Increase) decrease in: | | |
| Accounts receivable and advances | 66,706 | 145,102 |
| Prepaid expenses | 3,315 | 685 |
| Contributions receivable | 1,861 | 2,388 |
| Total changes in assets | 71,882 | 152,233 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 13,573 | (65,292) |
| Accrued payroll and related expenses | (46,578) | 16,401 |
| Grant advances | (39,516) | 39,516 |
| Total changes in liabilities | (72,521) | (9,375) |
| Net cash provided (used) by operating activities | 25,726 | (217,829) |
| Cash, beginning of year | 28,020 | 245,849 |
| Cash, end of year | $ 53,746 | $ 28,020 |
| Cash paid for interest | $ 0 | $ 0 |
| Income taxes paid | $ 0 | $ 0 |

See independent accountants' audit report and 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 program is in Vietnam. 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, but in 2016 was converted to consultant status. 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, 2016.

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.

## 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, while 2016 had donated services of $14,266.

**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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## 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, or unrelated business income.

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 2015** - 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, 2015, from which the summarized information was derived.

## 3. Contributions Receivable

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

| | 2016 | 2015 |
|---|---|---|
| Less than one year | $ -- | $ 3,315 |

## 4. Commitments

**Lease Obligation** - At December 31, 2016, 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 |
|---|---|
| 2017 | $ 18,960 |
| 2018 | 11,060 |
| | $ 30,020 |

Lease expense for the above leases totaled $18,960 for the years ended December 31, 2016 and 2015.

## 5. Temporarily Restricted Net Assets

There were no temporarily restricted assets for the years ended December 31, 2016 or 2015.

## 6. Net Assets Released from Restrictions

During the year ended December 31, 2016 there were no donor imposed 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 | 78,170 |
| | $ 336,702 |

## 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 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, 2016 and 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.

## 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, 2016 and 2015, were $3,883 and $12,723 respectively. As of June30, 2016 there are no longer employees in the United States; all were converted to contractor status.

## 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. The Cambodian project was turned over to the Cambodian government on June 30, 2016, who will contract out to The International Center if our services are needed.

## 10. Subsequent Events

Management has evaluated subsequent events through May 26, 2017, the date the financial statements were available for issue.