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**THE INTERNATIONAL CENTER**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2014**

**and**

**Supplementary Financial Information**

**with**

**Independent Auditors' Report**

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# 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, 2014, 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 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 International Center as of December 31, 2014, 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 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

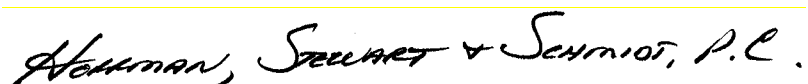
### *Other Information*

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 July 7, 2015, on our consideration of The International 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.

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Lake Oswego, Oregon  
July 7, 2015

**THE INTERNATIONAL CENTER**

**Statement of Financial Position**

<b>December 31, 2014</b> <i>(With Comparative Amounts for 2013)</i>	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 245,849	\$ 96,443
Accounts receivable and advances	2,994	176
Contributions receivable <i>(Note 3)</i>	230,943	577,684
Prepaid expenses	8,038	7,865
 Furniture and equipment	 30,835	 30,835
Less accumulated depreciation	<u>26,777</u>	<u>22,168</u>
 Net furniture and equipment	 <u>4,058</u>	 <u>8,667</u>
<b>Total assets</b>	<b><u>\$ 491,882</u></b>	<b><u>\$ 690,835</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 75,960	\$ 124,890
Accrued payroll and related expenses	<u>63,332</u>	<u>48,398</u>
<b>Total liabilities</b>	<b>139,292</b>	<b>173,288</b>
Commitments and contingencies <i>(Notes 4 and 7)</i>		
<b>Net assets (deficit):</b>		
Unrestricted	15,888	(119,209)
Temporarily restricted <i>(Note 5)</i>	<u>336,702</u>	<u>636,756</u>
<b>Total net assets</b>	<b><u>352,590</u></b>	<b><u>517,547</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 491,882</u></b>	<b><u>\$ 690,835</u></b>

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

# THE INTERNATIONAL CENTER

## Statement of Activities

**Year Ended December 31, 2014** *(With Comparative Totals for 2013)*

	Unrestricted	Temporarily Restricted	Total	
			2014	2013
<b>Revenue and support:</b>				
Contributions - individuals	\$ 70,456	\$ -	\$ 70,456	\$ 78,183
Contracts and grants	1,016,027	-	1,016,027	1,044,673
Foundation support	67,008	78,170	145,178	114,758
Program income	121,441	-	121,441	62,614
Net assets released from restrictions <i>(Note 6)</i>	378,224	(378,224)	-	-
<b>Total revenue and support</b>	<b>1,653,156</b>	<b>(300,054)</b>	<b>1,353,102</b>	<b>1,300,228</b>
<b>Expenses:</b>				
Program services:				
Cambodia Program	640,868	-	640,868	582,996
New Forest Program	23,955	-	23,955	22,379
Vietnam Program	575,154	-	575,154	629,414
Other	-	-	-	105,870
Total program services	1,239,977	-	1,239,977	1,340,659
Supporting services:				
Administration	275,144	-	275,144	285,659
Fundraising	2,938	-	2,938	5,035
<b>Total expenses</b>	<b>1,518,059</b>	<b>-</b>	<b>1,518,059</b>	<b>1,631,353</b>
<b>Increase (decrease) in net assets</b>	<b>135,097</b>	<b>(300,054)</b>	<b>(164,957)</b>	<b>(331,125)</b>
Net assets (deficit), beginning of year	(119,209)	636,756	517,547	848,672
<b>Net assets, end of year</b>	<b>\$ 15,888</b>	<b>\$ 336,702</b>	<b>\$ 352,590</b>	<b>\$ 517,547</b>

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

# THE INTERNATIONAL CENTER

## Statement of Functional Expenses

**Year Ended December 31, 2014** *(With Comparative Totals for 2013)*

	Program Services			Supporting Services		Total	
	Cambodia Program	New Forest Program	Vietnam Program	Administration	Fundraising	2014	2013
Bad debt	\$ -	\$ -	\$ -	\$ 21,747	\$ -	\$ 21,747	\$ -
Conferences and meetings	4,443	-	1,331	352	-	6,126	1,934
Delegation	-	-	-	-	-	-	65,066
Depreciation and amortization	-	-	-	4,609	-	4,609	22,578
Direct mail	-	-	-	-	2,938	2,938	5,035
Donated goods and services	-	-	-	-	-	-	2,205
Employee fringe benefits	14,086	3,459	12,422	32,156	-	62,123	68,035
Entertainment	-	-	-	23	-	23	200
Grants and allocations	-	3,694	-	-	-	3,694	11,974
Insurance	-	-	-	1,734	-	1,734	1,717
Interest	-	-	-	-	-	-	30
Bank charges	1,217	-	1,175	7,606	-	9,998	9,910
Office supplies and expense	622	219	345	1,091	-	2,277	1,730
Postage and delivery	275	214	117	1,545	-	2,151	2,826
Printing and copying	88	50	62	402	-	602	1,293
Professional fees	16,669	135	12,412	22,671	-	51,887	70,626
Regional consultants	-	-	-	-	-	-	14,553
Regional employee fringe benefits	17,704	-	30,012	2,879	-	50,595	39,768
Regional office expense	25,610	-	48,242	-	-	73,852	76,584
Regional patient and school services	135,819	-	247,199	-	-	383,018	420,758
Regional staff salaries and wages	297,895	-	126,211	17,156	-	441,262	439,403
Regional travel	40,748	-	25,950	1,471	-	68,169	52,530
Rent and utilities	547	-	-	4,983	-	5,530	7,197
Repairs and maintenance	6,097	-	-	2,214	-	8,311	588
Salaries and wages	63,574	15,613	56,063	145,126	-	280,376	279,000
Telephone	1,093	218	808	4,614	-	6,733	7,390
Travel	14,381	353	12,805	2,765	-	30,304	28,423
	<u>\$ 640,868</u>	<u>\$ 23,955</u>	<u>\$ 575,154</u>	<u>\$ 275,144</u>	<u>\$ 2,938</u>	<u>\$ 1,518,059</u>	<u>\$ 1,631,353</u>

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

# THE INTERNATIONAL CENTER

## Statement of Cash Flows

<b>Year Ended December 31, 2014</b> <i>(With Comparative Totals for 2013)</i>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ (164,957)	\$ (331,125)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,609	22,578
(Increase) decrease in:		
Accounts receivable and advances	(2,818)	14,880
Contributions receivable	346,741	275,152
Prepaid expenses	(173)	(2,269)
Increase (decrease) in:		
Accounts payable and accrued expenses	(48,930)	20,962
Accrued payroll and related expenses	14,934	6,841
<b>Net cash provided by operating activities</b>	<b>149,406</b>	<b>7,019</b>
<b>Cash flows from investing activities:</b>		
Purchase of equipment and leasehold improvements	-	(5,354)
<b>Net cash used by investing activities</b>	<b>-</b>	<b>(5,354)</b>
<b>Net increase in cash and cash equivalents</b>	<b>149,406</b>	<b>1,665</b>
Cash and cash equivalents, beginning of year	96,443	94,778
<b>Cash and cash equivalents, end of year</b>	<b>\$ 245,849</b>	<b>\$ 96,443</b>
<b>Supplemental disclosures of cash flow information and noncash activity:</b>		
Cash paid during the year for interest	\$ -	\$ 30
Restricted cash used to offset grant advances	-	231,740

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



# THE INTERNATIONAL CENTER

## Notes to Financial Statements

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### 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, 2014.

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 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.

## THE INTERNATIONAL CENTER

### Notes to Financial Statements - Continued

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#### 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. Contributed services recognized as revenue during 2014 and 2013 totaled \$-0- and \$2,205, respectively.

**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.

## THE INTERNATIONAL CENTER

### Notes to Financial Statements - Continued

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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 and similar state provisions. The Center is not a private foundation.

Accounting principles generally accepted in the United States of America prescribe 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. Generally, information returns filed by the Center are subject to examination by income tax authorities for three years from the filing of the return. As such, the returns for fiscal years 2011, 2012 and 2013, are currently subject to examination. 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 2013*** - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

**THE INTERNATIONAL CENTER**

**Notes to Financial Statements - Continued**

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**3. Contributions Receivable**

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

	<b>2014</b>	<b>2013</b>
Less than one year	\$ 230,943	\$ 377,684
One year to five years	<u>-</u>	<u>200,000</u>
	<u><u>\$ 230,943</u></u>	<u><u>\$ 577,684</u></u>

At December 31, 2013, management does not believe a discount to present value for contributions receivable beyond one year would be material to the financial statements.

**4. Commitments**

**Lease Obligation** - At December 31, 2014, 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:

<b>Years Ending December 31,</b>	<b>Amount</b>
2015	\$ 18,960
2016	19,488
2017	20,597
2018	<u>10,589</u>
	<u><u>\$ 69,634</u></u>

Lease expense for the above leases totaled \$18,960 and \$20,115 for the years ended December 31, 2014 and 2013, respectively.

**THE INTERNATIONAL CENTER**  
**Notes to Financial Statements - Continued**

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**5. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<b>2014</b>	<b>2013</b>
Vietnam Program	\$ 258,532	\$ 539,992
Cambodia Program	<u>78,170</u>	<u>96,764</u>
	<u><u>\$ 336,702</u></u>	<u><u>\$ 636,756</u></u>

**6. Net Assets Released from Restrictions**

During the year ended December 31, 2014, net assets were released from donor restrictions by satisfying the following restricted purposes:

Vietnam Program	\$ 281,460
Cambodia Program	<u>96,764</u>
	<u><u>\$ 378,224</u></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, 2014. 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.

As of December 31, 2014 and 2013, the receivables from one foundation represented approximately 87 and 69 percent, respectively, of total contributions receivable.

## **THE INTERNATIONAL CENTER**

### **Notes to Financial Statements - Continued**

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#### **8. Retirement Plan**

The Center has a defined contribution retirement plan that operates under Section 403(b) of the Internal Revenue Code 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, 2014 and 2013, were \$14,019 and \$13,575, 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 July 7, 2015, the date the financial statements were available for issue.

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# **THE INTERNATIONAL CENTER**

## **Supplementary Financial Information**

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# THE INTERNATIONAL CENTER

## Schedule of Unrestricted Program Functional Support and Revenue and Expenses

**Year Ended December 31, 2014**

	<b>Cambodia Program</b>	<b>New Forest Program</b>	<b>Vietnam Program</b>	<b>Total</b>
Revenue and support:				
Contributions - individuals	\$ 10,052	\$ 59,212	\$ 1,192	\$ 70,456
Contracts and grants	609,465	-	406,562	1,016,027
Foundation support	64,008	3,000	-	67,008
Program income	91,441	-	30,000	121,441
Net assets released from restrictions	96,764	-	281,460	378,224
Total revenue and support	871,730	62,212	719,214	1,653,156
Expenses:				
Administration allocation	129,473	29,473	116,198	275,144
Conferences and meetings	4,443	-	1,331	5,774
Employee fringe benefits	14,086	3,459	12,422	29,967
Fundraising allocation	-	2,938	-	2,938
Grants and allocations	-	3,694	-	3,694
Miscellaneous	1,217	-	1,175	2,392
Office supplies and expense	622	219	345	1,186
Postage and delivery	275	214	117	606
Printing and copying	88	50	62	200
Professional fees	16,669	135	12,412	29,216
Regional consultants	-	-	-	-
Regional employee fringe benefits	17,704	-	30,012	47,716
Regional office expense	25,610	-	48,242	73,852
Regional patient and school services	135,819	-	247,199	383,018
Regional staff salaries and wages	297,895	-	126,211	424,106
Regional travel	40,748	-	25,950	66,698
Rent and utilities	547	-	-	547
Repairs and maintenance	6,097	-	-	6,097
Salaries and wages	63,574	15,613	56,063	135,250
Telephone	1,093	218	808	2,119
Travel	14,381	353	12,805	27,539
Total expenses	770,341	56,366	691,352	1,518,059
Excess of support and revenue over expenses	\$ 101,389	\$ 5,846	\$ 27,862	\$ 135,097