

CONSOLIDATED FINANCIAL STATEMENTS

**THE INTERNATIONAL CENTRE FOR
MISSING & EXPLOITED CHILDREN
AND AFFILIATES**

FOR THE YEAR ENDED DECEMBER 31, 2021

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Consolidated Statement of Financial Position, as of December 31, 2021	4
EXHIBIT B - Consolidated Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2021	5
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended December 31, 2021	6
EXHIBIT D - Consolidated Statement of Cash Flows, for the Year Ended December 31, 2021	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8 - 15



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The International Centre for Missing & Exploited Children and Affiliates (collectively ICMEC), which comprise the consolidated statement of financial position as of December 31, 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICMEC as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ICMEC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ICMEC's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ICMEC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ICMEC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



February 22, 2023

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 6,146,398
Grants receivable	5,845,030
Contributions receivable	1,000,000
Prepaid expenses	<u>167,514</u>
Total current assets	<u>13,158,942</u>

FIXED ASSETS

Website development	443,014
Leasehold improvements	247,683
Equipment	<u>1,981</u>
	692,678
Less: Accumulated depreciation and amortization	<u>(543,856)</u>
Net fixed assets	<u>148,822</u>

OTHER ASSETS

Grants receivable, net of current portion and discount	5,711,346
Deposits	<u>39,809</u>
Total other assets	<u>5,751,155</u>

TOTAL ASSETS \$ 19,058,919

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Notes payable	\$ 3,374
Accounts payable and accrued expenses	244,328
Deferred revenue	46,651
Deferred rent	<u>26,782</u>
Total current liabilities	<u>321,135</u>

LONG-TERM LIABILITIES

Notes payable, net of current portion	953,626
Deferred rent, net of current portion	<u>318,123</u>
Total long-term liabilities	<u>1,271,749</u>
Total liabilities	<u>1,592,884</u>

NET ASSETS

Without donor restrictions	(250,017)
With donor restrictions	<u>17,716,052</u>
Total net assets	<u>17,466,035</u>

TOTAL LIABILITIES AND NET ASSETS \$ 19,058,919

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 2,768,659	\$ 17,840,489	\$ 20,609,148
Gala, net of expenses of \$144,965	636,030	-	636,030
Program revenue	238,835	-	238,835
Investment loss	(185)	-	(185)
Net assets released from donor restrictions	<u>1,008,628</u>	<u>(1,008,628)</u>	<u>-</u>
Total support and revenue	<u>4,651,967</u>	<u>16,831,861</u>	<u>21,483,828</u>
EXPENSES			
Program Services	<u>2,228,514</u>	<u>-</u>	<u>2,228,514</u>
Supporting Services:			
Management and General	1,500,278	-	1,500,278
Fundraising	<u>605,047</u>	<u>-</u>	<u>605,047</u>
Total supporting services	<u>2,105,325</u>	<u>-</u>	<u>2,105,325</u>
Total expenses	<u>4,333,839</u>	<u>-</u>	<u>4,333,839</u>
Change in net assets before other item	318,128	16,831,861	17,149,989
OTHER ITEM			
Extinguishment of debt	<u>285,782</u>	<u>-</u>	<u>285,782</u>
Change in net assets	603,910	16,831,861	17,435,771
Net (deficit) assets at beginning of year	<u>(853,927)</u>	<u>884,191</u>	<u>30,264</u>
NET (DEFICIT) ASSETS AT END OF YEAR	<u><u>\$ (250,017)</u></u>	<u><u>\$ 17,716,052</u></u>	<u><u>\$ 17,466,035</u></u>

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries and fringe benefits	\$ 1,109,631	\$ 407,731	\$ 150,561	\$ 558,292	\$ 1,667,923
Professional and contract fees	736,539	520,834	385,118	905,952	1,642,491
Travel	79,389	29,683	5,613	35,296	114,685
Supplies and deliveries	12,863	12,880	1,158	14,038	26,901
Occupancy and building costs	-	281,178	500	281,678	281,678
Outreach	76,160	-	-	-	76,160
Trainings/roundtables/conferences	70,942	209	119,168	119,377	190,319
Insurance	29,307	99,794	-	99,794	129,101
Depreciation and amortization	84,667	28,762	-	28,762	113,429
IT and website	28,733	93,547	4,017	97,564	126,297
Other	283	25,660	83,877	109,537	109,820
	2,228,514	1,500,278	750,012	2,250,290	4,478,804
Subtotal					
Special event expenses	-	-	(144,965)	(144,965)	(144,965)
	2,228,514	1,500,278	605,047	2,105,325	4,333,839
TOTAL	\$ 2,228,514	\$ 1,500,278	\$ 605,047	\$ 2,105,325	\$ 4,333,839

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 17,435,771
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	113,429
Realized gain on sale of investments	241
Receipt of donated securities	15,008
Proceeds from the sale of donated securities	(14,767)
Change in discount on long-term contributions receivable	141,641
(Increase) decrease in:	
Grants receivable	(11,698,017)
Contributions receivable	34,116
Prepaid expenses	(46,707)
Deposits	2,470
(Decrease) increase in:	
Accounts payable and accrued expenses	(65,003)
Deferred revenue	10,000
Refundable advances	(83,903)
Deferred rent	<u>(8,903)</u>
Net cash provided by operating activities	<u>5,835,376</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	<u>(1,981)</u>
Net cash used by investing activities	<u>(1,981)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from notes payable	435,000
Payments on notes payable	(50,000)
Extinguishment of debt	<u>(285,782)</u>
Net cash provided by financing activities	<u>99,218</u>

Net increase in cash and cash equivalents 5,932,613

Cash and cash equivalents at beginning of year 213,785

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 6,146,398

SUPPLEMENTAL INFORMATION:

Interest Paid \$ 3,846

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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. ICMEC Limited has one full-time employee and one ICMEC staff member serves on the ICMEC Limited Board of Directors.

In November 2020, ICMEC created ICMEC Australia Limited, an Australian public company limited by guarantee. The office was established to direct ICMEC's policies and programmatic initiatives in the Australia.

Principles of consolidation -

The accompanying consolidated financial statements reflect the activity of The International Centre for Missing & Exploited Children and Affiliates (collectively, ICMEC) as of December 31, 2021, 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 INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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 and ICMEC Australia Limited financial statements are reported in Singapore and Australian dollars, respectively. All assets and liabilities of the Singapore and Australian entities 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 and Australian entities 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 loss in the Consolidated Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. ICMEC's policy is to liquidate all gifts of investments as soon as possible after the gift.

Contributions and grants receivable -

Contributions and grants receivable are recorded at their net realizable value, which approximates fair value. Grants 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 contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and accounts receivable are considered by management to be fully collectible. 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 as 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. Depreciation and amortization expense for the year ended December 31, 2021 totaled \$113,429.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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

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.

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 Australia Limited is recognized as a public company limited by guarantee in accordance with the laws and regulations of Australia. 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, 2021, 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.

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).

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Contributions and grants (continued) -

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 no unrecognized awards as of December 31, 2021.

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.

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.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of 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. 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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying consolidated financial statements.

2. GRANTS RECEIVABLE

As of December 31, 2021, donors to ICMEC have made unconditional written promises to give, of which \$11,698,017, remained due and outstanding. Amounts due beyond one year of the Consolidated Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 1.58%. Following is a summary of all grants receivable as of December 31, 2021:

<u>Year Ending December 31,</u>	
2022	\$ 5,845,030
2023	<u>5,852,987</u>
	11,698,017
Less: Discount	<u>(141,641)</u>
GRANTS RECEIVABLE, NET DISCOUNT	<u>\$ 11,556,376</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. During 2021, ICMEC received an extension and the amount is due in full no later than October 4, 2023. The note is non-interest bearing.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

3. NOTES PAYABLE (Continued)

ICMEC entered into a three-month \$300,000 note payable with the International Centre for Missing and Exploited Children Switzerland in February 2021. During 2021, ICMEC received an extension and the amount is due in full no later than May 10, 2023. The note is non-interest bearing.

ICMEC entered into a two-year \$135,000 note payable with the International Centre for Missing and Exploited Children Switzerland in March 2021. The amount is due in full no later than June 16, 2023. The note is non-interest bearing.

On January 30, 2020, ICMEC entered into a note payable with a Board Member. The 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, 2023.

On April 27, 2020, ICMEC received loan proceeds in the amount of \$285,782 under the Paycheck Protection Program. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the loan had to be used for certain expenditures within a 24-week period to be forgiven by the Small Business Administration. During the year ended December 31, 2021, ICMEC expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and has met all conditions for full forgiveness. Notification of forgiveness was received from the Small Business Administration in 2021. Accordingly, the loan proceeds have been recognized as other item and reported as extinguishment of debt in the accompanying Consolidated Statement of Activities and Change in Net Assets.

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.

Principal payments are due as follows:

Year Ending December 31,

2022	\$	3,374
2023		810,706
2024		3,809
2025		3,916
2026		4,025
Thereafter		<u>131,170</u>
	\$	<u>957,000</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Program Restricted **\$ 17,716,052**

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 Accomplishments **\$ 1,008,628**

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. LIQUIDITY

Financial assets available for use within one year of the Consolidated Statement of Financial Position, comprise the following at December 31, 2021:

Cash and cash equivalents	\$ 6,146,398
Grants receivable	11,556,376
Contributions receivable	1,000,000
Less: Those unavailable for general expenditures within one year due to restricted by donor with purpose restrictions	<u>(17,716,052)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR
GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 986,722**

ICMEC has a policy to structure its financial assets to be available and liquid as its obligations become due.

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 a 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, 2021, the deferred rent liability totaled \$344,905.

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

<u>Year Ended December 31,</u>	
2022	\$ 264,044
2023	270,647
2024	277,382
2025	284,348
2026	291,441
Thereafter	<u>298,715</u>
	\$ <u>1,686,577</u>

Rent expense under this lease for the year ended December 31, 2021 was \$215,935 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 AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 contributions to the Plan, totaling \$32,494, during the year ended December 31, 2021.

8. LITIGATION

As of December 31, 2021, ICMEC is a defendant in two different lawsuits. ICMEC has not recorded a loss for either 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 in both lawsuits. Accordingly, ICMEC is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on ICMEC's consolidated financial statements.

9. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, ICMEC has evaluated events and transactions for potential recognition or disclosure through February 22, 2023, the date the consolidated financial statements were issued.