

CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2022

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

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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, 2022, 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 consolidated financial position of ICMEC as of December 31, 2022, 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.

We did not audit the financial statements of ICMEC Limited or ICMEC Australia Limited, affiliates, whose statements reflect total assets of \$30,365 and \$15,139,403, respectively, as of December 31, 2022. ICMEC Limited or ICMEC Australia Limited recognized no operating support for the year ended December 31, 2022. Those statements, were audited by other auditors, whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for the Affiliates, is based solely on the reports of the other auditors.

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.

Substantial Doubt about the Affiliates' Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that ICMEC will continue as a going concern. As discussed in Note 8 to the consolidated financial statements, ICMEC has suffered substantial losses from operations and have net capital deficiencies that raises substantial doubt about their ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 8. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to these matters.

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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.

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.



May 17, 2024

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 7,394,824
Investments	1,983,927
Grants receivable	5,852,987
Contributions receivable	132,409
Prepaid expenses	<u>123,932</u>
Total current assets	<u>15,488,079</u>

FIXED ASSETS

Website development	443,014
Equipment	29,661
Trademark	<u>3,130</u>
	475,805
Less: Accumulated depreciation and amortization	<u>(450,211)</u>
Net fixed assets	<u>25,594</u>

OTHER ASSETS

Deposits	60,682
Right-of-use asset	<u>1,072,701</u>
Total other assets	<u>1,133,383</u>

TOTAL ASSETS \$ 16,647,056

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Notes payable	\$ 3,706
Accounts payable and accrued expenses	583,715
Refundable advances	115,946
Operating lease liability	<u>232,058</u>
Total current liabilities	<u>935,425</u>

LONG-TERM LIABILITIES

Notes payable, net of current portion	949,920
Operating lease liability, net of current portion	<u>1,052,447</u>
Total long-term liabilities	<u>2,002,367</u>
Total liabilities	<u>2,937,792</u>

NET ASSETS

Without donor restrictions (deficit)	(2,754,091)
With donor restrictions	<u>16,463,355</u>
Total net assets	<u>13,709,264</u>

TOTAL LIABILITIES AND NET ASSETS \$ 16,647,056

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 3,166,100	\$ 295,773	\$ 3,461,873
Gala, net of expenses of \$421,235	96,358	-	96,358
Program revenue	145,850	-	145,850
Investment income	84,875	-	84,875
Net assets released from donor restrictions	<u>1,548,470</u>	<u>(1,548,470)</u>	<u>-</u>
Total support and revenue	<u>5,041,653</u>	<u>(1,252,697)</u>	<u>3,788,956</u>
EXPENSES			
Program Services	<u>5,154,717</u>	<u>-</u>	<u>5,154,717</u>
Supporting Services:			
Management and General	1,696,848	-	1,696,848
Fundraising	<u>430,007</u>	<u>-</u>	<u>430,007</u>
Total supporting services	<u>2,126,855</u>	<u>-</u>	<u>2,126,855</u>
Total expenses	<u>7,281,572</u>	<u>-</u>	<u>7,281,572</u>
Change in net assets before other item	(2,239,919)	(1,252,697)	(3,492,616)
OTHER ITEM			
Exchange loss	<u>(264,155)</u>	<u>-</u>	<u>(264,155)</u>
Change in net assets	(2,504,074)	(1,252,697)	(3,756,771)
Net (deficit) assets at beginning of year	<u>(250,017)</u>	<u>17,716,052</u>	<u>17,466,035</u>
NET (DEFICIT) ASSETS AT END OF YEAR	<u><u>\$ (2,754,091)</u></u>	<u><u>\$ 16,463,355</u></u>	<u><u>\$ 13,709,264</u></u>

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries and fringe benefits	\$ 3,565,227	\$ 798,237	\$ 404,080	\$ 1,202,317	\$ 4,767,544
Professional and contract fees	64,928	181,260	112,733	293,993	358,921
Travel	311,922	104,938	5,498	110,436	422,358
Supplies and deliveries	116,691	18,635	1,361	19,996	136,687
Occupancy and building costs	289,932	93,138	196,964	290,102	580,034
Trainings/roundtables/conferences	228,808	-	96,523	96,523	325,331
Insurance	105,156	21,757	-	21,757	126,913
Depreciation and amortization	39,493	-	-	-	39,493
IT and website	408,597	26,078	2,512	28,590	437,187
Other	23,963	452,805	31,571	484,376	508,339
Subtotal	5,154,717	1,696,848	851,242	2,548,090	7,702,807
Gala event expenses	-	-	(421,235)	(421,235)	(421,235)
TOTAL	<u>\$ 5,154,717</u>	<u>\$ 1,696,848</u>	<u>\$ 430,007</u>	<u>\$ 2,126,855</u>	<u>\$ 7,281,572</u>

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (3,756,771)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	39,493
Unrealized gain on investments	(26,699)
Change in discount on long-term contributions receivable	(141,641)
Amortization of right-of-use asset	158,268
Decrease (increase) in:	
Grants receivable	5,845,030
Contributions receivable	867,591
Prepaid expenses	43,582
Deposits	(20,873)
Increase (decrease) in:	
Accounts payable and accrued expenses	339,387
Deferred revenue	(46,651)
Refundable advances	115,946
Operating lease liability	<u>(179,954)</u>
Net cash provided by operating activities	<u>3,236,708</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(27,680)
Purchase of investments	<u>(1,957,228)</u>
Net cash used by investing activities	<u>(1,984,908)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on notes payable	<u>(3,374)</u>
Net cash used by financing activities	<u>(3,374)</u>
Net increase in cash and cash equivalents	1,248,426
Cash and cash equivalents at beginning of year	<u>6,146,398</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,394,824</u>

SUPPLEMENTAL INFORMATION:

Interest Paid	<u>\$ 8,972</u>
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SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS

Right-of-Use Assets in Connection with Operating Leases	<u>\$ 1,230,969</u>
Operating Lease Liabilities	<u>\$ 1,464,282</u>

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

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, 2022, 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, 2022**

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

New accounting pronouncement adopted -

During 2022, ICMEC adopted ASU 2019-01, *Leases* (Topic 842), which changed 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 Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. ICMEC applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 6 for further details.

Cash and cash equivalents -

ICMEC considers all highly liquid investments with maturities of three months or less, which are not part of the investment portfolio, to be cash and cash equivalents. Money market funds held by ICMEC Australia Limited totaled \$372,965 as of December 31, 2022. 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.

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. 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 contributions and grants receivable are considered by management to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

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

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. 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. Depreciation and amortization expense for the year ended December 31, 2022 totaled \$39,493.

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, 2022, 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.

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Contributions and grants (continued) -

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.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. ICMEC's refundable advances totaled \$115,946 as of December 31, 2022.

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. ICMECs' 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.

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 -

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.

Gala event expenses -

The Consolidated Statement of Functional Expenses includes Gala event expenses which are deducted from Gala 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, 2022

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

Going concern -

During the year ended December 31, 2022, ICMEC applied 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 financial statements are issued. See Note 8 for the analysis of the principal conditions, managements evaluation and future plans that will mitigate the conditions or events.

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.

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for ICMEC for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2022:

	<u>Fair Value</u>
Pooled Separate Accounts	\$ <u>1,983,927</u>

Included in investment income are the following for the year ended December 31, 2022:

Interest and dividends	\$ 58,176
Unrealized gain	<u>26,699</u>
TOTAL INVESTMENT INCOME	\$ <u>84,875</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 with an extended repayment date of 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, 2022

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 with an extended repayment date of October 4, 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 with an extended repayment date of 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% and an extended repayment date of January 1, 2024.

Subsequent to December 31, 2022, ICMEC entered into a promissory note extension agreement, dated October 26, 2023, for the above four (4) promissory note agreements, to extend all to be due and payable on or before October 27, 2025.

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 began August 4, 2021.

Principal payments are due as follows:

Year Ending December 31,

2023	\$ 3,706
2024	3,809
2025	810,916
2026	4,025
2027	4,137
Thereafter	<u>127,033</u>
	<u>\$ 953,626</u>

Interest expense related to the notes payable totaled \$8,967 and is included in other expenses in the accompanying Consolidated Statement of Functional Expenses for the year ended December 31, 2022.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Program Restricted **\$ 16,463,355**

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 **\$ 1,548,470**

THE INTERNATIONAL CENTRE FOR MISSING & EXPLOITED CHILDREN AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

5. LIQUIDITY

Financial assets available for use within one year of the Consolidated Statement of Financial Position, comprise the following at December 31, 2022:

Cash and cash equivalents	\$ 7,394,824
Investments	1,983,927
Grants receivable	5,852,987
Contributions receivable	<u>132,409</u>
Subtotal	15,364,147
Less: Those unavailable for general expenditures within one year due to restricted by donor with purpose restrictions	<u>(16,463,355)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ (1,099,208)</u>

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

6. LEASE COMMITMENTS

ICMEC leases office space in Virginia for which it received a build-out allowance and other modifications paid by the landlord in the amount totaling \$244,884. In February 2021, ICMEC signed an amendment to the lease extending it for an additional 22 months, expiring December 31, 2027. Additionally, the lease calls for an annual two and one-half percent rent escalation adjustment and eleven months of rent abatement.

ICMEC also signed a lease for office space in Australia, beginning October 1, 2022 for a term of two (2) years. The lease calls for annual rent escalations equal to four percent.

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 Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. ICMEC elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. ICMEC also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. ICMEC adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, ICMEC recorded a right-of-use asset in the amount of \$1,103,831, net of the landlord allowance of \$247,683 for its Virginia office space.

ICMEC recorded an operating lease liability, for its Virginia office space, in the amount of \$1,337,144 by calculating the present value using the discount rate of 8%. ICMEC recorded a right-of-use asset in the amount of \$127,138 for its Australia office space. ICMEC recorded an operating lease liability, for its Australia office space, in the amount of \$127,138 by calculating the present value using the discount rate of 4%.

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6. LEASE COMMITMENTS (Continued)

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

<u>Year Ending December 31,</u>	
2023	\$ 336,119
2024	351,012
2025	284,348
2026	291,441
2027	<u>298,715</u>
	1,561,635
Less: Imputed interest	<u>(277,130)</u>
	1,284,505
Less: Current portion	<u>(232,058)</u>
LONG-TERM PORTION	<u>\$ 1,052,447</u>

Rent expense under both leases for the year ended December 31, 2022 was \$295,097 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.

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 \$67,829, during the year ended December 31, 2022.

8. 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 subsequent years to ensure that expenditures do not continue to exceed available funds. The consolidated financial statements have been prepared assuming that ICMEC will continue as a going concern. Management's plans regarding these matters are:

- Management continues to take necessary action to set ICMEC on a healthy and financially successful path, and has already signed several grants and contracts in fiscal year 2023.
- ICMEC's Board, management and staff are very much committed to maintaining ICMEC's viability and delivering its unique technical expertise to all interest countries and parties.

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9. LITIGATION

As of December 31, 2022, ICMEC is a defendant in two different lawsuits. Subsequent to December 31, 2022 and as of the date of this report, both lawsuits were settled and there was no significant impact to the financial statements.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, ICMEC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market ICMEC has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

Pooled Separate Accounts - Valued at the number of participation units held at year-end multiplied by the current participation-unit value. Investments in pooled separate accounts represent ownership of units of participation in various funds, and not ownership of specific assets. The value of a unit of participation is the total value of each fund within the separate accounts divided by the number of units outstanding.

The table below summarizes, by level within the fair value hierarchy, ICMEC's investments as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Pooled Separate Accounts	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,983,837</u>	\$ <u>1,983,837</u>

Level 3 Financial Assets

The following table provides a summary of changes in fair value of ICMEC's financial assets for the year ended December 31, 2022:

	<u>Investments</u>
Beginning balance as of January 1, 2022	\$ -
Unrealized realized gains	26,699
Interest income	58,176
Purchases / distributions	<u>1,898,962</u>
BALANCE AS OF DECEMBER 31, 2022	\$ <u>1,983,837</u>

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11. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, ICMEC has evaluated events and transactions for potential recognition or disclosure through May 17, 2024, the date the consolidated financial statements were issued.