
INTERNATIONAL CHILDREN'S CARE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2010

with

Independent Auditors' Report

INTERNATIONAL CHILDREN'S CARE, INC.

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Independent Auditors' Report

To the Board of Trustees
International Children's Care, Inc.

We have audited the accompanying statement of financial position of International Children's Care, Inc. (ICC) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of ICC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from ICC's 2009 financial statements and, in our report dated May 13, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ICC as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hoffman, Stewart & Schmidt, P.C.

May 10, 2011

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Financial Position

December 31, 2010 <i>(With Comparative Amounts for 2009)</i>	2010	2009
ASSETS		
Cash and cash equivalents	\$ 439,045	\$ 431,946
Investments <i>(Notes 3 and 16)</i>	5,650	950
Pledges receivable <i>(Note 4)</i>	4,613	10,568
Receivable from charitable trust <i>(Notes 5 and 16)</i>	77,002	68,391
Receivable from charitable gift annuities <i>(Notes 6 and 16)</i>	121,514	135,387
Note receivable <i>(Note 7)</i>	26,690	28,829
Other receivables	-	10,019
Prepaid expenses	20,273	7,882
Property and equipment - net <i>(Note 8)</i>	229,242	242,532
Total assets	<u>\$ 924,029</u>	<u>\$ 936,504</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Accounts payable	\$ 11,605	\$ 30,838
Accrued vacation	53,327	42,975
Accrued interest <i>(Note 9)</i>	72,985	24,462
Note payable <i>(Note 9)</i>	970,479	970,479
Total liabilities	1,108,396	1,068,754
Commitments <i>(Note 10)</i>		
Net assets (deficit):		
Unrestricted deficit	(956,331)	(984,214)
Temporarily restricted <i>(Note 11)</i>	771,964	851,964
Total net assets (deficit)	<u>(184,367)</u>	<u>(132,250)</u>
Total liabilities and net assets	<u>\$ 924,029</u>	<u>\$ 936,504</u>

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Activities

Year Ended December 31, 2010 (With Comparative Totals for 2009)

	Unrestricted	Temporarily Restricted	Total	
			2010	2009
Revenue, gains and support:				
Contributions	\$ 3,901,918	\$ 26,678	\$ 3,928,596	\$ 3,935,802
In-kind contributions	41,522	-	41,522	79,687
Change in value of:				
Receivable from charitable trust	-	8,611	8,611	12,330
Receivable from charitable gift annuities	-	(18,620)	(18,620)	3,618
Interest and dividends	2,941	-	2,941	2,155
Realized and unrealized gain (loss)				
on investments	419	-	419	(25)
Gain from sale of property and equipment	-	-	-	29,127
Net assets released from restrictions (Note 11)	96,669	(96,669)	-	-
Net revenue, gains and support	4,043,469	(80,000)	3,963,469	4,062,694
Expenses:				
Program services	3,616,597	-	3,616,597	3,956,655
Management and general	201,143	-	201,143	196,689
Fund-raising	197,846	-	197,846	189,060
Total expenses	4,015,586	-	4,015,586	4,342,404
Increase (decrease) in net assets	27,883	(80,000)	(52,117)	(279,710)
Net assets (deficit), beginning of year	(984,214)	851,964	(132,250)	147,460
Net assets (deficit), end of year	\$ (956,331)	\$ 771,964	\$ (184,367)	\$ (132,250)

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Functional Expenses

Year Ended December 31, 2010 (With Comparative Totals for 2009)

	Program Services	Management and General	Fund- raising	Total	
				2010	2009
Grants and allocations	\$ 2,622,662	\$ -	\$ -	\$ 2,622,662	\$ 2,998,235
Salaries and wages	643,242	82,662	76,643	802,547	781,283
Payroll taxes	55,494	7,131	6,612	69,237	64,792
Employee benefits	95,935	12,328	11,431	119,694	107,099
Professional fees	-	12,000	9,416	21,416	17,545
Supplies	13,424	1,725	1,599	16,748	12,629
Telephone	6,958	894	829	8,681	8,437
Postage and shipping	19,855	4,964	8,273	33,092	26,062
Occupancy	7,423	6,211	4,186	17,820	19,751
Equipment rental and maintenance	7,054	3,977	3,977	15,008	14,704
Printing and publications	33,979	8,495	14,158	56,632	59,819
Travel	3,522	453	420	4,395	6,247
Conferences and meetings	128	16	15	159	951
Interest	23,177	13,068	13,068	49,313	46,776
Depreciation	7,562	4,264	4,264	16,090	19,420
Foreign development (Note 14)	44,789	25,254	25,254	95,297	104,360
Other	31,393	17,701	17,701	66,795	54,294
	<u>\$ 3,616,597</u>	<u>\$ 201,143</u>	<u>\$ 197,846</u>	<u>\$ 4,015,586</u>	<u>\$ 4,342,404</u>

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Cash Flows

Year Ended December 31, 2010 <i>(With Comparative Totals for 2009)</i>	2010	2009
Cash flows from operating activities:		
Cash receipts:		
Contributions	\$ 3,925,523	\$ 3,933,588
Interest and dividends	2,941	2,155
Cash paid:		
Grantees, suppliers and employees	(3,919,914)	(4,176,280)
Interest	(790)	-
Net cash provided (used) by operating activities	7,760	(240,537)
Cash flows from investing activities:		
Purchases of equipment	(2,800)	-
Proceeds from sale of investments	-	8,992
Payments received on note receivable	2,139	1,171
Proceeds from sale of property	-	23,491
Net cash provided (used) by investing activities	(661)	33,654
Net increase (decrease) in cash and cash equivalents	7,099	(206,883)
Cash and cash equivalents, beginning of year	431,946	638,829
Cash and cash equivalents, end of year	\$ 439,045	\$ 431,946

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Cash Flows - Continued

Year Ended December 31, 2010 <i>(With Comparative Totals for 2009)</i>	2010	2009
Reconciliation of decrease in net assets to net cash provided (used) by operating activities:		
Decrease in net assets	\$ (52,117)	\$ (279,710)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	16,090	19,420
Change in value of:		
Receivable from charitable trust	(8,611)	(12,330)
Receivable from charitable gift annuities	18,620	(3,618)
Gain on sale of property and equipment	-	(29,127)
Donation of investments	(4,281)	(3,023)
Donation of charitable gift annuities	(4,747)	(5,000)
Realized and unrealized (gain) loss on investments	(419)	25
(Increase) decrease in:		
Pledges receivable	5,955	5,809
Other receivables	10,019	3,160
Prepaid expenses	(12,391)	(1,588)
Increase (decrease) in:		
Accounts payable	(19,233)	17,750
Accrued vacation	10,352	919
Accrued interest	48,523	46,776
Net cash provided (used) by operating activities	<u>\$ 7,760</u>	<u>\$ (240,537)</u>
Non-cash investing and financing activities:		
Accrued interest refinanced to note payable	\$ -	\$ 70,479
Note receivable acquired through property sale	-	30,000

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

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements

1. Significant Accounting Policies

Nature of Activities - International Children's Care, Inc. (ICC) is a private relief and development organization. ICC was established for the specific purpose of giving high quality care for needy children. ICC supports orphanages and schools in foreign countries. Presently, ICC's involvement is most prevalent in the following countries:

Guatemala	Cambodia
Mexico	Thailand
Romania	Philippines
Dominican Republic	Zambia
Colombia	Congo
India	Nicaragua
	El Salvador

ICC receives substantially all of its revenue from contributions. Fund-raising efforts take place in the United States and abroad.

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. Actual results could differ from these estimates. Estimates are used in the financial statements for, among other things, the determination of any allowances for uncollectible receivables, the valuation of receivables from charitable trusts and gift annuities, and the calculation of depreciation expense.

Cash Equivalents - ICC considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. ICC maintains its cash balances in various financial institutions in Vancouver, Washington.

Investments - Investments are stated at fair value as determined by quoted market prices or other relevant measures.

Property and Equipment and Depreciation - Property and equipment is recorded at cost at date of purchase or estimated market value at date of donation. Small equipment purchases of \$1,000 or less are charged to expense. Depreciation of property and equipment has been computed using the straight-line method over the following estimated useful lives:

Building	40 years
Furniture and fixtures	5 - 10 years
Equipment	3 - 10 years

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

Financial Instruments with Concentrations of Credit Risk - Financial instruments that potentially subject ICC to concentrations of credit risk consist primarily of cash equivalents. At December 31, 2010 and 2009, and occasionally during the year, cash and cash equivalents include bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits.

Net Assets - The accompanying financial statements have been prepared to focus on ICC as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of ICC's net assets in two classes, unrestricted and temporarily restricted, as follows:

Unrestricted net assets represent net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of ICC and/or the passage of time.

Pledges Receivable - Pledges receivable that are collectible in one year or less are recorded at estimated net realizable value. Pledges receivable that are collectible in more than one year are recorded at the present value of estimated future cash flows.

Revenue Recognition - Contributions, which include unconditional promises to give, are recognized as revenues 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.

ICC 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.

ICC 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 explicit donor stipulations about how long those long-lived assets must be maintained, ICC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Temporarily restricted contributions are classified as unrestricted where the restriction is met in the same fiscal year the contribution is received.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

In-Kind Contributions - ICC recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated services have not been reflected in the accompanying financial statements since the appropriate criteria for recording these services have not been met. Nevertheless, a substantial number of volunteers have donated significant amounts of their time to ICC's program services and its fund-raising campaigns.

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions. In-kind contributions recognized are items that ICC will use for administrative or program purposes, and which ICC would otherwise need to purchase to meet the needs of the organization. During the years ended December 31, 2010 and 2009, ICC recognized in-kind contributions of \$41,522 and \$79,687, respectively, consisting mostly of donated supplies for ICC programs.

Income Taxes - Income taxes are not provided for in the financial statements since ICC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. ICC is not classified as 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 also provide guidance on various related matters such as interest, penalties, and required disclosures. Management believes ICC does not have any uncertain tax positions. ICC files informational returns. Generally these returns are subject to examination by Federal or state tax authorities for a period of three years from the filing of the return. As such, the returns for the 2007, 2008, and 2009, tax years are currently subject to examination. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

Pension Plan - ICC has a 403(b) pension plan for all eligible employees.

Advertising - Advertising costs are charged to expense as incurred. Advertising and promotional expense for the years ended December 31, 2010 and 2009, totaled \$18,595 and \$3,969, respectively.

Functional Allocation of Expenses - Costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

2. Program and Supporting Services

Summarized Financial Information for 2009 - 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 ICC's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Program Services - ICC supports the operations of orphanages and schools in several foreign countries, including providing financial support of the day-to-day operations of the orphanages and schools, acquiring land and buildings for new orphanages, and arranging adoptions of children in the orphanages.

Management and General - Management and general activities include business management, recordkeeping, budgeting, financing, and related administrative activities. These services provide the necessary developmental, organizational, and management support for the effective operation of programs.

Fund-Raising - Fund-raising activities include conducting fund-raising campaigns, preparing and distributing fund-raising materials, and conducting other activities involving soliciting contributions from individuals, foundations, and others.

3. Investments

Investments consist of the following at December 31:

	2010	2009
Money market fund	\$ 925	\$ 925
Equity securities	353	25
Municipal bond	4,372	-
	<u>\$ 5,650</u>	<u>\$ 950</u>

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

4. Pledges Receivable

Unconditional pledges are expected to be collected within the following at December 31:

	2010	2009
Less than one year	\$ 2,100	\$ 5,150
One to five years	2,513	5,418
	<u>\$ 4,613</u>	<u>\$ 10,568</u>

Pledges receivable due in more than one year have not been discounted to present value as management determined the amount was not material to the financial statements as a whole.

5. Receivable from Charitable Trust

ICC has a remainder interest in a charitable remainder unitrust. The terms of the trust provide ICC with a percentage of the trust value upon the death of two lifetime beneficiaries. ICC's interest has been recorded at the present value of the estimated fair value of assets to be received in the future.

6. Receivable from Charitable Gift Annuities

ICC has a beneficial interest in fourteen charitable gift annuities. The annuities are being administered by North Pacific Union Conference Association of the Seventh-day Adventists and Western Adventist Foundation. The annuities have been recorded at their estimated present value, based on the terms of each specific annuity.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

7. Note Receivable

	2010	2009
Note receivable from a corporation, payable in monthly installments of \$364, including interest at 8 percent per annum. Due May, 2013. The note is secured by property.	<u>\$ 26,690</u>	<u>\$ 28,829</u>

Future principal maturities on the above note at December 31, 2010, are as follows:

Years Ending December 31,	Amount
2011	\$ 2,317
2012	2,509
2013	<u>21,864</u>
	<u>\$ 26,690</u>

8. Property and Equipment

Property and equipment consists of the following at December 31:

	2010	2009
Land	\$ 95,000	\$ 95,000
Buildings	388,257	388,257
Furniture and fixtures	14,424	14,615
Equipment	<u>136,868</u>	<u>149,275</u>
	634,549	647,147
Less accumulated depreciation	<u>(405,307)</u>	<u>(404,615)</u>
	<u>\$ 229,242</u>	<u>\$ 242,532</u>

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

9. Note Payable

	2010	2009
Note payable to Columbia Ventures Corporation bearing interest at 5 percent per annum. Principal and accrued interest due December, 2011. The note is secured by property of ICC.	<u>\$ 970,479</u>	<u>\$ 970,479</u>

At December 31, 2010 and 2009, accrued interest on the above note payable totaled \$72,985 and \$24,462, respectively.

10. Commitments and Rent Expense

ICC leases certain equipment under operating leases expiring September, 2015. Rent expense for 2010 and 2009, was \$17,873 and \$15,560, respectively.

Future minimum lease payments are as follows:

Years Ending December 31,	Amount
2011	\$ 17,004
2012	12,482
2013	9,252
2014	9,252
2015	6,939
	<u>\$ 54,929</u>

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at December 31:

	2010	2009
Disaster Relief	\$ 13,613	\$ 13,613
Cambodia Project	19,808	19,808
Congo Project	34,706	37,755
Development projects	4,454	1,944
Dominican Project	15,271	18,437
El Salvador	136,762	123,861
Guatemala ICAP Project	2,436	34,952
Guatemala Los Pinos Project	196,475	237,371
Hungary Project	5,500	5,500
India Project	1,620	1,620
Mexico Construction Project	110,144	112,232
Myanmar	5,068	5,068
Nicaragua Project	17,822	11,601
Philippine Project	4,856	4,856
Romania Project	-	9,000
Thailand Project	300	-
Future periods	203,129	214,346
	<u>\$ 771,964</u>	<u>\$ 851,964</u>

During 2010, net assets totaling \$96,669 were released from donor restrictions by the occurrence of specific events and the passage of time.

At December 31, 2010 and 2009, ICC did not have sufficient cash and cash equivalents to cover donor restricted funds for specific ICC projects. At December 31, 2010 and 2009, this shortfall totaled \$129,790 and \$205,672, respectively.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

12. Joint Costs of Activities Including a Fund-Raising Appeal

ICC conducts campaigns to distribute information about orphaned children in foreign countries and to appeal for funds. Joint costs, consisting of postage and shipping, and printing and publication costs, were allocated as follows:

	2010	2009
Program services	\$ 53,834	\$ 51,528
Management and general	13,459	12,882
Fund-raising	22,431	21,470
	<u>\$ 89,724</u>	<u>\$ 85,880</u>

13. Tax-Deferred Annuity Plan

ICC has a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code. The Plan is available to all full-time employees of ICC who may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. ICC made discretionary contributions to the Plan totaling \$12,074 and \$10,890 in 2010 and 2009, respectively.

14. Foreign Development

ICC works to establish charitable organizations in foreign countries that will support the projects ICC supports. These organizations are formed as separate legal entities and have their own boards of directors. Although it is under no legal obligation to do so, ICC incurs certain costs to cultivate these relationships and periodically agrees to pay certain costs to encourage the development of these organizations in other countries. ICC classifies these costs as "foreign development."

15. Concentrations

For the years ended December 31, 2010 and 2009, ICC received approximately 16 and 17 percent, respectively, of its total support from two fund-raising agencies located in Europe.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

16. Fair Value Measurements

Accounting standards pertaining to fair value measurements establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. ICC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, ICC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that ICC has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, ICC's assets measured at fair value on a recurring basis as of December 31, 2010:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Money market fund and equity securities	\$ 1,278	\$ -	\$ -	\$ 1,278
Municipal bond	-	4,372	-	4,372
Receivable from charitable trust	-	-	77,002	77,002
Receivable from charitable gift annuities	-	-	121,514	121,514
	<u>\$ 1,278</u>	<u>\$ 4,372</u>	<u>\$ 198,516</u>	<u>\$ 204,166</u>

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

16. Fair Value Measurements - Continued

Fair value for the municipal bond is based on pricing models, quoted prices of securities with similar characteristics, yield curves, and other relevant economic measures.

Fair value for both the receivable from a charitable trust and receivable from charitable gift annuities is based on the present value of future cash receipts. The present value of future cash receipts is based on the market value of the underlying assets less the estimated present value of future payments to beneficiaries. Both inputs are provided by the trustees of the trust and charitable gift annuities and not observable to ICC.

A summary of changes in ICC's Level 3 assets for the year ended December 31, 2010, is as follows:

	Receivable from Charitable Trust	Receivable from Charitable Gift Annuities	Total
Balance, beginning of year	\$ 68,391	\$ 135,387	\$ 203,778
Change in value	8,611	(18,620)	(10,009)
Donation	-	4,747	4,747
	<u>77,002</u>	<u>121,514</u>	<u>198,516</u>
Balance, end of year	<u>\$ 77,002</u>	<u>\$ 121,514</u>	<u>\$ 198,516</u>

17. Subsequent Events

Management has evaluated subsequent events through May 10, 2011, the date the financial statements were available for issue.