



**FINANCIAL STATEMENTS**

**Year Ended December 31, 2013**

**with**

**Independent Auditors' Report**

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**INTERNATIONAL CHILDREN'S CARE, INC.**

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## **Independent Auditors' Report**

The Board of Trustees  
International Children's Care, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of International Children's Care, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Children's Care, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited International Children's Care, Inc.'s 2012 financial statements, and our report dated May 20, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*HANMAN, STEWART & SCHMIDT, P.C.*

Lake Oswego, Oregon  
June 4, 2014

**INTERNATIONAL CHILDREN'S CARE, INC.**

**Statement of Financial Position**

<b>December 31, 2013</b> <i>(With Comparative Amounts for 2012)</i>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 503,656	\$ 701,455
Investments <i>(Notes 3 and 16)</i>	7,951	6,192
Contributions receivable <i>(Note 4)</i>	191,464	405,414
Receivable from charitable trust <i>(Notes 5 and 16)</i>	71,535	77,812
Receivable from charitable gift annuities <i>(Notes 6 and 16)</i>	21,035	25,178
Note receivable <i>(Note 7)</i>	-	21,864
Other receivables	707	1,447
Prepaid expenses	31,612	29,312
Property and equipment - net <i>(Notes 8 and 9)</i>	190,054	200,926
<b>Total assets</b>	<b><u>\$ 1,018,014</u></b>	<b><u>\$ 1,469,600</u></b>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
Accounts payable and accrued liabilities	\$ 4,044	\$ 2,665
Accrued vacation	60,012	55,750
Accrued interest <i>(Note 9)</i>	218,557	170,033
Note payable <i>(Note 9)</i>	970,479	970,479
<b>Total liabilities</b>	<b>1,253,092</b>	<b>1,198,927</b>
Commitments <i>(Note 10)</i>		
<b>Net assets (deficit):</b>		
Unrestricted deficit	(1,045,340)	(477,720)
Temporarily restricted <i>(Note 11)</i>	810,262	748,393
<b>Total net assets (deficit)</b>	<b><u>(235,078)</u></b>	<b><u>270,673</u></b>
<b>Total liabilities and net assets (deficit)</b>	<b><u>\$ 1,018,014</u></b>	<b><u>\$ 1,469,600</u></b>

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

**INTERNATIONAL CHILDREN'S CARE, INC.**

**Statement of Activities**

**Year Ended December 31, 2013** *(With Comparative Totals for 2012)*

	Unrestricted	Temporarily Restricted	Total	
			2013	2012
<b>Revenue and support:</b>				
Contributions	\$ 3,111,143	\$ 126,874	\$ 3,238,017	\$ 4,377,199
In-kind contributions	76,678	-	76,678	20,955
Net assets released from restrictions <i>(Note 11)</i>	54,585	(54,585)	-	-
<b>Net revenue and support</b>	<b>3,242,406</b>	<b>72,289</b>	<b>3,314,695</b>	<b>4,398,154</b>
<b>Expenses:</b>				
Program services	3,467,748	-	3,467,748	3,679,755
Management and general	171,414	-	171,414	163,562
Fundraising	193,064	-	193,064	246,034
<b>Total expenses</b>	<b>3,832,226</b>	<b>-</b>	<b>3,832,226</b>	<b>4,089,351</b>
<b>Income (loss) from operations</b>	<b>(589,820)</b>	<b>72,289</b>	<b>(517,531)</b>	<b>308,803</b>
<b>Non-operating activities:</b>				
Change in value of receivable from:				
Charitable trust	-	(6,277)	(6,277)	2,873
Charitable gift annuities	22,045	(4,143)	17,902	(3,479)
Interest and dividends	555	-	555	2,527
Unrealized gain on investments	121	-	121	149
Loss on disposal of equipment	(521)	-	(521)	-
<b>Net non-operating activities</b>	<b>22,200</b>	<b>(10,420)</b>	<b>11,780</b>	<b>2,070</b>
<b>Increase (decrease) in net assets</b>	<b>(567,620)</b>	<b>61,869</b>	<b>(505,751)</b>	<b>310,873</b>
Net assets (deficit), beginning of year	(477,720)	748,393	270,673	(40,200)
<b>Net assets (deficit), end of year</b>	<b>\$ (1,045,340)</b>	<b>\$ 810,262</b>	<b>\$ (235,078)</b>	<b>\$ 270,673</b>

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

**INTERNATIONAL CHILDREN'S CARE, INC.**

**Statement of Functional Expenses**

**Year Ended December 31, 2013** (With Comparative Totals for 2012)

	Program Services	Management and General	Fundraising	Total	
				2013	2012
Grants and allocations	\$ 2,565,157	\$ -	\$ -	\$ 2,565,157	\$ 2,791,679
Salaries and wages	603,027	79,955	64,263	747,245	740,082
Payroll taxes	49,049	6,503	5,227	60,779	60,478
Employee benefits	108,607	14,400	11,574	134,581	137,649
Professional fees	793	15,533	6,000	22,326	18,648
Supplies	7,487	993	798	9,278	10,495
Telephone	7,701	1,021	821	9,543	7,881
Postage and shipping	13,967	3,492	5,819	23,278	24,476
Occupancy	8,902	4,822	4,822	18,546	17,726
Equipment rental and maintenance	8,569	4,641	4,641	17,851	14,777
Printing and publications	30,380	7,595	12,659	50,634	52,324
Travel	5,509	731	587	6,827	3,982
Conferences and meetings	32	4	3	39	569
Interest	23,292	12,616	12,616	48,524	48,524
Depreciation	7,578	4,105	4,104	15,787	15,368
Foreign development (Note 14)	-	-	44,127	44,127	85,593
Other	27,698	15,003	15,003	57,704	59,100
	<b>\$ 3,467,748</b>	<b>\$ 171,414</b>	<b>\$ 193,064</b>	<b>\$ 3,832,226</b>	<b>\$ 4,089,351</b>

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

**INTERNATIONAL CHILDREN'S CARE, INC.**

**Statement of Cash Flows**

<b>Year Ended December 31, 2013 (With Comparative Totals for 2012)</b>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Cash receipts:		
Contributions	\$ 3,433,634	\$ 4,034,430
Interest and dividends	555	2,527
Cash paid:		
Grantees, suppliers, and employees	<u>(3,687,156)</u>	<u>(4,019,622)</u>
<b>Net cash provided (used) by operating activities</b>	<b>(252,967)</b>	<b>17,335</b>
<b>Cash flows from investing activities:</b>		
Purchases of equipment	(936)	(941)
Proceeds from sale of equipment	34,250	-
Reinvestment of interest and dividends	(10)	(12)
Payments received on note receivable	<u>21,864</u>	<u>2,509</u>
<b>Net cash provided by investing activities</b>	<b><u>55,168</u></b>	<b><u>1,556</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(197,799)</b>	<b>18,891</b>
Cash and cash equivalents, beginning of year	<u>701,455</u>	<u>682,564</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 503,656</u></b>	<b><u>\$ 701,455</u></b>

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



**INTERNATIONAL CHILDREN'S CARE, INC.**

**Statement of Cash Flows - Continued**

<b>Year Ended December 31, 2013</b> <i>(With Comparative Totals for 2012)</i>	<b>2013</b>	<b>2012</b>
<b>Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:</b>		
Increase (decrease) in net assets	\$ (505,751)	\$ 310,873
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	15,787	15,368
Change in value of receivable from:		
Charitable trust	6,277	(2,873)
Charitable gift annuities	(17,902)	3,479
Loss on disposal of equipment	521	-
Unrealized gain on investments	(121)	(149)
Distribution from charitable gift annuity	22,045	-
Donated investments	(1,628)	-
Donated equipment	(38,750)	-
Change in operating assets and liabilities:		
Contributions receivable	213,950	(342,769)
Other receivables	740	(1,172)
Prepaid expenses	(2,300)	(1,273)
Accounts payable and accrued liabilities	1,379	(13,356)
Accrued vacation	4,262	683
Accrued interest	48,524	48,524
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ (252,967)</u></b>	<b><u>\$ 17,335</u></b>

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

# INTERNATIONAL CHILDREN'S CARE, INC.

## Notes to Financial Statements

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

ICC receives substantially all of its revenue from contributions. Fundraising 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 valuation of receivables from a charitable trust and gift annuities, the calculation of depreciation expense, the functional allocation of certain expenses, and the valuation of donated supplies and equipment.

**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

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### 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, 2013 and 2012, 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.

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

**Revenue Recognition** - Contributions, which include unconditional promises to give (contributions receivable), 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

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#### 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 fundraising 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 its needs. During the year ended December 31, 2013, ICC recognized in-kind contributions of \$76,678 consisting mostly of donated supplies for ICC programs and equipment.

**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 2010, 2011, and 2012 tax years are currently subject to examination. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses. As of December 31, 2013, there are no tax examinations in progress.

**Advertising** - Advertising costs are charged to expense as incurred. Advertising and promotional expense for the year ended December 31, 2013, totaled \$12,967.

**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.

**Summarized Financial Information for 2012** - 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, 2012, from which the summarized information was derived.

**Subsequent Events** - Management has evaluated subsequent events through June 4, 2014, the date the financial statements were available for issue.

**INTERNATIONAL CHILDREN'S CARE, INC.**

**Notes to Financial Statements - Continued**

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**2. Program and Supporting Services**

**Program Services** - ICC supports the operations of orphanages and schools in several foreign countries, including providing financial support for 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.

**Fundraising** - Fundraising activities include conducting fundraising campaigns, preparing and distributing fundraising materials, and conducting other activities involving soliciting contributions from individuals, foundations, and others.

**3. Investments**

Investments consist of the following at December 31:

	<b>2013</b>	<b>2012</b>
Money market fund	\$ 7,510	\$ 947
Equity securities	441	373
Municipal bond	-	4,872
	<u>\$ 7,951</u>	<u>\$ 6,192</u>

**INTERNATIONAL CHILDREN'S CARE, INC.**

**Notes to Financial Statements - Continued**

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**4. Contributions Receivable**

Contributions receivable represent the following at December 31:

	<b>2013</b>	<b>2012</b>
Bequests receivable	145,298	352,295
Year-end gifts	42,299	47,773
Pledges receivable	3,867	5,346
	<u>\$ 191,464</u>	<u>\$ 405,414</u>

At December 31, 2013, bequests receivable consists of an estate, of which ICC was named a beneficiary. Subsequent to December 31, 2013, ICC received a final distribution from the estate of \$145,298.

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

	<b>2013</b>	<b>2012</b>
Less than one year	\$ 189,097	\$ 401,921
One to five years	<u>2,367</u>	<u>3,493</u>
	<u>\$ 191,464</u>	<u>\$ 405,414</u>

Contributions 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 an irrevocable 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.

**INTERNATIONAL CHILDREN'S CARE, INC.**

**Notes to Financial Statements - Continued**

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**6. Receivable from Charitable Gift Annuities**

ICC has a beneficial interest in 17 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.

**7. Note Receivable**

	<b>2013</b>	<b>2012</b>
Note receivable from a corporation. Paid in full during 2013.	<u>\$ -</u>	<u>\$ 21,864</u>

**8. Property and Equipment**

Property and equipment consists of the following at December 31:

	<b>2013</b>	<b>2012</b>
Land	\$ 95,000	\$ 95,000
Buildings	389,757	388,257
Furniture and fixtures	14,189	14,189
Equipment	<u>121,620</u>	<u>126,264</u>
	620,566	623,710
Less accumulated depreciation	<u>(430,512)</u>	<u>(422,784)</u>
	<u>\$ 190,054</u>	<u>\$ 200,926</u>

**INTERNATIONAL CHILDREN'S CARE, INC.**

**Notes to Financial Statements - Continued**

**9. Note Payable**

	<b>2013</b>	<b>2012</b>
Note payable to Columbia Ventures Corporation bearing interest at 5 percent per annum. Principal and accrued interest due June, 2015. Though not formalized, ICC received communication from the lender that the note can be extended until ICC has sufficient funds to pay the balance. The note is secured by property of ICC, with a carrying value of \$188,031.	<u>\$ 970,479</u>	<u>\$ 970,479</u>

At December 31, 2013 accrued interest on the above note payable totaled \$218,557.

Based on a recent tax assessed market value and communication with a real estate broker, management estimates the fair value of the property used as collateral for the above note to be approximately \$2 million.

**10. Commitments and Rent Expense**

ICC leases certain equipment under operating leases expiring March, 2017.

Future minimum lease payments under operating leases are as follows:

<b>Years Ending December 31,</b>	<b>Amount</b>
2014	\$ 17,004
2015	14,691
2016	7,752
2017	1,938
	<u>\$ 41,385</u>

Rent expense during the year ended December 31, 2013, totaled \$19,360.



**INTERNATIONAL CHILDREN'S CARE, INC.**

**Notes to Financial Statements - Continued**

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**11. Temporarily Restricted Net Assets**

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

	<b>2013</b>	<b>2012</b>
Cambodia Project	\$ 19,298	\$ 19,498
Congo Project	72,479	26,620
Development projects	9,028	13,694
Dominican Project	37,418	44,805
El Salvador	170,934	177,530
Guatemala Los Pinos Project	137,515	148,354
Hungary Project	5,500	5,500
India Project	11,156	14,076
Mexico Project	94,482	90,464
Myanmar	2,173	2,173
Nicaragua Project	152,642	75,642
Philippine Project	-	500
Romania Project	1,200	8,201
Australia Project	-	13,000
Future periods	96,437	108,336
	<u>\$ 810,262</u>	<u>\$ 748,393</u>

During the year ended December 31, 2013, net assets totaling \$54,585 were released from donor restrictions by the occurrence of specific events and the passage of time.

At December 31, 2013, ICC did not have sufficient cash and cash equivalents to cover donor restricted funds for specific ICC projects. At December 31, 2013, this shortfall totaled \$210,169.

**INTERNATIONAL CHILDREN'S CARE, INC.**

**Notes to Financial Statements - Continued**

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**12. Joint Costs of Activities Including a Fundraising 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:

	<b>2013</b>	<b>2012</b>
Program services	\$ 44,347	\$ 46,080
Management and general	11,087	11,520
Fundraising	<u>18,478</u>	<u>19,200</u>
	<u>\$ 73,912</u>	<u>\$ 76,800</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 \$12,517 in 2013.

**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 year ended December 31, 2013, ICC received approximately 10 percent of its total support from two independent funding partners 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 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 observable for the asset.
- Inputs 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, 2013:

	Quoted Prices in Active Markets (Level 1)	Unobservable Inputs (Level 3)	Total
Money market fund	\$ 7,510	\$ -	\$ 7,510
Equity securities	441	-	441
Receivable from charitable trust	-	71,535	71,535
Receivable from charitable gift annuities	-	21,035	21,035
	<u>\$ 7,951</u>	<u>\$ 92,570</u>	<u>\$ 100,521</u>

**INTERNATIONAL CHILDREN'S CARE, INC.**

**Notes to Financial Statements - Continued**

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**16. Fair Value Measurements - Continued**

Fair value for the municipal bond is based on 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 are not observable by ICC.

A summary of changes in ICC's Level 3 assets for the year ended December 31, 2013, is as follows:

	<b>Receivable from Charitable Trust</b>	<b>Receivable from Charitable Gift Annuities</b>	<b>Total</b>
Balance, beginning of year	\$ 77,812	\$ 25,178	\$ 102,990
Distributions	-	(22,045)	(22,045)
Change in value	<u>(6,277)</u>	<u>17,902</u>	<u>11,625</u>
Balance, end of year	<u>\$ 71,535</u>	<u>\$ 21,035</u>	<u>\$ 92,570</u>

**17. Going Concern Considerations**

The accompanying financial statements have been prepared on the presumption that International Children's Care, Inc. will continue as a going concern. However, the current economic conditions have given rise to potential uncertainty regarding ICC's ability to continue as a going concern. ICC has experienced a significant reduction in net assets and has an overall net asset deficit.

Management has evaluated ICC's financial position and believes there are factors that alleviate the going concern uncertainty, including:

- As described in *Note 9*, the lender associated with ICC's note payable and related accrued interest payable has expressed payment on those obligations can be extended until cash is available.
- Management has the ability to reduce future grants and allocations expenses in order to improve financial stability.