FINANCIAL STATEMENTS

Year Ended December 31, 2014

with

Independent Auditors' Report

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, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited International Children's Care, Inc.'s 2013 financial statements, and our report dated June 4, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
April 29, 2015

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Financial Position

December 31, 2014 *(With Comparative Amounts for 2013)*	**2014**	**2013**
ASSETS		
Cash and cash equivalents	$ 674,529	$ 503,656
Investments *(Notes 3 and 14)*	9,655	7,951
Contributions receivable *(Note 4)*	41,204	191,464
Receivable from charitable trust *(Notes 5 and 14)*	74,208	71,535
Receivable from charitable gift annuities *(Notes 6 and 14)*	60,872	21,035
Other receivables	934	707
Prepaid expenses	31,969	31,612
Property and equipment - net *(Notes 7 and 8)*	178,137	190,054
Total assets	**$ 1,071,508**	**$ 1,018,014**
LIABILITIES AND NET DEFICIT		
Accounts payable and accrued liabilities	$ 11,000	$ 4,044
Accrued vacation	52,391	60,012
Accrued interest *(Note 8)*	267,081	218,557
Note payable *(Note 8)*	970,479	970,479
Total liabilities	**1,300,951**	**1,253,092**
Commitments *(Note 9)*		
Net assets (deficit):		
Unrestricted deficit	(1,132,015)	(1,045,340)
Temporarily restricted *(Note 10)*	902,572	810,262
Total net deficit	**(229,443)**	**(235,078)**
Total liabilities and net deficit	**$ 1,071,508**	**$ 1,018,014**

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

INTERNATIONAL CHILDREN’S CARE, INC.

Statement of Activities

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

	Unrestricted	Temporarily Restricted	Total 2014	Total 2013
Revenue and support:				
Contributions	$ 3,626,105	$ 168,884	$ 3,794,989	$ 3,238,017
In-kind contributions	23,513	-	23,513	76,678
Net assets released from restrictions *(Note 10)*	74,134	(74,134)	-	-
Net revenue and support	**3,723,752**	**94,750**	**3,818,502**	**3,314,695**
Expenses:				
Program services	3,406,919	-	3,406,919	3,467,748
Management and general	172,514	-	172,514	171,414
Fundraising	231,307	-	231,307	193,064
Total expenses	**3,810,740**	**-**	**3,810,740**	**3,832,226**
Income (loss) from operations	**(86,988)**	**94,750**	**7,762**	**(517,531)**
Non-operating activities:				
Change in value of receivable from:				
Charitable trust	-	2,673	2,673	(6,277)
Charitable gift annuities	-	(5,113)	(5,113)	17,902
Interest and dividends	260	-	260	555
Unrealized gain on investments	53	-	53	121
Loss on disposal of equipment	-	-	-	(521)
Net non-operating activities	**313**	**(2,440)**	**(2,127)**	**11,780**
Increase (decrease) in net assets	**(86,675)**	**92,310**	**5,635**	**(505,751)**
Net assets (deficit), beginning of year	(1,045,340)	810,262	(235,078)	270,673
Net assets (deficit), end of year	**$ (1,132,015)**	**$ 902,572**	**$ (229,443)**	**$ (235,078)**

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Functional Expenses

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

	Program Services	Management and General	Fundraising	Total 2014	Total 2013
Grants and allocations	$ 2,503,923	$ -	$ -	$ 2,503,923	$ 2,565,157
Salaries and wages	584,445	77,491	62,283	724,219	747,245
Payroll taxes	48,170	6,387	5,133	59,690	60,779
Employee benefits	113,474	15,045	12,093	140,612	134,581
Professional fees	3,874	14,125	4,320	22,319	22,326
Supplies	9,987	1,324	1,064	12,375	9,278
Telephone	7,284	966	776	9,026	9,543
Postage and shipping	17,020	4,255	7,092	28,367	23,278
Occupancy	8,951	4,848	4,848	18,647	18,546
Equipment rental and maintenance	7,691	4,166	4,166	16,023	17,851
Printing and publications	35,085	8,771	14,619	58,475	50,634
Travel	2,615	347	279	3,241	6,827
Conferences and meetings	228	30	24	282	39
Interest	23,292	12,616	12,616	48,524	48,524
Depreciation	7,020	3,802	3,802	14,624	15,787
Foreign development *(Note 13)*	-	-	79,851	79,851	44,127
Other	33,860	18,341	18,341	70,542	57,704
	$ 3,406,919	**$ 172,514**	**$ 231,307**	**$ 3,810,740**	**$ 3,832,226**

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Cash Flows

Year Ended December 31, 2014 *(With Comparative Totals for 2013)*	**2014**	**2013**
Cash flows from operating activities:		
Cash receipts:		
Contributions	$ 3,898,670	$ 3,433,634
Interest and dividends	260	555
Cash paid:		
Grantees, suppliers, and employees	(3,725,328)	(3,687,156)
Net cash provided (used) by operating activities	**173,602**	**(252,967)**
Cash flows from investing activities:		
Purchases of equipment	(2,707)	(936)
Proceeds from sale of equipment	-	34,250
Reinvestment of interest and dividends	(22)	(10)
Payments received on note receivable	-	21,864
Net cash provided (used) by investing activities	**(2,729)**	**55,168**
Net increase (decrease) in cash and cash equivalents	**170,873**	**(197,799)**
Cash and cash equivalents, beginning of year	503,656	701,455
Cash and cash equivalents, end of year	**$ 674,529**	**$ 503,656**

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, 2014 *(With Comparative Totals for 2013)*	**2014**	**2013**
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets	$ 5,635	$ (505,751)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	14,624	15,787
Change in value of receivable from:		
Charitable trust	(2,673)	6,277
Charitable gift annuities	5,113	(17,902)
Loss on disposal of equipment	-	521
Unrealized gain on investments	(53)	(121)
Distribution from charitable gift annuity	-	22,045
Contribution of investments	(1,629)	(1,628)
Contribution of equipment	-	(38,750)
Contribution of a charitable gift annuity	(44,950)	-
Change in operating assets and liabilities:		
Contributions receivable	150,260	213,950
Other receivables	(227)	740
Prepaid expenses	(357)	(2,300)
Accounts payable and accrued liabilities	6,956	1,379
Accrued vacation	(7,621)	4,262
Accrued interest	48,524	48,524
Net cash provided (used) by operating activities	**$ 173,602**	**$ (252,967)**

The accompanying notes are an integral part of the 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	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 prices in active markets.

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	31.5 years
Furniture and fixtures	10 years
Equipment	3 - 10 years

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, 2014 and 2013, and often during those years, 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.

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. During the year ended December 31, 2014, ICC recognized in-kind contributions of $23,513 consisting mostly of donated supplies for ICC program.

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 prior to 2010 are no longer subject to examination. There are currently no examinations in progress for any tax periods. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

Advertising - Advertising costs are charged to expense as incurred. Advertising and promotional expense for the year ended December 31, 2014, totaled $24,827.

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 2013 - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ICC's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Subsequent Events - Management has evaluated subsequent events through April 29, 2015, the date the financial statements were available for issue.

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:

	2014	2013
Money market fund	$ 7,558	$ 7,510
Equity securities	2,097	441
	$ 9,655	$ 7,951

4. Contributions Receivable

Contributions receivable represent the following at December 31:

	2014	2013
Pledges receivable	2,852	3,867
Year-end gifts	38,352	42,299
Bequests receivable	-	145,298
	$ 41,204	$ 191,464

4. Contributions Receivable - Continued

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

	2014	2013
Less than one year	$ 39,852	$ 189,097
One to five years	1,352	2,367
	$ 41,204	$ 191,464

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.

6. Receivable from Charitable Gift Annuities

ICC has a beneficial interest in 18 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. Property and Equipment

Property and equipment consists of the following at December 31:

	2014	2013
Land	$ 95,000	$ 95,000
Buildings	389,757	389,757
Furniture and fixtures	14,189	14,189
Equipment	124,327	121,620
	623,273	620,566
Less accumulated depreciation	(445,136)	(430,512)
	$ 178,137	$ 190,054

8. Note Payable

	2014	2013
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 $174,951.	$ 970,479	$ 970,479

At December 31, 2014, accrued interest on the above note payable totaled $267,081.

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.

9. Commitments and Rent Expense

ICC leases certain equipment under operating leases expiring March 2017. Future minimum lease payments under operating leases are as follows:

Years Ending December 31,	Amount
2015	$ 14,691
2016	7,752
2017	1,938
	$ 24,381

Rent expense during the year ended December 31, 2014, totaled $18,521.

10. Temporarily Restricted Net Assets

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

	2014	2013
Cambodia Project	$ 19,298	$ 19,298
Congo Project	31,127	72,479
Development projects	13,045	9,028
Dominican Project	58,775	37,418
El Salvador	166,649	170,934
Guatemala Los Pinos Project	119,428	137,515
Hungary Project	5,500	5,500
India Project	11,156	11,156
Mexico Project	87,260	94,482
Myanmar	-	2,173
Nicaragua Project	245,641	152,642
Philippine Project	950	-
Romania Project	5,811	1,200
Future periods	137,932	96,437
	$ 902,572	$ 810,262

During the year ended December 31, 2014, net assets totaling $74,134 were released from donor restrictions by the occurrence of specific events and the passage of time.

At December 31, 2014, ICC did not have sufficient cash and cash equivalents to cover donor restricted funds for specific ICC projects. At December 31, 2014, this shortfall totaled $90,111.

11. 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:

	2014	2013
Program services	$ 52,105	$ 44,347
Management and general	13,026	11,087
Fundraising	21,711	18,478
	$ 86,842	$ 73,912

12. 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 $12,101 in 2014.

13. 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."

14. 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, 2014:

	Quoted Prices in Active Markets (Level 1)	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Total**
Money market fund	$ 7,558	$ -	$ -	$ 7,558
Equity securities	2,097	-	-	2,097
Receivable from charitable trust	-	-	74,208	74,208
Receivable from charitable gift annuities	-	-	60,872	-
	$ 9,655	$ -	$ 135,080	$ 83,863

14. Fair Value Measurements - Continued

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, 2014, is as follows:

	Receivable from Charitable Trust	Receivable from Charitable Gift Annuities	Total
Balance, beginning of year	$ 71,535	$ 21,035	$ 92,570
Contribution	-	44,950	44,950
Change in value	2,673	(5,113)	(2,440)
Balance, end of year	$ 74,208	$ 60,872	$ 135,080

15. 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 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 8*, 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.