



FINANCIAL STATEMENTS

Year Ended December 31, 2017

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., which comprise the statement of financial position as of December 31, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hickman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
June 5, 2018

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Financial Position

December 31, 2017 (With Comparative Amounts for 2016)	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,231,175	\$ 740,253
Investments	46,501	20,016
Contributions receivable	59,502	138,208
Receivable from charitable trusts	76,885	65,887
Receivable from charitable gift annuities	190,439	193,893
Prepaid expenses and other current assets	37,493	35,091
Property and equipment - net	154,763	154,367
Total assets	<u>\$ 1,796,758</u>	<u>\$ 1,347,715</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Accounts payable and accrued liabilities	\$ 11,204	\$ 11,923
Accrued vacation	62,734	64,556
Accrued interest	-	364,129
Note payable	-	970,479
Total liabilities	73,938	1,411,087
Net assets (deficit):		
Unrestricted	861,569	(1,119,429)
Temporarily restricted	861,251	1,056,057
Total net assets (deficit)	<u>1,722,820</u>	<u>(63,372)</u>
Total liabilities and net assets	<u>\$ 1,796,758</u>	<u>\$ 1,347,715</u>

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Activities

Year Ended December 31, 2017 *(With Comparative Totals for 2016)*

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Revenue and support:				
Contributions	\$ 5,734,467	\$ 75,534	\$ 5,810,001	\$ 3,693,941
In-kind contributions	34,417	-	34,417	20,034
Net assets released from restrictions	277,884	(277,884)	-	-
Net revenue and support	6,046,768	(202,350)	5,844,418	3,713,975
Expenses:				
Program services	3,765,702	-	3,765,702	3,507,532
Management and general	153,794	-	153,794	165,480
Fundraising	155,219	-	155,219	213,538
Total expenses	4,074,715	-	4,074,715	3,886,550
Income (loss) from operations	1,972,053	(202,350)	1,769,703	(172,575)
Non-operating activities:				
Contribution of charitable trusts and gift annuities	-	8,737	8,737	11,551
Change in value of receivable from:				
Charitable trusts	-	2,261	2,261	7,426
Charitable gift annuities	-	(3,454)	(3,454)	11,681
Interest and dividends	681	-	681	354
Unrealized and realized gains on investments	8,264	-	8,264	23
Net non-operating activities	8,945	7,544	16,489	31,035
Increase (decrease) in net assets	1,980,998	(194,806)	1,786,192	(141,540)
Net assets (deficit), beginning of year	(1,119,429)	1,056,057	(63,372)	78,168
Net assets, end of year	\$ 861,569	\$ 861,251	\$ 1,722,820	\$ (63,372)

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Functional Expenses

Year Ended December 31, 2017 (With Comparative Totals for 2016)

	Program Services	Management and General	Fundraising	Total	
				2017	2016
Grants and allocations	\$ 2,906,706	\$ -	\$ -	\$ 2,906,706	\$ 2,634,089
Salaries and wages	586,149	73,142	56,671	715,962	724,897
Payroll taxes	47,992	5,989	4,640	58,621	58,279
Employee benefits	100,004	12,479	9,669	122,152	131,640
Professional fees	3,653	15,200	11,780	30,633	90,161
Supplies	8,576	1,070	829	10,475	10,187
Telephone	8,679	1,083	839	10,601	11,376
Postage and shipping	9,649	2,412	4,021	16,082	20,452
Occupancy	9,808	5,313	5,313	20,434	19,847
Equipment rental and maintenance	7,702	4,172	4,172	16,046	17,018
Printing and publications	26,164	6,541	10,902	43,607	40,917
Travel	2,143	284	228	2,655	3,593
Conferences and meetings	368	49	39	456	427
Interest	16,619	9,001	9,001	34,621	48,524
Depreciation	6,639	3,597	3,597	13,833	13,086
Foreign development	-	-	20,056	20,056	3,410
Other	24,851	13,462	13,462	51,775	58,647
	\$ 3,765,702	\$ 153,794	\$ 155,219	\$ 4,074,715	\$ 3,886,550

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

INTERNATIONAL CHILDREN'S CARE, INC.

Statement of Cash Flows

Year Ended December 31, 2017 (With Comparative Totals for 2016)	2017	2016
Cash flows from operating activities:		
Cash receipts:		
Contributions	\$ 5,392,257	\$ 3,634,510
Interest and dividends	681	354
Cash paid:		
Grantees, suppliers, and employees	<u>(3,996,787)</u>	<u>(3,783,626)</u>
Net cash provided (used) by operating activities	1,396,151	(148,762)
Cash flows from investing activities:		
Purchases of equipment	(14,229)	(2,535)
Purchases of investments	-	(8,943)
Proceeds from sale of investments	<u>9,000</u>	<u>8,794</u>
Net cash provided (used) by investing activities	(5,229)	(2,684)
Cash flows from financing activities:		
Payments on note payable	<u>(900,000)</u>	<u>-</u>
Net cash used by financing activities	(900,000)	-
Net increase (decrease) in cash and cash equivalents	490,922	(151,446)
Cash and cash equivalents, beginning of year	<u>740,253</u>	<u>891,699</u>
Cash and cash equivalents, end of year	<u>\$ 1,231,175</u>	<u>\$ 740,253</u>

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, 2017 (With Comparative Totals for 2016)	2017	2016
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets	\$ 1,786,192	\$ (141,540)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	13,833	13,086
Change in value of receivable from:		
Charitable trusts	(2,261)	(7,426)
Charitable gift annuities	3,454	(11,681)
Unrealized and realized gains on investments	(8,264)	(23)
Contribution of investments	(27,221)	(12,538)
Contribution of charitable gift annuities	(8,737)	(11,551)
Note payable and accrued interest forgiven by lender	(469,229)	-
Change in operating assets and liabilities:		
Contributions receivable	78,706	(46,893)
Prepaid expenses and other current assets	(2,402)	(812)
Accounts payable and accrued liabilities	(719)	9,247
Accrued vacation	(1,822)	12,845
Accrued interest	34,621	48,524
Net cash provided (used) by operating activities	<u>\$ 1,396,151</u>	<u>\$ (148,762)</u>

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:

Congo	India
Dominican Republic	Mexico
El Salvador	Nicaragua
Ghana	Romania
Guatemala	Zambia

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 (GAAP) 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, and the functional allocation of certain expenses.

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 fair 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

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, 2017 and 2016, and often during those years, cash and cash equivalents include bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

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.

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.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

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. In absence of 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 when the restriction is met in the same fiscal year the contribution is received.

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, 2017, ICC recognized in-kind contributions of \$34,417 consisting mostly of donated supplies for ICC's program services.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

1. Significant Accounting Policies - Continued

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 (IRC) and similar state provisions. ICC is not classified as a private foundation.

GAAP prescribes a recognition threshold and a measurement process for accounting for uncertain tax positions, and also provides 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. 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, 2017, totaled \$3,980.

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 2016 - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with ICC's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Subsequent Events - Management has evaluated subsequent events through June 5, 2018, 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.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

3. Investments

	2017	2016
Money market fund	\$ 753	\$ 9,420
Common stock	<u>45,748</u>	<u>10,596</u>
	<u>\$ 46,501</u>	<u>\$ 20,016</u>

4. Contributions Receivable

Contributions receivable represent the following at December 31:

	2017	2016
Estate receivable	\$ -	\$ 21,136
Year-end gifts	<u>59,502</u>	<u>117,072</u>
	<u>\$ 59,502</u>	<u>\$ 138,208</u>

Contributions receivable are all expected to be collected within one year.

5. Receivable from Charitable Trusts

ICC has a remainder interest in two irrevocable charitable remainder unitrusts. The terms of the trusts provide ICC with the trust value (or percentage thereof) upon the death of 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 13 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 fair values, based on the terms of each specific annuity.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

7. Property and Equipment

	2017	2016
Land	\$ 95,000	\$ 95,000
Buildings	401,567	389,757
Furniture and fixtures	14,139	14,189
Equipment	<u>124,974</u>	<u>125,382</u>
	635,680	624,328
Less accumulated depreciation	<u>(480,917)</u>	<u>(469,961)</u>
	<u><u>\$ 154,763</u></u>	<u><u>\$ 154,367</u></u>

8. Note Payable

	2017	2016
Note payable to Columbia Ventures Corporation, \$900,000 was paid during the year and \$70,479 was forgiven by the lender.	<u><u>\$ -</u></u>	<u><u>\$ 970,479</u></u>

In addition to \$70,479 of the note payable balance, the lender also forgave accrued interest accumulated through the date of the final principal payment. This included \$34,621 accrued in 2017 and \$364,129 accrued as of December 31, 2016. Total amounts forgiven by lender equaled \$469,229, which was recorded as contribution revenue during the year ended December 31, 2017.

9. Commitments and Rent Expense

ICC leases certain equipment under operating leases expiring October 2021. Future minimum lease payments under operating leases are as follows:

Years Ending December 31,	Amount
2018	\$ 15,847
2019	15,847
2020	11,005
2021	<u>7,154</u>
	<u><u>\$ 49,853</u></u>

Rent expense during the year ended December 31, 2017, totaled \$15,925.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

10. Reclassification of Net Assets

During the year ended December 31, 2017, management discovered restricted net assets of \$98,569 should have been released in prior periods but were not. Consequently, temporarily restricted net assets were overstated. Accordingly, net assets as of December 31, 2016, have been reclassified as follows:

	Unrestricted	Temporarily Restricted	Total
As previously reported	\$ (1,217,998)	\$ 1,154,626	\$ (63,372)
Net assets released from restriction	98,569	(98,569)	-
As restated	\$ (1,119,429)	\$ 1,056,057	\$ (63,372)

11. Temporarily Restricted Net Assets

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

	2017	2016
Congo Project	\$ 5,312	\$ 14,213
Development projects	205,915	239,390
Dominican Project	129,011	56,657
Education	12,337	-
El Salvador	122,662	145,050
Guatemala Los Pinos and ICAP Projects	86,093	74,483
India Project	3,350	2,500
Mexico Project	27,597	21,884
Nicaragua Project	1,000	241,550
Other countries	650	550
Future periods	267,324	259,780
	\$ 861,251	\$ 1,056,057

During the year ended December 31, 2017, net assets totaling \$277,884 were released from donor restrictions by the occurrence of specific events and the passage of time.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

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:

	2017	2016
Program services	\$ 35,813	\$ 36,821
Management and general	8,953	9,206
Fundraising	<u>14,923</u>	<u>15,342</u>
	<u>\$ 59,689</u>	<u>\$ 61,369</u>

13. Tax-Deferred Annuity Plan

ICC has a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the IRC. 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 IRC. ICC made discretionary contributions to the Plan totaling \$11,512 in 2017.

INTERNATIONAL CHILDREN'S CARE, INC.

Notes to Financial Statements - Continued

14. Fair Value Measurements

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, 2017:

	Quoted Prices in Active Markets (Level 1)	Unobservable Inputs (Level 3)	Total
Money market fund	\$ 753	\$ -	\$ 753
Common stock	45,748	-	45,748
Receivable from charitable trusts	-	76,885	76,885
Receivable from charitable gift annuities	-	190,439	190,439
	<u>\$ 46,501</u>	<u>\$ 267,324</u>	<u>\$ 313,825</u>

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, 2017, is as follows:

	Receivable from Charitable Trusts	Receivable from Charitable Gift Annuities	Total
Balance, beginning of year	\$ 65,887	\$ 193,893	\$ 259,780
Contributions	8,737	-	8,737
Change in value	2,261	(3,454)	(1,193)
	<u>\$ 76,885</u>	<u>\$ 190,439</u>	<u>\$ 267,324</u>

15. Concentration

For the year ended December 31, 2017, one donor accounted for 18 percent of ICC's total contribution revenue.