Institute for Creation Research

Financial Statements

For The Year Ended June 30, 2016

BATTS MORRISON WALES & LEE
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT AUDITOR

The Board of Trustees
Institute for Creation Research
Dallas, Texas

We have audited the accompanying financial statements of Institute for Creation Research ("the Institute"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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.

Auditor's 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 auditor's 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 Institute'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 Institute'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 Institute for Creation Research as of June 30, 2016, 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.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
November 22, 2016

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INSTITUTE FOR CREATION RESEARCH
STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS

ASSETS	
Cash and cash equivalents	$ 2,305,188
Investments	259,445
Cash restricted for long-term purposes	3,294,999
Investments restricted for long-term purposes	2,785,596
Other assets	748,557
Property and equipment, net	7,929,024
Total assets	**$ 17,322,809**

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	$ 286,143
Liabilities for annuities and trusts	1,814,520
Total liabilities	**2,100,663**
NET ASSETS	
Unrestricted	11,482,832
Temporarily restricted	3,735,455
Permanently restricted	3,859
Total net assets	**15,222,146**
Total liabilities and net assets	**$ 17,322,809**

INSTITUTE FOR CREATION RESEARCH

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Contributions	$ 8,017,592	$ 3,463,366	$ —	$ 11,480,958
Product sales revenue	813,063	—	—	813,063
In-kind broadcasting revenue	692,900	—	—	692,900
Other revenue	230,356	—	—	230,356
Net investment income	11,459	—	—	11,459
Change in value of split-interest agreements	(187,584)	8,269	—	(179,315)
Net assets released from time and use restrictions	550,402	(550,402)	—	—
Total public support and revenue and net assets released from restrictions	**10,128,188**	**2,921,233**	**—**	**13,049,421**
EXPENSES				
Program services				
Education	3,116,445	—	—	3,116,445
Applied research and communications	2,832,047	—	—	2,832,047
Research	923,294	—	—	923,294
Total program activities	6,871,786	—	—	6,871,786
Supporting activities				
General and administrative	731,952	—	—	731,952
Fundraising	475,963	—	—	475,963
Total supporting activities	1,207,915	—	—	1,207,915
Total expenses	**8,079,701**	**—**	**—**	**8,079,701**
CHANGE IN NET ASSETS	**2,048,487**	**2,921,233**	**—**	**4,969,720**
NET ASSETS - Beginning of year	**9,434,345**	**814,222**	**3,859**	**10,252,426**
NET ASSETS - End of year	**$ 11,482,832**	**$ 3,735,455**	**$ 3,859**	**$ 15,222,146**

INSTITUTE FOR CREATION RESEARCH

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2016

OPERATING CASH FLOWS		
Cash received from contributors	$	8,351,025
Cash received from product sales and other revenue		832,733
Cash paid for operating activities and costs		(7,319,416)
Net operating cash flows		**1,864,342**
INVESTING CASH FLOWS		
Net proceeds from sales of investments		785,365
Net investment in cash restricted for long-term purposes		(2,917,893)
Purchases of and improvements to property and equipment		(1,897,641)
Net investing cash flows		**(4,030,169)**
FINANCING CASH FLOWS		
Proceeds from contributions restricted for investment in property and equipment		3,129,933
Net financing cash flows		**3,129,933**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**964,106**
CASH AND CASH EQUIVALENTS - Beginning of year		**1,341,082**
CASH AND CASH EQUIVALENTS - End of year	**$**	**2,305,188**
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	$	4,969,720
Adjustments to reconcile change in net assets to net operating cash flows		
Contributions restricted for investment in property and equipment		(3,129,933)
Depreciation		163,768
Net investment gain		(42,830)
Change in liabilities for annuities and trusts		(53,660)
Change in other assets		(40,109)
Change in accounts payable and accrued expenses		(2,614)
Net operating cash flows	**$**	**1,864,342**

NOTE A – NATURE OF ACTIVITIES

Institute for Creation Research ("the Institute") is a not-for-profit California corporation, with headquarters in Dallas, Texas. The Institute was founded in 1970 and is a leader in scientific research within the context of Biblical creation. As a research organization, the Institute conducts laboratory, field, theoretical, and library research projects that seek to understand the science of origins and earth history. As an educational organization, the Institute offers formal courses of instruction, including graduate degree programs at the School of Biblical Apologetics, conducts seminars and conferences, and presents radio programming and television lectures, as well as other means of education. The Institute also produces and publishes books, DVDs, periodicals, such as *Arts & Facts*, a full-color monthly magazine, and other media for communicating the evidence and information confirming the authority and historicity of Scripture, and offering Biblical apologetics to its constituents and the public in general.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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 time and use restrictions."

Cash and cash equivalents

The Institute considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Cash restricted for long-term purposes

Cash restricted for long-term purposes consists of amounts restricted by donors for the ICR Discovery Center for Science and Earth History.

Investments

Investments (including investments restricted for long-term purposes) are carried at estimated fair value.

Split-interest gifts

For irrevocable split-interest arrangements such as charitable gift annuities, charitable remainder trusts, and similar arrangements in which the Institute is trustee or custodian, the assets of such arrangements are reflected in the Institute's statement of financial position as further described in Note D. The carrying values of such investments conform to accounting principles generally accepted in the United States of America ("GAAP") which generally require that investment securities be carried at estimated fair value at all times and that other assets be carried at the estimated fair value of the assets on the date the assets are contributed, unadjusted for subsequent changes in estimated fair value.

Also, for such arrangements in which the Institute is the trustee or custodian, a liability is recognized related to the present value of benefits payable to other beneficiaries. For all irrevocable split-interest arrangements, unrestricted or temporarily restricted contribution revenue is recognized for the estimated present value of the Institute's benefits under the arrangements in the year the arrangements are established or in the year in which the Institute is provided sufficient information about the existence and nature of the arrangements. Periodic adjustments are made for changes in estimated present values using applicable mortality tables and appropriate discount rates. The Institute maintains reserve funds to meet future payments under its charitable gift annuity contracts as required by state laws.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Institute is exempt from federal income tax as an Institute described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Institute is further classified as a public charity and not a private foundation for federal tax purposes. The Institute has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements. The Institute has not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the estimated fair value of investments, useful lives of property and equipment, liabilities for annuities and trusts, and the value of donated airtime. Actual results could differ from the estimates.

Subsequent events

The Institute has evaluated for possible financial reporting and disclosure subsequent events through November 22, 2016, the date as of which the financial statements were available to be issued.

NOTE C – CONCENTRATIONS

The Institute maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Institute has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE D – INVESTMENTS

Investments (including investments restricted for long-term purposes) consisted of the following as of June 30, 2016:

Mutual funds	$ 2,309,548
Fixed income securities	332,950
Bank deposit and money market accounts	402,543
Total investments	$ 3,045,041

Investments restricted for long-term purposes consisted of the following as of June 30, 2016:

Investments held to satisfy charitable gift annuity obligations	$ 1,511,098
Investments held as trustee for charitable remainder trusts	1,227,709
Investments held for revocable trusts	42,930
Investment held for endowment	3,859
Total investments restricted for long-term purposes	$ 2,785,596

Investments restricted for long-term purposes include $150,087 of bank deposit and money market accounts.

NOTE E – FAIR VALUE MEASUREMENTS

GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

The estimated fair value of liabilities for annuities and trusts (valued using Level 2 inputs) has been determined using an income approach and is based on a valuation model that calculates the discounted present value of the estimated payments to be made by the Institute under the contracts, applying certain assumptions regarding interest rates and life expectancies.

Estimated fair value of assets (liabilities) measured on a recurring basis as of June 30, 2016, are as follows:

	Total	Level 1	Level 2	Level 3
Mutual funds	$ 2,309,548	$ 2,309,548	$ —	$ —
Fixed income securities	332,950	332,950	—	—
Total assets	$ 2,642,498	$ 2,642,498	$ —	$ —
Liabilities for annuities and trusts	$ (1,814,520)	$ —	$ (1,814,520)	$ —
Total liabilities	$ (1,814,520)	$ —	$ (1,814,520)	$ —

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	
Land	$ 2,476,068
Building and improvements	3,828,471
Furniture and equipment	375,121
Historical artifacts	440,802
Construction in progress	1,805,710
Total property and equipment	8,926,172
Less: Accumulated depreciation	(997,148)
Property and equipment, net	$ 7,929,024

Depreciation expense amounted to $163,768 for the year ended June 30, 2016.

NOTE G – RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes during the year ended June 30, 2016:

	Balance July 1	Contributions	Net change in value of trusts	Releases	Balance June 30
ICR Discovery Center for Science and Earth History	$ 377,106	$ 3,129,933	$ —	$ (212,040)	$ 3,294,999
Estimated future benefit of trusts	403,006	—	8,269	—	411,275
Other Institute projects	34,110	333,433	—	(338,362)	29,181
Total	$ 814,222	$ 3,463,366	$ 8,269	$ (550,402)	$ 3,735,455

Distributions from the Institute's permanently restricted endowment are restricted for scholarships.

NOTE H – RETIREMENT PLAN

The Institute maintains a 401(k) retirement plan ("the Plan") for the benefit of its employees. Eligible employees may make elective deferral contributions to the Plan. The Institute contributes an amount equal to 6% of each employee's compensation to the Plan. The Institute contributed approximately $158,000 to the Plan during the year ended June 30, 2016.

NOTE I – DONATED AIRTIME

The Institute receives donated airtime to facilitate broadcasting certain of its radio programs. Management estimates the value of the donated airtime based on comparable costs of airing the programs on similar radio stations. During the year ended June 30, 2016, the Institute recognized $692,900 of donated airtime which is included as "in-kind broadcasting revenue" and "applied research and communications" expense in the accompanying statement of activities.