INSTITUTE FOR CREATION RESEARCH

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2017

Institute for Creation Research
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June 30, 2017

SALMON SIMS THOMAS
Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of Institute for Creation Research

We have audited the accompanying financial statements of Institute for Creation Research (a nonprofit organization), which comprises the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, 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.

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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, 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.

Salmon Sims Thomas & Associates

Salmon Sims Thomas & Associates
A Professional Limited Liability Company

November 6, 2017

Institute for Creation Research
Statement of Financial Position
June 30, 2017

ASSETS

Cash	$ 3,699,052
Cash restricted - Museum fund	7,123,961
Investments - unrestricted	551,534
Investments - split-interest agreements	149,535
Product development costs, net	359,629
Other assets	26,258
Inventory	322,417
Total Current Assets	12,232,386
Charitable gift reserve funds	1,240,520
Long-term investments - split-interest agreements	1,603,551
Total Long-term Assets	2,844,071
Property and equipment, net	9,208,131
TOTAL ASSETS	$ 24,284,588

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	$ 158,787
Accrued liabilities	239,110
Revocable living trusts	43,146
Current portion of liabilities under split-interest agreements	149,535
Total Current Liabilities	590,578
Liabilites under split-interest agreements	1,648,232
Total Liabilities	2,238,810
Net Assets	
Unrestricted	14,427,897
Temporarily restricted	7,614,022
Permanently restricted	3,859
Total Net Assets	22,045,778
TOTAL LIABILITIES AND NET ASSETS	$ 24,284,588

The accompanying notes are an integral part of this financial statement.

Institute for Creation Research
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Contributions	$ 5,896,020	$ 7,496,549	$ -	$ 13,392,569
Product sales revenue	761,859	-	-	761,859
Net investment return	5,469	-	-	5,469
Change in value of split-interest agreements	74,463	41,312	-	115,775
In-kind broadcasting revenue	1,057,900	-	-	1,057,900
Royalties and honoraria income	127,975	-	-	127,975
Other revenue	223,513	-	-	223,513
	8,147,199	7,537,861	-	15,685,060
Net assets released from restriction	3,659,294	(3,659,294)	-	-
Total Revenues and Support	11,806,493	3,878,567	-	15,685,060
Expenses				
Program services				
Education	3,127,051	-	-	3,127,051
Applied research and communications	3,664,270	-	-	3,664,270
Research	962,780	-	-	962,780
Total program services	7,754,101	-	-	7,754,101
Supporting activities				
General and administrative	646,765	-	-	646,765
Fundraising	460,562	-	-	460,562
Total supporting activities	1,107,327	-	-	1,107,327
Total Expenses	8,861,428	-	-	8,861,428
Increase in Net Assets	2,945,065	3,878,567	-	6,823,632
Net Assets, beginning of year	11,482,832	3,735,455	3,859	15,222,146
Net Assets, end of year	$ 14,427,897	$ 7,614,022	$ 3,859	$ 22,045,778

The accompanying notes are an integral part of this financial statement.

Institute for Creation Research
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash Flows From Operating Activities	
Increase in Net Assets	$ 6,823,632
Adjustments to reconcile change in net assets	
to net cash provided (used) by operating activities:	
Depreciation	161,042
Amortization	391,924
Unrealized gain on investments	(209,884)
Change in assets and liabilities:	
Other assets	(5,075)
Inventory	(88,793)
Accounts payable	158,315
Accrued liabilities	(46,562)
Living trust liabilities	26,393
Net Cash Provided by Operating Activities	7,210,992
Cash Flows From Investing Activities	
Purchase of property and equipment	(1,440,147)
Production development costs	(257,804)
Net investment in cash restricted for discovery center	(3,828,962)
Purchase of investments	(2,419,200)
Net proceeds from sale of investments	2,128,985
Net Cash Used by Investing Activities	(5,817,128)
Net Increase in Cash	1,393,864
Cash, beginning of year	2,305,188
Cash, end of year	$ 3,699,052

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

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

The summary of significant accounting policies of the Institute for Creation Research ("the Institute") is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Institute's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Organization

The Institute is a California nonprofit corporation headquartered in Dallas, Texas. The Institute was founded in 1970 and is a leader in scientific research within the context of biblical creation and biblical apologetics. 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, produces and presents radio programming, offers both live streaming and downloadable lectures on science topics, as well as other means of education. The Institute also produces and publishes books, DVDs, periodicals, a full-color monthly magazine, a quarterly devotional booklet and other media for communicating the evidence and information confirming the authority and historicity of Scripture.

Cash and Cash Equivalents

The Institute considers all investments with original maturity dates of ninety days or less to be cash equivalents. The Institute places its cash, which, at times, may exceed federally-insured limits, with high-credit quality institutions. The Institute has not experienced any losses on such accounts.

Investments

Investments, consisting of equity securities, mutual funds, and bonds, are stated at their current market values. Investment return consists of interest and dividend income, realized gains or losses, and unrealized gains or losses.

Inventory

Inventory is stated at the lower of cost or market on a first-in, first-out basis and consists of books, DVDs, periodicals and other media.

Product Development Costs

Product development costs consist of those costs directly incurred in the production of the Institute's yearly video series. Current costs include the video series *Made in His Image, Uncovering the Truth about Dinosaurs* and *The Universe.* See Note 8 for breakdown of capitalized costs for each series and total related amortization recognized on the production of these series based on total sales.

Property, Equipment, Depreciation and Amortization

Property and equipment are stated at cost when purchased or fair value at the date the equipment is donated, less accumulated depreciation and amortization. Expenditures for property and equipment greater than $5,000 are capitalized at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 40 years.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are maintained permanently by the Institute.
>
> Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Institute and/or the passage of time.
>
> Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (*i.e.,* the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Income Taxes

The Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Institute has been classified as an organization that is not a private institute under IRC Section 509(a)(2), and as such, contributions to the Institute qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Institute's exempt purpose is subject to tax under IRC Section 511.

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 depreciation and amortization, donated media time, value of split interest agreements, and the functional allocation of expenses. Actual results could vary from estimates.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal tax returns of the entity are generally open to examination by the relevant taxing authority for a period of three years from the date the returns are filed.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred. The Institute expended $131,966 promoting seminars and other institutional events for the year ended June 30, 2017.

Collections

Collections consist of historical artifacts that are held for educational purposes. These artifacts are preserved and cared for and records of each item are maintained. Collections are capitalized at cost if purchased and at fair value on the date of the gift if donated.

Revocable Living Trusts

The Institute is the trustee for certain revocable trusts. Revocable trusts are included in the financial statements as trust investments and refundable advances. Revenue is not recognized on these trusts until the trusts become irrevocable or the assets are distributed to the Institute for its unconditional use. Until revenue is recognized, the Institute records a liability to offset the trust assets.

Liabilities Under Split-Interest Agreements

The Institute has entered into charitable gift annuity agreements. Under these agreements a donor contributes assets to the Institute in exchange for the right to receive a fixed dollar annual return during the donor's lifetime. A portion of the transfer is a charitable contribution for income tax purposes to the donor. The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. The liabilities, which are reflected as a part of liabilities under split-interest agreements, is revalued annually using a discount rate established at the inception of the agreement and appropriate actuarial assumptions. Actuarial changes and annuity payments are reported as a change in value of future payments under its charitable gift annuity contracts as required by governing state laws. The Institute maintains separate reserve funds to meet future payments under its charitable gift annuity contracts as required by state law. The total amount held in separate reserve funds was $1,240,520 as of June 30, 2017.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Liabilities Under Split-Interest Agreements (Continued)

As trustee, the Institute administers irrevocable charitable trusts. These trusts provide the payment of lifetime distributions to the grantor or other designated beneficiaries. The present value of the lifetime beneficiaries' interests are reflected as liabilities under split-interest agreements on the statements of financial position using federal discount and mortality tables. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to the designated remainderman. The present value of the Institute's remainder interest is reported as temporarily restricted contributions in the period received, temporarily restricted net assets and as a reclassification to unrestricted net assets when released, unless specified for a restricted purpose. Actuarial changes, annuity payments, matured agreements, investment income and unrealized gains and losses are reported as a change in value of split-interest agreements in the statement of activities. The portion attributable to other remaindermen is reflected as a part of liabilities under split-interest agreements on the statement of financial position.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The provisions of ASC 820 did not have an impact on the Institute's nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis.

The Institute values investments in mutual funds and fixed income securities at quoted market prices. 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 3. The carrying values of such investments conform to GAAP which generally requires investment securities be carried at estimated fair value 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.

Date of Management's Review

Subsequent events have been evaluated for potential recognition or disclosure through November 6, 2017, which is the date the financial statements were available to be issued.

NOTE 2: INVESTMENTS

Investments at June 30, 2017 consisted of the following:

Mutual funds	$ 2,973,493
Fixed income securities	20,113
Money market funds	551,534
Total investments	$ 3,545,140

NOTE 3: FAIR VALUE MEASURMENTS

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

Fair value of assets measured on a recurring basis at June 30, 2017 are as follows:

	Total	Level 1	Level 2	Level 3
Money market funds	$ 551,534	$ 551,534	$ -	$ -
Mutual funds	2,973,493	2,973,493	-	-
Fixed income securities	20,113	20,113	-	-
Total investments	$ 3,545,140	$3,545,140	$ -	$ -
Liabilities for annuities and trusts	$ 1,840,913	$ -	$1,840,913	$ -

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017, temporarily restricted net assets consisted of the following:

Discovery center	$7,123,961
Estimated future trust benefits	452,587
Other institute projects	37,474
	$7,614,022

Net assets released from restrictions during 2017 were as follows:

Discovery center	$3,566,316
Other Institute projects	92,978
	$3,659,294

NOTE 5: PERMANANETLY RESTRICTED NET ASSETS

Permanently restricted net assets at year end June 30, 2017 were $3,859, the corpus and related income was restricted for scholarships.

NOTE 6: 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 makes non-discretionary contributions equal to 6% of each employee's compensation to the Plan. The Institute contributed $172,513 to the Plan during the year ended June 30, 2017.

NOTE 7: DONATED MEDIA

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, 2017, the Institute recognized $1,057,900 of donated airtime which is included as "in-kind broadcasting revenue" and "applied research and communications" expense in the accompanying statement of activities.

NOTE 8: PRODUCTION DEVELOPMENT COSTS

Product development costs at year end June 30, 2017:

Made in His Image	$ 412,791
Uncovering the Truth about Dinosaurs	400,500
The Universe	199,950
Total costs	1,013,241
Less accumulated amortization	(653,612)
Product development costs, net	$ 359,629

Amortization expense for the year ending June 30, 2017 was $391,924.

NOTE 9: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at year end June 30, 2017:

Land	$ 2,476,069
Building and improvements	3,828,470
Furniture and equipment	466,752
Collections	440,802
Construction in progress	3,039,332
Total property and equipment	10,251,425
Less: Accumulated depreciation	(1,043,294)
Property and equipment, net	$ 9,208,131

Depreciation expense was $161,042 for the year ended June 30, 2017.

NOTE 10: COMMITMENTS

Operating Leases

The Institute has entered into various noncancelable operating lease commitments for certain office equipment which expire in years ending June 30, 2018 through 2022.

The future minimum lease obligation is summarized as follows for the year ending June 30,

2018	$ 63,000
2019	86,100
2020	80,300
2021	79,800
2022	53,300
2023 and Thereafter	-
	$362,500

Lease expense for the year ending June 30, 2017 totaled $101,166.

NOTE 11: FUNCTIONAL EXPENSE ALLOCATION

	Program Expenses			Allocated Expenses	
	Education	Applied Research/ Communications	Research	General Admin	Fundraising
Postage/Freight					
Acts and Facts	$ 338,941	$ -	$ -	$ -	$ -
Days of Praise	182,189	-	-	-	-
Other	105,804	32,311	59	3,049	87,325
Printing	-	-	-	-	-
Acts and Facts	337,262	-	-	-	-
Days of Praise	194,288	-	-	-	-
Other	82,577	15,455	13	1,099	14,157
Salaries and Fringes	1,106,314	1,322,472	835,512	481,225	276,421
Professional Services	4,811	470,619	444	46,365	1,332
Travel and Hospitality	83,896	145,939	11,993	7,025	2,036
Information Technology	23,239	3,003	6,631	3,816	1,665
Promotion and Advertising	55,012	47,493	-	1,624	27,837
Cost of sales	158,646	59,751	-	-	-
Depreciation	97,575	362,342	27,844	16,024	6,989
Supplies	54,708	24,873	16,996	7,302	10,974
Other	5,883	1,246	1,219	12,645	596
Equipment Rental	87,696	8,831	-	-	4,639
Utilities	31,822	9,241	13,237	3,614	2,909
Telephone	52,044	12,197	6,826	3,303	2,386
Maintenance	44,097	9,660	13,806	6,268	19,369
CC and Bank Charges	48,241	17,374	-	47,956	-
Insurance	24,591	12,367	7,679	3,903	1,927
Radio - Air Time Valuation	-	1,102,150	-	-	-
Royalties	668	-	-	-	-
Tuition Assistance	-	-	20,521	695	-
Subscriptions	6,748	6,948	-	851	-
Total Allocated Expenses	$3,127,051	$3,664,270	$962,780	$646,765	$460,562