

INSTITUTE FOR CREATION RESEARCH

FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2012 and 2011

INSTITUTE FOR CREATION RESEARCH

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Institute for Creation Research
Dallas, Texas

We have audited the accompanying statements of financial position of Institute for Creation Research (ICR) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of ICR's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Capin Crouse LLP

Dallas, Texas
September 18, 2012

INSTITUTE FOR CREATION RESEARCH

Statements of Financial Position

	June 30,	
	2012	2011
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 4,047,353	\$ 4,796,688
Investments	3,036,072	3,394,848
Accounts receivable	30,873	27,864
Inventory	112,805	226,264
Prepaid expenses	16,406	17,512
	7,243,509	8,463,176
 Property and equipment—net	 5,548,834	 4,500,639
 Total Assets	 \$ 12,792,343	 \$ 12,963,815
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 146,169	\$ 132,237
Revocable living trusts	45,413	45,186
Current portion of liability under split-interest agreements	185,772	166,965
	377,354	344,388
 Liability under split-interest agreements—net of current portion	 1,507,045	 1,476,033
	1,884,399	1,820,421
 Net assets:		
Unrestricted	10,056,017	10,348,115
Temporarily restricted	848,068	791,420
Permanently restricted	3,859	3,859
	10,907,944	11,143,394
 Total Liabilities and Net Assets	 \$ 12,792,343	 \$ 12,963,815

See notes to financial statements

INSTITUTE FOR CREATION RESEARCH

Statements of Activities

	Year Ended June 30,							
	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Contributions	\$ 5,373,897	\$ 346,582	\$ -	\$ 5,720,479	\$ 7,706,720	\$ 498,213	\$ -	\$ 8,204,933
Sales	434,421	-	-	434,421	517,925	-	-	517,925
Honorarium, seminar, and tour registration fees	95,077	-	-	95,077	75,078	-	-	75,078
Tuition and registration fees	50,900	-	-	50,900	25,337	-	-	25,337
Investment income	14,124	-	-	14,124	187,298	-	-	187,298
Loss on sale of property	-	-	-	-	(101,427)	-	-	(101,427)
Change in value of split-interest agreements	31,585	(96,847)	-	(65,262)	(89,356)	236,307	-	146,951
Gift-in-kind broadcasting	1,019,200	-	-	1,019,200	819,000	-	-	819,000
Other	55,692	-	-	55,692	98,345	-	-	98,345
Total Support and Revenue	7,074,896	249,735	-	7,324,631	9,238,920	734,520	-	9,973,440
RECLASSIFICATIONS:								
Purpose restrictions	193,087	(193,087)	-	-	186,903	(186,903)	-	-

(continued)

See notes to financial statements

INSTITUTE FOR CREATION RESEARCH

Statements of Activities

(continued)

	Year Ended June 30,							
	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Program services:								
Research	729,072	-	-	729,072	512,743	-	-	512,743
Education	2,898,417	-	-	2,898,417	2,698,213	-	-	2,698,213
Applied research and communications	2,853,198	-	-	2,853,198	2,381,028	-	-	2,381,028
	6,480,687	-	-	6,480,687	5,591,984	-	-	5,591,984
Supporting activities:								
General and administration	683,217	-	-	683,217	606,244	-	-	606,244
Fund-raising	396,177	-	-	396,177	386,317	-	-	386,317
Total Expenses	7,560,081	-	-	7,560,081	6,584,545	-	-	6,584,545
Change in Net Assets	(292,098)	56,648	-	(235,450)	2,841,278	547,617	-	3,388,895
Net Assets, Beginning of Year	10,348,115	791,420	3,859	11,143,394	7,506,837	243,803	3,859	7,754,499
Net Assets, End of Year	\$ 10,056,017	\$ 848,068	\$ 3,859	\$ 10,907,944	\$ 10,348,115	\$ 791,420	\$ 3,859	\$ 11,143,394

See notes to financial statements

INSTITUTE FOR CREATION RESEARCH

Statement of Functional Expenses

Year Ended June 30, 2012

	Program Services			Supporting Activities		TOTAL
	Research	Education	Applied Research/ Communications	General Administration	Fund-raising	
Salaries and benefits	\$ 600,498	\$ 940,239	\$ 995,176	\$ 443,124	\$ 243,971	\$ 3,223,008
Gift in kind broadcasting	-	-	1,019,200	-	-	1,019,200
Postage and freight	78	563,025	45,495	1,529	52,918	663,045
Printing	2,007	671,136	7,526	3,420	33,222	717,311
Professional fees	17,140	5,911	191,225	50,733	161	265,170
Travel and hospitality	7,799	5,063	169,288	10,357	5,494	198,001
Information technology	29,041	118,985	35,490	31,841	5,149	220,506
Cost of goods sold	-	209,002	54,436	-	-	263,438
Promotion and advertising	-	686	70,374	-	25,592	96,652
Depreciation	29,703	121,698	36,300	32,567	5,266	225,534
Maintenance	8,910	50,060	12,476	15,677	13,693	100,816
Supplies	8,416	32,550	68,978	11,772	3,180	124,896
Equipment rental	-	29,189	61,392	-	795	91,376
Telephone	9,018	52,653	18,287	5,319	2,336	87,613
Credit card and bank charges	-	17,307	17,541	25,406	-	60,254
Utilities	7,700	29,235	12,563	4,014	1,361	54,873
Insurance	5,971	18,873	14,270	4,251	1,734	45,099
Other	258	6,491	20,977	41,976	1,305	71,007
Subscriptions	2,533	8,885	2,204	1,231	-	14,853
Royalties	-	17,429	-	-	-	17,429
	\$ 729,072	\$ 2,898,417	\$ 2,853,198	\$ 683,217	\$ 396,177	\$ 7,560,081

See notes to financial statements

INSTITUTE FOR CREATION RESEARCH

Statement of Functional Expenses

Year Ended June 30, 2011

	Program Services			Supporting Activities		TOTAL
	Research	Education	Applied Research/ Communications	General Administration	Fund-raising	
Salaries and benefits	\$ 355,171	\$ 884,161	\$ 977,387	\$ 412,999	\$ 238,198	\$ 2,867,916
Gift in kind broadcasting	-	-	819,000	-	-	819,000
Postage and freight	376	541,252	44,585	2,704	64,255	653,172
Printing	3,911	607,740	10,103	1,609	14,746	638,109
Professional fees	32,944	15,470	49,120	40,681	1,750	139,965
Travel and hospitality	17,135	2,448	202,777	8,732	2,926	234,018
Information technology	34,122	125,832	41,759	34,171	5,776	241,660
Cost of goods sold	-	168,854	56,474	-	-	225,328
Promotion and advertising	-	2,275	31,427	39	20,550	54,291
Depreciation	30,837	113,715	37,738	30,880	5,220	218,390
Maintenance	7,525	35,518	9,209	12,748	12,776	77,776
Supplies	7,556	35,008	33,390	12,546	8,191	96,691
Equipment rental	-	26,964	991	-	-	27,955
Telephone	8,412	41,722	18,025	5,456	2,562	76,177
Credit card and bank charges	-	20,324	20,364	23,160	-	63,848
Utilities	8,355	29,643	12,631	3,769	1,392	55,790
Insurance	5,884	16,882	13,731	3,897	1,678	42,072
Other	515	2,026	889	12,411	6,297	22,138
Subscriptions	-	7,711	1,428	442	-	9,581
Royalties	-	20,668	-	-	-	20,668
	<u>\$ 512,743</u>	<u>\$ 2,698,213</u>	<u>\$ 2,381,028</u>	<u>\$ 606,244</u>	<u>\$ 386,317</u>	<u>\$ 6,584,545</u>

See notes to financial statements

INSTITUTE FOR CREATION RESEARCH

Statements of Cash Flows

	Year Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (235,450)	\$ 3,388,895
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	225,534	218,390
Realized and unrealized (gains) losses on investments	35,321	(187,298)
Donated stock	(13,907)	(26,334)
Donated property and equipment	-	(18,079)
Loss on sale of property	-	101,427
Contributions received for long-term purposes	(118,066)	(263,576)
Change in value of split-interest liabilities	65,262	(146,951)
Gift portion of new annuities and trusts	(84,919)	(238,149)
Change in:		
Accounts receivable	(3,009)	24,847
Prepaid expenses	1,106	12,545
Inventory	113,459	43,249
Accounts payable and accrued expenses	13,932	5,858
Net Cash Provided by Operating Activities	(737)	2,914,824
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(644,496)	(3,344,799)
Proceeds from sale of investments	1,007,460	1,952,905
Proceeds from sale of asset held for sale	-	87,573
Purchases of property and equipment	(1,273,729)	(589,868)
Net Cash Used by Investing Activities	(910,765)	(1,894,189)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for long-term purposes	118,066	263,576
Proceeds from new annuities and trusts	200,000	1,054,618
Investment income related to trusts	24,358	196,125
Annuity and trust payments	(180,257)	(156,776)
Net Cash Provided by Financing Activities	162,167	1,357,543
Net Change in Cash and Cash Equivalents	(749,335)	2,378,178
Cash and Cash Equivalents, Beginning of Year	4,796,688	2,418,510
Cash and Cash Equivalents, End of Year	\$ 4,047,353	\$ 4,796,688

See notes to financial statements

INSTITUTE FOR CREATION RESEARCH

Notes to Financial Statements

June 30, 2012 and 2011

1. NATURE OF ORGANIZATION:

Institute for Creation Research (ICR) was established in 1970 as the research division of Christian Heritage College (now San Diego Christian College), focused on research, communication, and education in those fields of science particularly relevant to the study of origins. ICR became autonomous and was incorporated in 1980. For four decades, ICR has equipped believers with evidence of the Bible's accuracy and authority through scientific research, educational programs, and media presentations, all conducted within a thoroughly biblical framework.

ICR is a nonprofit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (the code), and, as such, is subject to income taxes only to the extent of unrelated business income. ICR has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a) of the code. Contributions by the public are deductible for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of ICR have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in banks and highly liquid investments with original maturities of three months or less unless held for meeting restrictions. These accounts may, at times, exceed federally insured limits. ICR has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value with gains and losses reported in the statements of activities. Donated investments are recorded at fair value at the date of donation and thereafter carried in conformity with the stated policy.

INVENTORY

Inventory is stated at the lower of cost or market on a first-in, first-out basis.

PROPERTY AND EQUIPMENT—NET

Expenditures for property and equipment greater than \$1,000 are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation and amortization is computed on the straight line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 40 years.

INSTITUTE FOR CREATION RESEARCH

Notes to Financial Statements

June 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 TRUST

ICR is 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 ICR for its unconditional use.

LIABILITY UNDER SPLIT-INTEREST AGREEMENTS

ICR has issued charitable gift annuity agreements. Under these agreements, a donor contributes assets to ICR 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. 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 liability, which is reflected as a part of liability 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 change in value of split-interest agreements in the statements of activities. ICR maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts as required by governing state's laws. The total amount held in separate reserve funds was \$998,604 and \$874,914 as of June 30, 2012 and 2011, respectively.

As trustee, ICR 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 liability 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 ICR's remainder interest is reported as temporarily restricted contributions in the period received, temporarily restricted net assets, and as a reclassification to the 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 change in value of split-interest agreements in the statements of activities. The portion attributable to other remaindermen is reflected as a part of liability under split-interest agreements on the statements of financial position.

INSTITUTE FOR CREATION RESEARCH

Notes to Financial Statements

June 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

Unrestricted net assets are currently available for operations under the direction of the board and resources invested in property and equipment.

Temporarily restricted net assets are stipulated by donors for specific operating purposes or for the acquisition of property and equipment. Temporarily restricted net assets also include trust net assets resulting from the remainder of the asset values less the related liabilities.

Permanently restricted net assets are contributed with donor restrictions requiring that they be held in perpetuity. ICR has one fund that was established for scholarships as a result of a donor contribution. As required by GAAP, net assets associated with this endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of ICR has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was enacted in Texas in 2007, as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ICR classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment.

SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to ICR.

ICR 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. ICR's policy is to record temporarily restricted contributions and net assets released from restrictions.

ICR 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. ICR reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting.

INSTITUTE FOR CREATION RESEARCH

Notes to Financial Statements

June 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ADVERTISING COSTS

Advertising costs are expensed as they are incurred. ICR expended \$96,652 and \$54,291 promoting seminars and other institutional events for the years ended June 30, 2012 and 2011, respectively.

ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized in the statements of activities. Accordingly, certain costs, such as depreciation and payroll, have been allocated among program services and supporting activities.

DONATED MEDIA AND SERVICES

ICR receives donated airtime to facilitate the airing of its three radio programs: Science, Scripture & Salvation (15-minute program); Back to Genesis (60-second program); and DeRegresso a Genesis (90-second program). The value of the donated airtime was recognized as gift-in-kind revenue and program expense for the fiscal years ended June 30, 2012 and 2011. Management estimates the value of the gift-in-kind based on comparable and conservative costs for airing on similar stations.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2012, ICR had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

INSTITUTE FOR CREATION RESEARCH

Notes to Financial Statements

June 30, 2012 and 2011

3. INVESTMENTS:

Investments reported at fair value consist of:

As of June 30, 2012:

	Operating	Trust Assets	Annuity Assets	Endowment Assets	Total
Cash and cash equivalents	\$ 655,068	\$ 60,861	\$ 66,546	\$ 3,859	\$ 786,334
Equity securities	-	177,130	-	-	177,130
Mutual funds	-	909,981	838,236	-	1,748,217
Fixed income	-	-	324,391	-	324,391
	<u>\$ 655,068</u>	<u>\$ 1,147,972</u>	<u>\$ 1,229,173</u>	<u>\$ 3,859</u>	<u>\$ 3,036,072</u>

Investment return relating to annuity assets, operating assets, and endowment assets consists of:

Interest and dividends	\$ 62,477
Net realized and unrealized gains	(48,353)
	<u>\$ 14,124</u>

As of June 30, 2011:

	Operating	Trust Assets	Annuity Assets	Endowment Assets	Total
Cash and cash equivalents	\$ 843,561	\$ 62,438	\$ 177,998	\$ 3,859	\$ 1,087,856
Equity securities	85,223	234,405	-	-	319,628
Mutual funds	-	1,009,658	642,416	-	1,652,074
Fixed income	-	40,414	294,876	-	335,290
	<u>\$ 928,784</u>	<u>\$ 1,346,915</u>	<u>\$ 1,115,290</u>	<u>\$ 3,859</u>	<u>\$ 3,394,848</u>

Investment return relating to annuity assets, operating assets, and endowment assets consists of:

Interest and dividends	\$ 85,431
Net realized and unrealized gains	101,867
	<u>\$ 187,298</u>

INSTITUTE FOR CREATION RESEARCH

Notes to Financial Statements

June 30, 2012 and 2011

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	June 30,	
	2012	2011
Land	\$ 883,327	\$ 883,327
Land held for future use	1,580,242	545,613
Building and improvements	2,745,447	2,638,758
Equipment	888,305	965,538
Vehicles	23,828	23,828
Library books	286,767	286,767
	<u>6,407,916</u>	<u>5,343,831</u>
Less accumulated depreciation	(1,252,996)	(1,187,494)
	<u>5,154,920</u>	<u>4,156,337</u>
Construction in progress	89,612	40,000
Collections	304,302	304,302
	<u>\$ 5,548,834</u>	<u>\$ 4,500,639</u>

Land held for future use represents land that was purchased during the fiscal year with the intention of building a museum; however, the use of the land is not restricted to that sole purpose.

INSTITUTE FOR CREATION RESEARCH

Notes to Financial Statements

June 30, 2012 and 2011

5. NET ASSETS:

Net assets consist of:

	June 30,	
	2012	2011
Unrestricted:		
Undesignated	\$ 4,131,007	\$ 5,438,517
Annuity net assets	376,176	408,959
Net investment in property and equipment	5,548,834	4,500,639
	<u>10,056,017</u>	<u>10,348,115</u>
Temporarily restricted:		
Museum fund	361,533	243,467
Trust net assets	262,739	422,852
Radio studio	126,926	45,084
Research	54,479	46,260
New Defender Bible printing	20,000	-
Other special projects	13,697	5,877
Scholarships	8,694	9,944
Translation	-	17,936
	<u>848,068</u>	<u>791,420</u>
Permanently restricted:		
Scholarship endowment	3,859	3,859
	<u>3,859</u>	<u>3,859</u>
Total Net Assets	<u>\$ 10,907,944</u>	<u>\$ 11,143,394</u>

INSTITUTE FOR CREATION RESEARCH

Notes to Financial Statements

June 30, 2012 and 2011

6. FAIR VALUE MEASUREMENTS:

ICR uses appropriate valuation techniques to determine fair value based on inputs available. When available, ICR measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2012 and 2011, are as follows:

	Fair Value Measurements Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair Value			
As of June 30, 2012:			
Assets:			
Investments:			
Equity securities:			
Basic materials	\$ 40,323	\$ 40,323	\$ -
Consumer goods	9,641	9,641	-
Drug manufacturers	4,417	4,417	-
Financial	45,548	45,548	-
Healthcare	18,692	18,692	-
Industrial goods	6,540	6,540	-
Services	18,115	18,115	-
Technology	32,014	32,014	-
Utilities	1,840	1,840	-
	\$ 177,130	\$ 177,130	\$ -

INSTITUTE FOR CREATION RESEARCH

Notes to Financial Statements

June 30, 2012 and 2011

6. FAIR VALUE MEASUREMENTS, continued:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Domestic equity	\$ 260,496	\$ 260,496	\$ -	\$ -
Domestic fixed income	290,508	290,508	-	-
Inflation-protected bond	22,144	22,144	-	-
Intermediate bonds	20,763	20,763	-	-
International equity	136,231	136,231	-	-
International fixed income	151,001	151,001	-	-
Large blend	216,234	216,234	-	-
Large growth	90,532	90,532	-	-
Large value	204,228	204,228	-	-
Mid-cap blend	50,472	50,472	-	-
Mid-cap growth	9,180	9,180	-	-
Mid-cap value	17,346	17,346	-	-
Moderate allocation	44,460	44,460	-	-
Non-US Development:				
Diversified emerging markets	13,935	13,935	-	-
Foreign large blend	72,401	72,401	-	-
Foreign large growth	12,366	12,366	-	-
Foreign mid/small value	18,257	18,257	-	-
World stock	6,784	6,784	-	-
Short-term bonds	110,879	110,879	-	-
	\$ 1,748,217	\$ 1,748,217	\$ -	\$ -
Fixed income:				
Government obligations	\$ 155,342	\$ 155,342	\$ -	\$ -
Other complementary strategies	70,681	70,681	-	-
Real assets	98,368	98,368	-	-
	\$ 324,391	\$ 324,391	\$ -	\$ -
Liabilities:				
Revocable living trusts	\$ 45,413	\$ 45,413	\$ -	\$ -

INSTITUTE FOR CREATION RESEARCH

Notes to Financial Statements

June 30, 2012 and 2011

6. FAIR VALUE MEASUREMENTS, continued:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2011:				
Assets:				
Investments:				
Equity securities:				
Basic materials	\$ 121,063	\$ 121,063	\$ -	\$ -
Consumer goods	10,840	10,840	-	-
Financial	85,038	85,038	-	-
Healthcare	36,259	36,259	-	-
Industrial goods	8,111	8,111	-	-
Services	20,672	20,672	-	-
Technology	30,451	30,451	-	-
Utilities	7,194	7,194	-	-
	\$ 319,628	\$ 319,628	\$ -	\$ -

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Notes to Financial Statements

June 30, 2012 and 2011

6. FAIR VALUE MEASUREMENTS, continued:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Domestic equity	\$ 210,203	\$ 210,203	\$ -	\$ -
Domestic fixed income	280,137	280,137	-	-
Inflation-protected bond	20,468	20,468	-	-
Intermediate bonds	137,264	137,264	-	-
International equity	133,698	133,698	-	-
International fixed income	18,378	18,378	-	-
Large blend	217,261	217,261	-	-
Large growth	95,629	95,629	-	-
Large value	230,347	230,347	-	-
Mid-cap blend	53,324	53,324	-	-
Mid-cap growth	19,437	19,437	-	-
Mid-cap value	18,225	18,225	-	-
Moderate allocation	18,798	18,798	-	-
Non-US Development:				
Diversified emerging markets	23,872	23,872	-	-
Foreign large blend	89,996	89,996	-	-
Foreign large growth	18,545	18,545	-	-
Foreign mid/small value	20,923	20,923	-	-
World stock	7,380	7,380	-	-
Short-term bonds	38,189	38,189	-	-
	\$ 1,652,074	\$ 1,652,074	\$ -	\$ -
Fixed income:				
B+ rating	\$ 40,414	\$ -	\$ 40,414	\$ -
Government obligations	155,361	-	155,361	-
Other complementary strategies	53,485	-	53,485	-
Real assets	86,030	-	86,030	-
	\$ 335,290	\$ -	\$ 335,290	\$ -
Liabilities:				
Revocable living trusts	\$ 45,186	\$ 45,186	\$ -	\$ -

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Notes to Financial Statements

June 30, 2012 and 2011

6. FAIR VALUE MEASUREMENTS, continued:

Methods and assumptions used by ICR in estimating fair values are as follows:

Equity securities and mutual funds—The fair value of these financial instruments is based on quoted market prices or dealer quotes.

Fixed income—The fair value is based on yields currently available on comparable securities of issuers with similar credit ratings.

Revocable living trusts—The fair value of these financial instruments is based on quoted market prices or dealer quotes of the assets.

7. LEASES:

ICR leases various office equipment under noncancelable operating lease agreements with total monthly payments of \$3,642. These agreements expire through September 2014. Total lease expense for the years ended June 30, 2012 and 2011, was \$46,500 and \$46,489, respectively.

Future minimum lease payments under noncancelable operating leases are as follows:

<u>Years Ending June 30,</u>	
2013	\$ 34,715
2014	11,673
2015	9,648
2016	664
	<hr/>
	\$ 56,700
	<hr/> <hr/>

8. RELATED PARTY INFORMATION:

ICR entered into an agreement in 2010 to loan \$30,000 to an employee related to the founder. The loan is to be forgiven over the next six years contingent upon continued employment with ICR. \$5,000 was forgiven during each of the years ended June 30, 2012 and 2011, in accordance with the agreement.

9. CONCENTRATION OF SUPPORT:

During the year ended June 30, 2011, ICR received 37% of its support from three donors. Although this was an unusual year, this represented a concentration of support. A concentration of support was not identified for the year ended June 20, 2012.

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10. RETIREMENT PLAN:

ICR has a defined contribution pension plan covering substantially all of its employees. Annually, ICR is required to contribute to the plan six percent of each employee's total eligible compensation for the year. The total pension expense for the years ended June 30, 2012 and 2011 was \$122,482 and \$129,725, respectively.

11. COMMITMENTS AND CONTINGENCIES:

ICR entered into a construction agreement to rebuild a warehouse in the amount of \$904,671. Prior to fiscal year end, approximately \$49,000 was expended and capitalized. After fiscal year end through the report date, approximately \$4,000 of additional funds were paid on the agreement, leaving approximately \$851,671 remaining in commitments.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the date of the report, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.