

BUSINESS ACCOUNTING SERVICES

2783 Cody RD.

Vienna, VA 22181

Tel: 703-255-2606 Fax: 703-255-3111

INTERNATIONAL CHILD ART FOUNDATION
(A Non-profit Corporation)

AUDITED FINANCIAL STATEMENTS

December 31, 2012

OUR REPORTS ARE ISSUED WITH THE UNDERSTANDING THAT THEY MAY
BE REPRODUCED ONLY IN THEIR ENTIRETY. SHOULD IT BE DESIRED TO
ISSUE OR PUBLISH A CONDENSATION OR A PORTION OF THIS REPORT
AND OUR NAME IS TO BE USED IN CONNECTION THEREWITH, OUR
APPROVAL MUST FIRST BE SECURED IN WRITING.

THIS REPORT CONSISTS OF 7 PAGES

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2783 CODY RD.

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January 06, 2014

Board of Directors

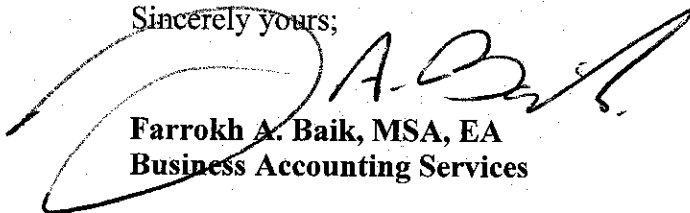
International Child Art Foundation

We have audited the accompanying Statement of Assets, Liabilities, Fund Balance of the **International Child Art Foundation** (A Non-profit Corporation) as of **December 31, 2012** and the related statements of Revenue and Expenditures, Statement of Changes in Fund Balance and Statement of Cash Flow in accordance with Generally Accepted Accounting Principles (**GAAP**) and in accordance with Generally Accepted Auditing Standards (**GAAS**) those accepted in the United States of America with standards established by the American Institute of Certified Public Accountants. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on this financial statement base on our audit.

We conducted our audit in accordance with generally accepted auditing standards (**GAAS**) and (**GAAP**) those 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes accessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 the **International Child Art Foundation** as of **December 31, 2012** and the results of its operations for the period then ended in conformity with generally accepted accounting principles (**GAAP**) and (**GAAS**) those accepted in the **United States of America**.

Sincerely yours;



Farrokh A. Baik, MSA, EA
Business Accounting Services

INTERNATIONAL CHILD ART FOUNDATION
(A NON-PROFIT CORPORAION)
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

ASSETS:

CURRENT ASSETS

CASH IN THE BANK / ON HAND	\$93.00	
SECURITY DEPOSITS	\$0.00	
INVENTORIES	\$276,877.00	
TOTAL CURRENT ASSETS		\$276,970.00

FIXED ASSETS

FURNITURE AND FIXTURES	\$53,832.00	
ACCUMULATED DEPRECIATION	(\$53,832.00)	
TOTAL FIXED ASSETS		\$0.00

OTHER ASSETS

LIMITED EDITION PRINTS	\$0.00	
TOTAL OTHER ASSETS		\$0.00

TOTAL ASSETS		<u>\$276,970.00</u>
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LIABILITIES AND FUND BALANCE:

CURRENT LIABILITIES

ACCOUNTS PAYABLE	\$0.00	
LINE OF CREDIT PAYABLE	\$0.00	
TOTAL CURRENT LIABILITIES		\$0.00

LONG TERM LIABILITIES

LOANS FROM OFFICERS, DIRECTOR:	\$529,264.00	
TOTAL LONG TERM LIABILITIES		\$529,264.00

TOTAL LIABILITIES		<u>\$529,264.00</u>
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COMMITMENTS AND CONTINGENCIES:

FUND BALANCE	(\$252,294.00)	
TOTAL FUND BALANCE		(\$252,294.00)

TOTAL LIABILITIES & FUND BALANCE		<u>\$276,970.00</u>
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SEE ACCOUNTANT'S AUDITED REPORT

INTERNATIONAL CHILD ART FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012

REVENUE	YEAR TO DATE
CONTRIBUTIONS	\$100,090.00
PROGRAM SERVICE REVENUE	\$0.00
MEMBERSHIP DUES	\$0.00
 TOTAL REVENUE	 <u>\$100,090.00</u>
 PROGRAM EXPENDITURES	
PROGRAM SERVICES & FUNDRAISING EXPE	\$78,309.00
 TOTAL PROGRAM EXPENDITURES	 <u>\$78,309.00</u>
 DEFICIT	 <u>\$21,781.00</u>
GENERAL AND ADMINISTRATIVE EXPENDITURES	(\$21,758.00)
 NET REVENUE (LOST) OVER EXPENDITURES	 <u><u>\$23.00</u></u>

SEE ACCOUNTANTS' AUDITED REPORT

INTERNATIONAL CHILD ART FOUNDATION
(A NON-PROFIT CORPORAION)
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

REVENUE	\$100,090.00
TOTAL EXPENDITURES	\$100,067.00
NET REVENUE	<u>\$23.00</u>
ADJUSTMENT	\$25,581.00
BEGINNING FUND BALANCE	(\$277,898.00)
ENDING FUND BALANCE	<u><u>(\$252,294.00)</u></u>

SEE ACCOUNTANTS' AUDITED REPORT

INTERNATIONAL CHILD ART FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOW FROM OPERATING ACTIVITIES:	
NET REVENUE (LOST) UNDER EXPENDITURES	\$23.00
NON CASH EXPENDITURES INCLUDED IN NET REVENUE	
DEPRECIATION	\$0.00
INCREASE IN ACCOUNTS PAYABLE	\$0.00
(DECREASE) IN PAYROLL TAXES PAYABLE	\$0.00
(DECREASE) IN SALES TAXES PAYABLE	\$0.00

NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES	\$23.00

CASH FLOW FROM INVESTING ACTIVITIES	
PURCHASE OF INVENTORY	\$0.00
PURCHASE OF OFFICE EQUIPMENT	\$0.00
DISBURSMENTS FOR FESTIVAL ARTWORK	\$0.00
DISBURSMENTS FOR CREATION OF MURALS	\$0.00
DISBURSMENTS FOR LIMITED EDITION PRINTS	\$0.00

NET CASH FLOW IN INVESTING ACTIVITIES	\$0.00

CASH FLOW FROM FINANCING ACTIVITIES	
(DECREASE) IN PREPAID SUBSCRIPTIONS	\$0.00
PAY DOWN LINE OF CREDIT	\$0.00
PRINCIPAL PAYMENTS ON LOANS FROM AFFILIATE	\$0.00
PRINCIPAL PAYMENTS ON LOANS FROM OFFICERS	(\$25,633.00)

NET CASH FLOW IN FINANCING ACTIVITIES	(\$25,633.00)

NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(\$29.00)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	\$122.00

CASH AND EQUIVALENTS AT END OF YEAR	\$93.00
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SEE ACCOUNTANT'S AUDITED REPORT

INTERNATIONAL CHILD ART FOUNDATION
(A NON-PROFIT CORPORAION)
SCHEDULE OF PROGRAM EXPENDITURES
FOR THE PERIOD ENDING DECEMBER 31, 2012

	CHILD ART PROMOTION	MAGAZINE PRODUCTION	TOTAL
INSURANCE	\$313.00	\$0.00	\$313.00
DEPRECIATION	\$0.00	\$0.00	\$0.00
OFFICE EXPENSES	\$8,239.00	\$0.00	\$8,239.00
POSTAGE AND SHIPPING	\$0.00	\$0.00	\$0.00
PROGRAM CONSULT FEES & PRINTING	\$43,000.00	\$13,006.00	\$56,006.00
PROFESSIONAL FUNDRAISING FEES	\$3,529.00	\$0.00	\$3,529.00
RENT AND UTILITIES	\$14,585.00	\$0.00	\$14,585.00
STORAGE	\$0.00		\$0.00
INTEREST	\$10,000.00	\$0.00	\$10,000.00
LEGAL FEE	\$0.00	\$0.00	\$0.00
ADVERTISING AND PROMOTION	\$1,937.00	\$0.00	\$1,937.00
UTILITIES	\$1,170.00	\$0.00	\$1,170.00
TELEPHONE & IT EXPENSES	\$3,011.00	\$0.00	\$3,011.00
BANK FEES	\$273.00	\$0.00	\$273.00
TRAVEL	\$1,004.00	\$0.00	\$1,004.00
CONFERENCES & MEETINGS	\$0.00	\$0.00	\$0.00
TOTAL PROGRAM EXPENSES	<u>\$87,061.00</u>	<u>\$13,006.00</u>	<u>\$100,067.00</u>

SEE ACCOUNTANTS' AUDITED REPORT

INTERNATIONAL CHILD ART FOUNDATION
(A NON-PROFIT CORPORTAION)
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES
FOR THE PERIOD ENDING DECEMBER 31, 2012

BANK CHARGES	\$0.00
INSURANCE	\$47.00
DEPRECIATION	\$0.00
INTEREST	\$2,100.00
ADVERTISING AND PROMOTION	\$291.00
PROGRAM CONSULT FEES & PRINTING	\$13,006.00
PRINTING & PUBLICATIONS	\$0.00
OFFICE EXPENSES	\$1,648.00
RENT	\$4,100.00
UTILITIES	\$187.00
SUPPLIES	\$0.00
TELEPHONE & IT EXPENSES	\$229.00
TRAVEL	\$150.00
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	<u>\$21,758.00</u>

SEE ACCOUNTANTS' AUDITED REPORT

INTERNATIONAL CHILD ART FOUNDATION
(A Non-profit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(A) Organization

The INTERNATIONAL CHILD ART FOUNDATION (ICAF) was incorporated in the District of Columbia under the Non-profit Corporation Act on April 30, 1997. The purpose of ICAF is the promotion of child art internationally to foster cooperation and understanding between children of all nations through child art. ICAF promotes child art through the publication of the magazine "CHILD ART", the maintenance of a web site and the hosting of and participating in art events for child art from the United States and around the world.

(B) Accounting Method

The Statement of Assets, Liabilities and Fund Balance, Statement of Revenue and Expenditures, and Statement of Changes in Fund Balance are presented on the accrual basis, whereby revenue is recognized when earned and expenditures are recognized when incurred.

(C) Property and Equipment

Furniture and fixtures are recorded at original cost. Depreciation is calculated on a predetermined life of five or seven years using the Modified Accelerated Cost Recovery System (MACRS) method. Using the MACRS depreciation is not substantially different than the depreciation utilized under Generally Accepted Accounting Principles (GAAP) and therefore, requires no adjustment to be in conformity with GAAP.

(D) Income Taxes

By letter dated November 5, 1997, the Internal Revenue Service issued a ruling stating that the INTERNATIONAL CHILD ART FOUNDATION was exempt from Federal Income Tax under Section 501 (c) (3) of the Internal Revenue Service Code. ICAF submitted information to the Internal Revenue Service in order to obtain a final ruling for status as a non-profit organization, and by a letter dated May 9, 2002 ICAF received this final ruling.

NOTE 2 - LOAN PAYABLE

Funds have been loaned to ICAF by the Executive Director, on an as needed basis, in order to meet necessary operating expenses while the organization applies for grants and solicits contributions. Repayment of the loan will be made when monies in excess of those funds for working capital are available.

INTERNATIONAL CHILD ART FOUNDATION
(A Non-profit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3- COMMITMENTS AND CONTINGENCIES

(A) Lease and Obligation

The Foundation leases its office space from Greenpenz, 2600 Virginia Ave LLC, in a month to month lease \$1,100.00 per month. The Foundation paid rent of \$14,288.00 and \$14,585.00 in 2011 and 2012 respectively. The Foundation's minimum rental payments required under the operating lease totaled \$13,200.00 which are payable in 2013.

(B) Executive Director Compensation

There is a contingent liability for the unpaid annual compensation for the Executive Director. Dr. Ishaq did not take any compensation for the years 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012. Payment for this contingent liability is due when monies in excess of those funds required for working capital are available.