

# Audit Report

**International Friendships, Inc.**

**Report on Audited Financial Statements**

For the Years Ended August 31, 2018 and 2017

**INTERNATIONAL FRIENDSHIPS, INC.**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
International Friendships, Inc.

### *Report on the Financial Statements*

We have audited the accompanying financial statements of International Friendships, Inc., (a nonprofit organization) which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 misstatements whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 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 Friendships, Inc., as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Parrino & Company, LLC*

Columbus, Ohio  
December 17, 2018

**INTERNATIONAL FRIENDSHIPS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of August 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,719,492	\$ 488,177
Accounts receivable	759	737
Prepaid expenses and deposits	<u>25,103</u>	<u>18,377</u>
Total current assets	1,745,354	507,291
Property and equipment, net	<u>124,065</u>	<u>1,298,696</u>
Total assets	<u>\$ 1,869,419</u>	<u>\$ 1,805,987</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 86,289	\$ 77,181
Other current liabilities	61,128	35,618
Notes payable - current	<u>-</u>	<u>10,339</u>
Total current liabilities	147,417	123,138
Notes payable - noncurrent	<u>-</u>	<u>223,095</u>
Total long-term liabilities	<u>-</u>	<u>223,095</u>
Total liabilities	147,417	346,233
Unrestricted net assets	1,665,251	1,454,754
Temporarily restricted net assets	<u>56,751</u>	<u>5,000</u>
Total net assets	<u>1,722,002</u>	<u>1,459,754</u>
Total liabilities and net assets	<u>\$ 1,869,419</u>	<u>\$ 1,805,987</u>

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

**INTERNATIONAL FRIENDSHIPS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For The Years Ended August 31, 2018 and 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support:						
Contributions	\$ 2,286,412	\$ 82,000	\$ 2,368,412	\$ 2,072,380	\$ 5,000	\$ 2,077,380
Nonmonetary contributions	80,000	-	80,000	-	-	-
Revenues:						
Program participation fees	43,463	-	43,463	49,330	-	49,330
Rental income	68,504	-	68,504	77,901	-	77,901
Miscellaneous income	26,267	-	26,267	21,160	-	21,160
Total public support and revenues	<u>2,504,646</u>	<u>82,000</u>	<u>2,586,646</u>	<u>2,220,771</u>	<u>5,000</u>	<u>2,225,771</u>
Net assets released from restrictions	30,249	(30,249)	-	-	-	-
Total support, revenues and released	<u>2,534,895</u>	<u>51,751</u>	<u>2,586,646</u>	<u>2,220,771</u>	<u>5,000</u>	<u>2,225,771</u>
Expenses:						
Program services	1,663,163	-	1,663,163	1,323,307	-	1,323,307
Management & general	394,548	-	394,548	315,480	-	315,480
Fundraising	329,058	-	329,058	300,360	-	300,360
Total expenses	<u>2,386,769</u>	<u>-</u>	<u>2,386,769</u>	<u>1,939,147</u>	<u>-</u>	<u>1,939,147</u>
Change in net assets from operations	148,126	51,751	199,877	281,624	5,000	286,624
Gain on sale of assets (net)	<u>62,371</u>	<u>-</u>	<u>62,371</u>	<u>336</u>	<u>-</u>	<u>336</u>
Change in net assets	210,497	51,751	262,248	281,960	5,000	286,960
Net assets, beginning	<u>1,454,754</u>	<u>5,000</u>	<u>1,459,754</u>	<u>1,172,794</u>	<u>-</u>	<u>1,172,794</u>
Net assets, ending	<u>\$ 1,665,251</u>	<u>\$ 56,751</u>	<u>\$ 1,722,002</u>	<u>\$ 1,454,754</u>	<u>\$ 5,000</u>	<u>\$ 1,459,754</u>

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

**INTERNATIONAL FRIENDSHIPS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2018**

	Program Services	Support Services		Total
		Management & General	Fundraising	
Salaries	\$ 1,073,820	250,225	199,921	\$ 1,523,966
Payroll taxes	84,624	18,335	8,709	111,668
Workers' compensation	11,584	2,700	2,157	16,441
Contractors and other fees for services	58,414	53,081	18,234	129,729
Travel	91,346	1,389	28,492	121,227
Hospitality and meals	67,322	1,279	25,860	94,461
Ministry events & activities	17,183	-	6,268	23,451
Conferences and meetings	25,326	1,438	2,249	29,013
Materials and books	11,773	-	1,239	13,012
Sudan school and clinic	108,244	-	-	108,244
Advertising and promotion	14,020	1,486	21,016	36,522
Bank charges and merchant fees	17,666	2,874	-	20,540
Office and other supplies	22,248	9,232	7,321	38,801
Information technology	7,024	7,389	6,376	20,789
Occupancy	19,167	16,176	591	35,934
Depreciation	21,370	6,050	625	28,045
Repairs and maintenance	10,057	3,468	-	13,525
Insurance	1,975	10,999	-	12,974
Interest expense	-	8,427	-	8,427
Total	\$ 1,663,163	394,548	329,058	\$ 2,386,769

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

**INTERNATIONAL FRIENDSHIPS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2017**

	Program Services	Support Services		Total
		Management & General	Fundraising	
Salaries	\$ 858,103	175,421	161,834	\$ 1,195,358
Payroll taxes	64,403	13,123	12,106	89,632
Workers' compensation	7,706	1,575	1,453	10,734
Contractors and other fees for services	27,672	45,428	46,312	119,412
Travel	101,564	1,031	15,138	117,733
Hospitality and meals	47,457	1,323	18,016	66,796
Ministry events & activities	19,592	39	8,275	27,906
Conferences and meetings	6,603	1,166	4,082	11,851
Materials and books	10,267	10	-	10,277
Sudan school and clinic	81,721	-	-	81,721
Advertising and promotion	9,253	873	22,401	32,527
Bank charges and merchant fees	16,460	2,616	-	19,076
Office and other supplies	19,094	10,720	3,827	33,641
Information technology	3,742	5,896	6,296	15,934
Occupancy	20,192	15,854	332	36,378
Depreciation	16,297	13,547	288	30,132
Repairs and maintenance	9,521	9,161	-	18,682
Insurance	3,660	8,143	-	11,803
Interest expense	-	9,554	-	9,554
<b>Total</b>	<b>\$ 1,323,307</b>	<b>315,480</b>	<b>300,360</b>	<b>\$ 1,939,147</b>

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

**INTERNATIONAL FRIENDSHIPS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended August 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 262,248	\$ 286,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Nonmonetary contributions	(80,000)	-
Depreciation	28,045	30,132
Gain on sale of assets (net)	(62,371)	(336)
(Increase) decrease in assets:		
Accounts receivable	(22)	23,538
Prepaid expenses and deposits	(6,726)	(12,532)
Increase (decrease) in liabilities:		
Accounts payable	9,108	(33,574)
Current liabilities	<u>25,510</u>	<u>3,293</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>175,792</b>	<b>297,481</b>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Sale of land and building	1,410,425	-
Purchase of and improvements to land and building	(113,588)	(20,772)
Purchase of furniture and equipment	(8,630)	(2,584)
Sale of equipment and other assets	<u>750</u>	<u>600</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>1,288,957</b>	<b>(22,756)</b>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on long-term debt	<u>(233,434)</u>	<u>(9,934)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(233,434)</b>	<b>(9,934)</b>
<b>NET CHANGE IN CASH</b>	<b>1,231,315</b>	<b>264,791</b>
<b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>488,177</u></b>	<b><u>223,386</u></b>
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u><u>1,719,492</u></u></b>	<b>\$ <u><u>488,177</u></u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during year for interest	<u>\$ 8,427</u>	<u>\$ 9,554</u>

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

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

International Friendships, Inc. (IFI) is a nonprofit corporation created to establish, operate and maintain exclusively for charitable and religious purposes, an organization to facilitate the physical, spiritual and emotional support of international students on university campuses in Ohio and at various locations throughout the United States. This is done by ministering to them, through social activities, friendships, and expression of the love of Christ by testimony and service and to further the propagation of the gospel of Jesus Christ and the edification of His church around the world. IFI is supported mainly through contributions from the public.

The principal office for IFI is at 2500 North High Street, Columbus, Ohio 43202.

IFI has one main program that is called International Student Ministry, or ISM. The focus of ISM activities are described below.

Campus Ministry Teams, made up of employees and volunteers work to serve, teach, and mentor international students, scholars, and their families out of love for Jesus. The employees and volunteers organize activities such as Welcome Events that make students feel at home in the United States. Further engagement with students includes English Conversation Clubs that provide conversation partners to help international students and scholars and their spouses improve their English speaking and listening skills and help them navigate the complexities of American language and culture. Campus Ministry Teams also organize low-cost, fun, interesting and varied trips for international students and scholars. Some are day trips; others are weekend trips; and others are extended tours of different parts of the United States. The objectives of the trips are to: 1) allow internationals to experience the beautiful American scenery and the diversity of American culture along with the opportunity to stay in American homes and experience hospitality prescribed by Jesus; 2) develop friendships between international students; 3) provide opportunities for spiritual conversations in a relaxed and fun environment. IFI also provides internships for recently graduated, spiritually vibrant international students during their optional training year. This includes assisting with finding housing and/or employment for some of the student leaders involved in internships, and taking internationals to conferences about following Jesus to encourage their spiritual growth and develop deeper friendships.

Another aspect of ISM involves IFI working with churches to help them fulfill their desire to love the stranger and impact the world by providing a means for them to practice Biblical hospitality. IFI employees work closely with volunteers from local churches to provide training and coordination so the churches and volunteers can offer various services that address the social, cultural, and spiritual interests and needs of international students and scholars. The objectives for engaging churches and volunteers are: 1) to train them in

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

fulfilling God's command to "love the strangers among us" in practical ways (short-term); and 2) to serve as a bridge between people interested in impacting people in other countries and their opportunity to impact people from others countries while they are here locally. Many of IFI's ISM activities are carried out by volunteers at little or no cost to IFI.

Basis of Accounting

The financial statements of IFI have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The financial statements are presented in accordance with FASB ASC 958-210-45. Under FASB ASC 958-210-45, IFI is required to report information regarding its financial position, activities, and cash flows according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, IFI's net assets are reported in each of the following three classes:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of IFI or the passage of time. As of August 31, 2018 and 2017, \$56,751 and \$5,000, respectively, of IFI's net assets were temporarily restricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by IFI. As of August 31, 2018 and 2017, there were no permanently restricted net assets.

Cash and Cash Equivalents

For the purpose of the financial statements, IFI considers all cash held in demand accounts and time deposits maturing within ninety days at the date of purchase as cash equivalents.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the programs and activities 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. IFI's costs associated with performing fundraising activities are required by generally accepted accounting principles to be reported as fundraising expenses.

Concentration of Credit Risk

Financial instruments, which potentially subject the entity to concentrations of credit risk, consist principally of cash. IFI maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. IFI has not experienced any losses in such accounts. As of August 31, 2018 and 2017, none of IFI's bank deposits were uninsured and unsecured.

Contributions

IFI receives contributions from its volunteers and the public. Contributions are recorded at their fair market value at the date of contribution. Contributions received are considered unrestricted, unless they are received with donor stipulations that limit the use of the contribution. When the restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Income Taxes

IFI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code. Unrelated business income, such as income generated on debt financed property, could be taxable to IFI. No provision for federal income taxes has been made in these financial statements.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Values of Financial Instruments

IFI has financial instruments, principally cash, none of which are held for trading purposes. IFI estimates that the fair value of all financial instruments at August 31, 2018 and 2017 does not differ materially for the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Depreciation

Property and equipment are stated at cost. Donated items are recorded at their market value at the date the gift is received. Major improvements and betterments are capitalized and depreciated; maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. The capitalization threshold for IFI is \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets ranging from three to 40 years.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to August 31, 2018 to determine the need for any adjustments to or disclosures within the audited financial statements for the year ended August 31, 2018. Management has performed this analysis through December 17, 2018 the date the financial statements were available to be issued.

Reclassifications

IFI has made certain reclassifications to the prior-year Statement of Activities in order to conform to current-year presentation. These reclassifications had no effect on net position or change in net position.

2. ACCOUNTS RECEIVABLE

IFI had an accounts receivable balance of \$759 and \$737 as of August 31, 2018 and 2017. IFI deems balance as of August 31, 2018, which pertains to a corporate rewards community program and reimbursement payments, to be fully collectible.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**

3. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or at its estimated fair value at the date of donation, if received as a gift. Depreciation is based on the straight-line method over useful lives ranging from three to 40 years. These assets consist of the following at August 31:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 92,382	\$ 812,970
Land	22,136	524,049
Computers and software	33,168	34,411
Equipment	29,853	27,410
Vehicles	3,700	4,200
Furniture & fixtures	<u>9,205</u>	<u>9,205</u>
	190,444	1,412,245
Accumulated depreciation	<u>(66,379)</u>	<u>(113,549)</u>
Property and equipment, net	\$ <u>124,065</u>	\$ <u>1,298,696</u>

4. SALE OF PROPERTY

On July 19, 2018 IFI sold its Ministry Center building along with the apartments and other buildings and land located in Columbus Ohio. As part of the sale transaction, IFI acquired an adjacent property at a bargain purchase price and immediately sold it. The \$80,000 difference between the fair market value of the purchased property and its sale is shown on the Statement of Activities as nonmonetary contributions. In addition, a gain of \$62,371 on the entire transaction was recorded and is shown on the Statement of Activities as a gain on sale of assets.

A component of the transaction involved IFI entering a lease agreement with the buyer for the space IFI occupies in the Ministry Center. Lease payments are \$3,022 per month and include all utilities. The nine-month lease ends in April 2019 with the potential to continue leasing on a month to month basis. IFI intends to purchase another property in Columbus Ohio and relocate its offices there.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**

5. NOTES PAYABLE

In connection with the 2013 purchase of property for the Ministry Center, IFI entered into notes payable supported by a mortgage agreement. The note agreement began on December 18, 2013 for 2480 N. High. The 2480 N. High note had a fixed interest rate of 4.00% and was paid in full on July 19, 2018 in connection with the sale of the property.

Description of Debt	Maturity Date	Interest Rate	Amount Outstanding as of August 31	
			2018	2017
Mortgage note on 2480 N High	12/18/2033	4.00%	\$ -	\$ 233,434
Total notes payable			\$ -	\$ 233,434
Current maturities			\$ -	\$ (10,339)
Notes payable - noncurrent			\$ -	\$ 223,095

6. UNSECURED LINE OF CREDIT

In September 2016 IFI entered into an agreement with a bank to provide a \$75,000 line of credit at a variable interest rate. There were no borrowings under this agreement in 2017 or 2018.

7. RENTAL INCOME

IFI leases a portion of its facilities to international students attending universities or to other tenants who are involved in IFI's ministry. One apartment building, that was sold in July 2018, consisted of four rental units leased at \$800 per month per rental unit. The other building is a four-bedroom residential property with variable rental rates totaling approximately \$1500 per month. The tenants may participate in the activities of IFI and thus help IFI achieve its mission. The units are rented at below market value with lease terms coinciding with the school year. In addition, IFI leased an office suite in its 2500 N. High headquarters to an unrelated business for \$1,465 per month, until July 2018 when the building was sold. Rental income for all facilities was \$68,504 and \$77,901 for the periods ending August 31, 2018 and 2017, respectively.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**

8. EMPLOYEE BENEFIT PLAN

IFI maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code available to substantially all employees above the age of 21 who have completed one year of service. Employees of IFI are eligible to contribute a portion of their compensation to the plan, administered by third party providers, in accordance with plan provisions. IFI made no contributions to this plan in 2018 and 2017.

9. DONATED SERVICES

Donated or contributed services are recorded if they meet criteria under FASB ASC 958-605 to (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no donated services recorded in 2018 or 2017. IFI generally pays for services requiring specialized skills. In addition, there are individuals who volunteer their time to IFI that do not possess specialized skills.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31, 2018 and 2017 are available for use for the following purposes:

	<u>2018</u>	<u>2017</u>
Contribution (Time Restriction)	\$ -	\$ 5,000
Every International collaboration (Purpose Restriction)	<u>56,751</u>	<u>-</u>
Total	\$ <u>56,751</u>	\$ <u>5,000</u>