

Audit Report

International Friendships, Inc.

Report on Audited Financial Statements

For the Years Ended August 31, 2020 and 2019

INTERNATIONAL FRIENDSHIPS, INC.

TABLE OF CONTENTS

<u>Title</u>	<u>Page #</u>
INDEPENDENT AUDITOR'S REPORT	1-2
<u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 18

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020

INTERNATIONAL FRIENDSHIPS, INC.
STATEMENTS OF FINANCIAL POSITION
As of August 31, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,254,635	\$ 818,830
Accounts receivable	6,123	13,100
Promises to give within one year	-	113,000
Prepaid expenses and deposits	37,463	46,419
Total current assets	1,298,221	991,349
Promises to give in periods beyond one year	-	201,750
Property and equipment, net	1,209,906	1,183,302
Total assets	\$ 2,508,127	\$ 2,376,401
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 49,659	\$ 129,688
Other current liabilities	81,990	60,368
Notes payable - current	20,189	12,826
Total current liabilities	151,838	202,882
Notes payable - noncurrent	276,985	287,174
Total long-term liabilities	276,985	287,174
Total liabilities	428,823	490,056
Net assets		
Net assets without donor restrictions	2,077,574	1,538,547
Net assets with donor restrictions	1,730	347,798
Total net assets	2,079,304	1,886,345
Total liabilities and net assets	\$ 2,508,127	\$ 2,376,401

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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support:						
Contributions	\$ 2,799,251	\$ 2,500	\$ 2,801,751	\$ 2,411,528	\$ 368,000	\$ 2,779,528
Nonmonetary contributions	24,908	-	24,908	34,478	-	34,478
Paycheck Protection Program and Economic Injury Disaster Advance	381,700	-	381,700	-	-	-
Revenues:						
Program participation fees	31,716	-	31,716	46,018	-	46,018
Rental income	89,021	-	89,021	87,685	-	87,685
Miscellaneous income	52,505	-	52,505	37,561	-	37,561
Total public support and revenues	<u>3,379,101</u>	<u>2,500</u>	<u>3,381,601</u>	<u>2,617,270</u>	<u>368,000</u>	<u>2,985,270</u>
Net assets released from restrictions:						
Restricted promises to give, uncollectible	286,500	(286,500)	-	-	-	-
Other net assets released from restrictions	62,068	(62,068)	-	76,953	(76,953)	-
Total net assets released from restrictions	<u>348,568</u>	<u>(348,568)</u>	<u>-</u>	<u>76,953</u>	<u>(76,953)</u>	<u>-</u>
Total support, revenues and released	3,727,669	(346,068)	3,381,601	2,694,223	291,047	2,985,270
Expenses:						
Program services	2,084,862	-	2,084,862	2,143,933	-	2,143,933
Management & general	523,083	-	523,083	390,559	-	390,559
Fundraising	295,376	-	295,376	286,223	-	286,223
Total expenses	<u>2,903,321</u>	<u>-</u>	<u>2,903,321</u>	<u>2,820,715</u>	<u>-</u>	<u>2,820,715</u>
Change in net assets from operations	824,348	(346,068)	478,280	(126,492)	291,047	164,555
Loss on uncollectible promises to give	(286,500)	-	(286,500)	-	-	-
Gain/(Loss) on sale of assets (net)	1,179	-	1,179	(212)	-	(212)
Change in net assets	539,027	(346,068)	192,959	(126,704)	291,047	164,343
Net assets, beginning	<u>1,538,547</u>	<u>347,798</u>	<u>1,886,345</u>	<u>1,665,251</u>	<u>56,751</u>	<u>1,722,002</u>
Net assets, ending	<u>\$ 2,077,574</u>	<u>\$ 1,730</u>	<u>\$ 2,079,304</u>	<u>\$ 1,538,547</u>	<u>\$ 347,798</u>	<u>\$ 1,886,345</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, 2020

	Program Services	Support Services		Total
		Management & General	Fundraising	
Ministry Personnel:				
Salaries	\$ 1,472,898	325,505	193,266	\$ 1,991,669
Payroll taxes	109,236	24,141	14,333	147,710
Workers' compensation	20,310	4,488	2,665	27,463
Contractors and other fees for services	38,088	34,237	2,810	75,135
Direct Student Ministry:				
Travel	77,168	176	12,596	89,940
Hospitality and meals	62,755	787	6,358	69,900
Ministry events & activities	25,886	118	113	26,117
Conferences and meetings	13,162	818	5,434	19,414
Materials and books	9,903	198	251	10,352
Sudan school and clinic	105,266	-	-	105,266
Ministry Operations:				
Advertising and promotion	15,717	1,582	33,564	50,863
Bank charges and merchant fees	19,158	9,593	771	29,522
Office and other supplies	17,813	11,795	12,569	42,177
Information technology	46,336	8,913	9,832	65,081
Ministry Overhead:				
Occupancy	17,850	30,267	141	48,258
Depreciation	19,352	30,668	673	50,693
Repairs and maintenance	10,116	16,796	-	26,912
Insurance	3,848	9,564	-	13,412
Interest expense	-	13,437	-	13,437
Total	\$ 2,084,862	523,083	295,376	\$ 2,903,321

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

INTERNATIONAL FRIENDSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2019

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
		<u>Management & General</u>	<u>Fundraising</u>	
Ministry Personnel:				
Salaries	\$ 1,424,652	242,655	148,421	\$ 1,815,728
Payroll taxes	104,014	17,716	10,836	132,566
Workers' compensation	14,608	2,488	1,522	18,618
Contractors and other fees for services	46,199	37,800	4,399	88,398
Direct Student Ministry:				
Travel	124,582	915	20,260	145,757
Hospitality and meals	96,375	1,458	24,590	122,423
Ministry events & activities	39,346	15	15,480	54,841
Conferences and meetings	21,451	896	903	23,250
Materials and books	16,199	1,121	610	17,930
Sudan school and clinic	97,959	-	-	97,959
Ministry Operations:				
Advertising and promotion	20,399	537	40,565	61,501
Bank charges and merchant fees	18,826	5,725	-	24,551
Office and other supplies	24,177	10,652	10,831	45,660
Information technology	41,918	13,016	6,185	61,119
Ministry Overhead:				
Occupancy	33,318	25,522	1,055	59,895
Depreciation	8,928	12,021	566	21,515
Repairs and maintenance	8,904	7,556	-	16,460
Insurance	2,078	10,222	-	12,300
Interest expense	-	244	-	244
Total	\$ 2,143,933	390,559	286,223	\$ 2,820,715

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

INTERNATIONAL FRIENDSHIPS, INC.
STATEMENTS OF CASH FLOWS
For The Years Ended August 31, 2020 and 2019

	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 192,959	\$ 164,343
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Nonmonetary contributions of assets	-	(3,800)
Depreciation	50,693	21,515
(Gain) loss on sale of assets (net)	(1,179)	212
Uncollectible promises to give	286,500	(286,500)
(Increase) decrease in assets:		
Accounts receivable	6,977	(12,341)
Prepaid expenses and deposits	8,956	(21,316)
Promises to give	28,250	(28,250)
Increase (decrease) in liabilities:		
Accounts payable	(80,029)	43,399
Current liabilities	21,622	(760)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	514,749	(123,498)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of and improvements to land and building	(40,334)	(1,018,135)
Purchase of furniture and equipment	(37,270)	(59,029)
Sale of equipment and other assets	1,486	-
NET CASH USED IN INVESTING ACTIVITIES	(76,118)	(1,077,164)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Issuance of long-term debt	10,000	300,000
Principal payments on long-term debt	(12,826)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,826)	300,000
NET CHANGE IN CASH	435,805	(900,662)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	818,830	1,719,492
CASH AND EQUIVALENTS AT END OF YEAR	\$ 1,254,635	\$ 818,830
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during year for interest	\$ 12,549	\$ 19

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, 2020 and 2019

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 1520 Old Henderson Rd., Suite 200, Columbus, Ohio 43220.

IFI has one main program that is called International Student Ministry, or ISM. Examples of primary ISM activities are described below. Many of IFI's ISM activities are carried out by volunteers at little or no cost to IFI.

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

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

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 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.

Changes in IFI Operations during 2020

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Due to the state of emergency declaration universities and religious organizations were shut down. IFI's operations are directly impacted through their programs at universities and religious organizations. While many face-to-face activities ceased abruptly, many of IFI's ISM activities were able to continue using digital means. IFI campus ministers and volunteers have been creatively connecting with students through social media and personally while practicing safe social distancing. Some program costs, such as travel and hospitality meals, were reduced due to the emergency measures. A successful livestream fundraising event was conducted in April 2020, and IFI is making appropriate changes to adjust to the current pandemic environment. Additional financial impact of COVID-19 and the ensuing emergency measures on IFI's operations cannot be fully determined at this time.

Basis of Accounting

The financial statements of IFI have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, also known as US GAAP.

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016. Under FASB ASC 958, IFI is required to report information regarding its financial position, activities, and cash flows according to two classes of net assets: without donor restrictions or with donor restrictions. Accordingly, IFI's net assets are reported in the following two classes:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations that may be used for any purpose in performing the mission of IFI.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of IFI or the passage of time. Net assets also may be subject to donor-imposed stipulations that they be maintained permanently by IFI. As of August 31, 2020 and 2019, 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.

Use of Estimates

The preparation of the financial statements in conformity with US GAAP 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. When IFI personnel work on both program and support functions, the salaries and related payroll taxes are allocated based on time spent. A portion of the office building is allocated in the depreciation and occupancy accounts based on square feet being used by each function. IFI's costs associated with performing fundraising activities are required by US GAAP to be reported as fundraising expenses, even though some fundraising activities also serve a program function.

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 rare times, may exceed federally insured limits of \$250,000. IFI has not experienced any losses in such accounts. As of August 31, 2020 and 2019, none of IFI's bank deposits were uninsured and unsecured. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates.

Contributions

IFI receives contributions from its volunteers and the public. Unconditional contributions are recognized when promised and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are generally reported as net assets without donor restriction. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets, and the assets are placed in service.

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmonetary Contributions

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. IFI received \$3,800 of donated services in connection with the remodeling of the Ministry Center in 2019. There were no donated services recorded in 2020. IFI generally pays for services requiring specialized skills.

IFI also records certain material in-kind donations, such as the use of church or university facilities for ISM large group activities, in the Statement of Activities. These amounts are shown as nonmonetary contributions with an equal nonmonetary expense recorded as part of total expenses.

Volunteers, who do not possess specialized skills, contribute significant amounts of time and travel to fulfill ISM program services and donate the use of their homes and food for hospitality activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by US GAAP.

Income Taxes

IFI is organized in Ohio as a nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code (IRC). Donations to IFI qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi). IFI is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. IFI also files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income when appropriate. 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.

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, 2020 and 2019 does not differ materially for the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 50 years.

Reclassifications

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

2. NET ASSETS

IFI's net assets with donor restrictions limiting their use comprise the following:

	<u>2020</u>	<u>2019</u>
Every International collaboration (Purpose Restriction)	-	\$330,298
Other Contributions (Purpose Restriction)	<u>1,730</u>	<u>17,250</u>
Total	<u>\$1,730</u>	<u>\$347,798</u>

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY

The following table reflects the IFI's financial assets as of the balance sheet date, reduced by amounts not available for general use because purpose restrictions within one year of the balance sheet date and rental deposits that are expected to be retained.

	<u>2020</u>	<u>2019</u>
Financial assets, at year end	\$1,298,221	\$991,349
Less those unavailable for general expenditures within one year, due to donor purpose restrictions:		
Cash with donor restriction	(1,730)	(15,548)
Promises to Give within one year	-	(113,000)
Current Liabilities	(151,813)	(202,882)
Plus Rental Deposits expected to be retained	<u>4,474</u>	<u>2,174</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,149,152</u>	<u>\$662,093</u>

Additional liquidity is provided to IFI through an agreement with its primary bank to provide a \$75,000 unsecured line of credit at a variable interest rate. There were no borrowings under this agreement in 2020 or 2019.

4. ACCOUNTS RECEIVABLE, PROMISES TO GIVE AND WRITE-OFF

IFI had an accounts receivable balance of \$6,123 and \$13,100 as of August 31, 2020 and 2019. IFI deems the balance as of August 31, 2020, which pertains to a corporate sponsorship and reimbursement payments, to be fully collectible.

IFI had a promise to give balance of \$314,750 as of August 31, 2019 which represented a commitment, by a long-time donor, of quarterly \$28,250 gifts through July 2022. The balance was considered fully collectible as of August 31, 2019. However, after making the scheduled \$28,250 payment in October 2019, the donor experienced circumstances that led them to miss their January 2020 payment and ultimately they withdrew their commitment. After discussions with the donor and consideration of the donor's circumstances, the receivable was determined to be uncollectible. IFI's Board of Directors determined not to pursue legal remedies to recover the balance and thus it was written off. The \$286,500 balance was released from restriction and the noncash loss is shown as a nonoperating item on the Statement of Activities and Changes in Net Assets.

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

5. 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 50 years. These assets consist of the following at August 31:

	<u>2020</u>	<u>2019</u>
Buildings	\$1,063,532	\$1,026,122
Land	113,255	110,331
Computer Equipment	29,881	26,863
Computer Software	18,509	-
Office Equipment	62,738	65,800
Vehicles	3,700	3,700
Furniture & fixtures	<u>24,396</u>	<u>12,998</u>
	1,316,011	1,245,814
Accumulated depreciation	<u>(106,105)</u>	<u>(62,512)</u>
Property and equipment, net	\$ <u>1,209,906</u>	\$ <u>1,183,302</u>

6. SALE OF PROPERTY AND PURCHASE 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. A component of the transaction involved IFI entering a lease agreement with the buyer for the space IFI occupied in the Ministry Center. Lease payments were \$3,022 per month and included all utilities. The lease, including extensions, ended in May 2019.

On January 10, 2019 IFI purchased a building and land to be used as the Ministry Center and Corporate Headquarters located at 1520 Old Henderson Road in Columbus Ohio and relocated its offices there in May 2019 after renovations were substantially complete.

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

7. PAYCHECK PROTECTION PROGRAM AND ECONOMIC INJURY LOAN ADVANCE

On April 20, 2020 IFI received a Paycheck Protection Program (PPP) loan of \$381,700 contributed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). IFI considers PPP loans as conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier was that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. IFI recognized \$371,700 as contribution revenue when qualified expenses occurred since those were the barriers to entitlement and were met in April, May and June 2020. Application for forgiveness of the full loan was made on October 2, 2020, with inclusion of compliance substantiation and certification therein. On November 28, 2020 the SBA notified IFI that the final forgiveness principal amount was \$371,700 plus accrued interest. The unforgiven principal portion of \$10,000 must be repaid over a 17-month period with interest at 1% per annum, beginning December 15, 2020.

In addition to the PPP loan discussed above, on April 24, 2020, IFI received \$10,000 from the SBA under provisions of the CARES Act that enabled the SBA to provide “advances” on an Economic Injury Disaster Loan (EIDL). The EIDL advance did not need to be repaid if IFI used the proceeds for certain qualifying business expenses, similar to the PPP loan. IFI used the \$10,000 for qualifying expenses over and above the PPP loan proceeds. Thus, IFI recognized this as contribution revenue, with the barrier met, upon spending the funds appropriately. The SBA specifically noted in their communication of forgiveness related to the PPP loan that IFI’s use of the \$10,000 EIDL resulted in that same amount being unforgiven of the PPP loan.

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

8. NOTES PAYABLE

On August 26, 2019, IFI entered into a Term Note supported by a mortgage agreement on the new Ministry Center property. The note has a fixed interest rate of 4.50% and is payable in 59 consecutive monthly installments of \$2,306.76 commencing on October 1, 2019 and then a final payment of all outstanding principal as of September 1, 2024.

As discussed in note 7, IFI received a PPP loan and was not forgiven for \$10,000. That \$10,000 will be paid over a 17-month period with interest at 1% per annum, beginning December 15, 2020.

Description of Debt	Maturity Date	Interest Rate	Amount Outstanding as of August 31	
			2020	2019
Paycheck Protection Program Loan	4/18/2022	1.00%	\$ 10,000	\$ -
Mortgage note on 1520 Old Henderson Rd.	9/1/2024	4.50%	\$ 287,174	\$ 300,000
Total notes payable			<u>\$ 297,174</u>	<u>\$ 300,000</u>
Current maturities			<u>\$ 20,189</u>	<u>\$ 12,826</u>
Notes payable - noncurrent			<u>\$ 276,985</u>	<u>\$ 287,174</u>

Schedule of expected future principal repayments as of August 31, 2020:

Fiscal Year	<u>Total</u>
2021	\$ 20,189
2022	20,279
2023	16,306
2024	17,037
September 1, 2024	<u>223,363</u>
Total	<u>\$ 297,174</u>

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

9. RENTAL INCOME

In 2020, IFI leased a portion of its facilities at the 1520 Old Henderson Road headquarters to five unrelated businesses. The first lease for \$7,618 per month, ended in February 2020. That amount dropped to \$7,082.80 in January, and to \$1,709.61 in February when they moved out. The second lease is for \$1,146 per month ended November 30, 2019 and was extended for another 3-year term for \$1,200. The third lease started in December 2019 for \$557.50 monthly. The fourth lease is a 5-year lease which started in February 2020, with monthly rent of \$525 for the first 3 years and increasing to \$542.50 for years 4 and 5. The final lease is a two-year lease which began in July for \$987.50 per month for the first year and \$1,007.25 for the second year.

IFI also leased its four-bedroom residential property to international students attending universities or to tenants who are involved in IFI's ministry. The tenants may participate in the activities of IFI and thus help IFI achieve its mission. The units are rented below market value, with variable rental rates totaling approximately \$1,400 per month, and lease terms coinciding with the school year.

Rental income for all facilities was \$89,021 and \$87,685 for the periods ending August 31, 2020 and 2019, respectively.

10. 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 2020 and 2019.

11. SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to August 31, 2020 to determine the need for any adjustments to or disclosures within the audited financial statements for the year ended August 31, 2020. Management has performed this analysis through December 17, 2020 the date the financial statements were available to be issued.