



INTERNATIONAL STUDENTS, INC.
AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2019 and 2018

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
International Students, Inc. and Affiliates
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of International Students, Inc. and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
International Students, Inc. and Affiliates
Colorado Springs, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of International Students, Inc. and Affiliates as of September 30, 2019 and 2018, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

International Students, Inc. and Affiliates has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the September 30, 2019 and 2018 consolidated financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
December 19, 2019

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	September 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 1,438,546	\$ 1,226,924
Investments	3,226,113	3,181,245
Other assets	310,247	163,136
Land held for sale	350,760	350,760
Property and equipment–net	3,228,305	3,361,965
Total Assets	\$ 8,553,971	\$ 8,284,030
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 241,895	\$ 224,383
Accrued expenses	142,509	160,748
Deferred revenue	80,000	-
Annuities payable	57,764	58,676
Note payable	1,814,134	1,915,156
	2,336,302	2,358,963
Net assets:		
Without donor restrictions:		
Operating	2,117,778	2,075,158
Board designated	200,000	200,000
	2,317,778	2,275,158
With donor restrictions:		
Field ministries	3,370,467	3,234,897
Ministry projects	529,424	415,012
	3,899,891	3,649,909
	6,217,669	5,925,067
Total Liabilities and Net Assets	\$ 8,553,971	\$ 8,284,030

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended September 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Field ministry contributions	\$ -	\$ 11,253,032	\$ 11,253,032	\$ -	\$ 10,991,568	\$ 10,991,568
General fund contributions	438,391	-	438,391	743,153	-	743,153
Other contributions	-	257,414	257,414	668	193,929	194,597
Rental income	211,830	-	211,830	188,881	-	188,881
Investment income	138,325	-	138,325	25,176	-	25,176
Contributed services	-	131,480	131,480	-	267,660	267,660
Other income	130,280	-	130,280	172,328	-	172,328
Capital campaign contributions	-	24,080	24,080	-	123,258	123,258
Total Support and Revenue	918,826	11,666,006	12,584,832	1,130,206	11,576,415	12,706,621
NET ASSETS RELEASED:						
Purpose and time restrictions	9,707,927	(9,707,927)	-	9,610,999	(9,610,999)	-
Administrative assessments	1,708,097	(1,708,097)	-	1,651,649	(1,651,649)	-
Total Net Assets Released	11,416,024	(11,416,024)	-	11,262,648	(11,262,648)	-
EXPENSES:						
Program services	9,488,313	-	9,488,313	9,468,019	-	9,468,019
Supporting activities:						
Management and general	1,214,817	-	1,214,817	1,285,491	-	1,285,491
Fund-raising:						
Direct and allocated fund-raising	1,107,891	-	1,107,891	1,178,050	-	1,178,050
Volunteer recruitment	481,209	-	481,209	468,071	-	468,071
	2,803,917	-	2,803,917	2,931,612	-	2,931,612
Total Expenses	12,292,230	-	12,292,230	12,399,631	-	12,399,631
Change in Net Assets	42,620	249,982	292,602	(6,777)	313,767	306,990
Net Assets, Beginning of Year	2,275,158	3,649,909	5,925,067	2,281,935	3,336,142	5,618,077
Net Assets, End of Year	\$ 2,317,778	\$ 3,899,891	\$ 6,217,669	\$ 2,275,158	\$ 3,649,909	\$ 5,925,067

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended September 30, 2019

	Program Services	Supporting Activities			Total
		Management and General	Fund- Raising	Volunteer Recruitment	
Salaries and employee benefits	\$ 7,489,819	\$ 542,905	\$ 859,350	\$ 395,353	\$ 9,287,427
Travel and meals	891,063	23,333	86,439	41,346	1,042,181
Ministry operations	494,480	1,124	46,018	27,713	569,335
Facilities	247,749	152,618	23,782	10,138	434,287
Professional fees	126,024	126,123	34,782	1,756	288,685
Interest and bank charges	2,000	172,728	329	-	175,057
Depreciation	45,602	92,420	5,590	48	143,660
Other	63,254	44,696	10,221	695	118,866
Donor care	67,636	1,569	7,597	3,861	80,663
Literature and printing	19,010	18,357	13,468	150	50,985
Postage	8,390	19,998	12,623	19	41,030
National staff conference	16,562	5,392	5,641	(102)	27,493
Office supplies	6,966	10,000	916	232	18,114
Telephone	9,758	3,554	1,135	-	14,447
	<u>\$ 9,488,313</u>	<u>\$ 1,214,817</u>	<u>\$ 1,107,891</u>	<u>\$ 481,209</u>	<u>\$ 12,292,230</u>
Percent of total expenses *	77.2%	9.9%	9.0%	3.9%	100%

* This schedule reflects implementation of the *Not-for-Profit Entities Other Expenses* subtopic of the Financial Accounting Standards Board Accounting Standards Codification which requires that the cost of all volunteer recruitment, even of those volunteers involved in direct ministry, be classified as supporting activities expenses.

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended September 30, 2018

	Program Services	Supporting Activities			Total
		Management and General	Fund- Raising	Volunteer Recruitment	
Salaries and employee benefits	\$ 7,264,558	\$ 565,497	\$ 855,778	\$ 384,025	\$ 9,069,858
Travel and meals	727,675	18,051	64,816	31,188	841,730
Ministry operations	693,029	588	39,441	23,759	756,817
Facilities	300,759	210,799	30,109	12,218	553,885
Professional fees	119,363	107,423	29,783	200	256,769
Interest and bank charges	-	202,723	-	-	202,723
Depreciation	53,743	74,935	9,155	30	137,863
Other	83,689	61,211	13,939	2,700	161,539
Donor care	-	-	89,100	-	89,100
Literature and printing	31,046	5,053	8,492	3,096	47,687
Postage	7,222	22,896	15,641	24	45,783
National staff conference	171,530	2,009	15,655	9,430	198,624
Office supplies	8,484	9,784	1,090	233	19,591
Telephone	6,921	4,522	5,051	1,168	17,662
	<u>\$ 9,468,019</u>	<u>\$ 1,285,491</u>	<u>\$ 1,178,050</u>	<u>\$ 468,071</u>	<u>\$ 12,399,631</u>
Percent of total expenses *	76.4%	10.4%	9.5%	3.8%	100%

* This schedule reflects implementation of the *Not-for-Profit Entities Other Expenses* subtopic of the Financial Accounting Standards Board Accounting Standards Codification which requires that the cost of all volunteer recruitment, even of those volunteers involved in direct ministry, be classified as supporting activities expenses.

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 292,602	\$ 306,990
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	143,660	137,863
Stock donations	(28,546)	(44,627)
Net realized and unrealized (gains) losses on investments	(76,103)	8,798
Change in value of annuities	6,476	6,340
Change in operating assets and liabilities:		
Other assets	(147,111)	(29,507)
Accounts payable	17,512	8,458
Accrued expenses	(18,239)	(3,840)
Deferred revenue	80,000	-
Net Cash Provided by Operating Activities	270,251	390,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	34,647	436,614
Net sale (purchase) of investments	89,681	(884,710)
Reinvested dividends	(64,547)	(35,489)
Purchases of property and equipment	(10,000)	(99,058)
Net Cash Provided (Used) by Investing Activities	49,781	(582,643)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(101,022)	(79,426)
Payments on annuities	(7,388)	(8,424)
Net Cash Provided (Used) by Financing Activities	(108,410)	(87,850)
Net Change in Cash and Cash Equivalents	211,622	(280,018)
Cash and Cash Equivalents, Beginning of Year	1,226,924	1,506,942
Cash and Cash Equivalents, End of Year	\$ 1,438,546	\$ 1,226,924
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEM:		
Cash paid for interest	\$ 78,427	\$ 83,242
Cash paid for unrelated business income tax	\$ 12,620	\$ 15,985

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

1. NATURE OF ORGANIZATIONS:

International Students, Inc. exists to share Christ's love with international students and to equip them for effective service in cooperation with the local church and others. The ministry directly relates to sharing the Gospel with non-believing international students and equipping Christian international students to be effective witnesses, as well as befriending the students while they are "strangers in our midst." International Students, Inc.'s vision is to see every international student befriended, led to a personal relationship with Christ, and disciplined for His service to impact every nation with the Gospel of Jesus Christ.

There are now over 1 million international students and scholars studying at American colleges and universities. They represent the best and brightest of 220 countries around the world. Approximately 71% come from countries in the "10/40 Window," and many come from countries that restrict access to the Gospel. They are often open to developing friendships with Americans, and many are curious about American culture, Christianity, or the Bible.

Their time in America will give them many impressions they will carry for their entire lives. When they return home they will take up positions of influence. What if they could return home as strong, committed Christians, well-prepared to make an impact for Christ in their homeland? International Students, Inc.'s strategy to reach these future leaders is straightforward: develop teams of committed, trained workers (International Students, Inc. staff, volunteers, local churches, and workers in other international student ministries) on the campuses where international students are enrolled, graciously and unconditionally reach out to them with the love and Good News of Jesus Christ, and then train, equip, and support those who desire to be disciples of Jesus Christ.

International Students, Inc. formed International Students International to conduct ministry in countries outside the United States.

International Students, Inc. is a nonprofit corporation, incorporated under the laws of the District of Columbia in 1953, and International Student International is a nonprofit corporation, incorporated under the laws of Colorado in 2004. Both organizations are exempt from federal income tax under Section 501(c)(3) and comparable state laws. However, both organizations are subject to federal income tax on any unrelated business taxable income. International Students, Inc. is classified as a church under Section 170(b)(1)(A)(i) of the Internal Revenue Code (IRC) of 1986, as amended. International Student International is classified as a publicly supported organization under Section 170(b)(1)(A)(vi) of the Code. Both organizations are not classified as private foundations under Section 509(a) of the Code.

REPORTING ENTITY

These consolidated financial statements include the international and U.S. operations, which are conducted under the joint ministries agreement, and all contributions remitted to or from International Student Ministries Canada (ISMC) for specific projects and missionary support accounts. These consolidated statements do not include the assets, liabilities, net assets, revenues, and expenses of ISMC not held by or remitted to International Students, Inc. under the joint ministries agreement because ISMC is not controlled by International Students, Inc.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

1. NATURE OF ORGANIZATIONS, continued:

REPORTING ENTITY, continued

ISMC is incorporated under the laws of Canada as a nonprofit organization. It qualifies as a registered charity under the provisions of the Income Tax Act. International Students, Inc. and ISMC conduct their activities under a joint ministries agreement executed on August 25, 1997.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the consolidated financial resources and activities of International Students, Inc. and International Students International (collectively referred to as ISI). All material transactions and balances between these entities have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ISI maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated 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 and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, cash and cash equivalents are defined as actual currency, demand deposits, and highly liquid investments with original maturities of three months or less. As of September 30, 2019, and 2018, amounts in excess of the federally insured limit were approximately \$1,090,000 and \$840,000, respectively. ISI has not experienced any losses in such accounts, and it believes it is not exposed to any significant credit risk on cash and cash equivalents.

INVESTMENTS

Investments in equity securities with readily determinable market values and all debt securities are reported at fair market value with gains and losses (including unrealized) included in the consolidated statements of activities unless otherwise noted. Investments received by gift are recorded at quoted market price upon donation and thereafter reported in accordance with the above provisions. Certificates of deposit are carried at cost, plus any accrued interest.

LAND HELD FOR SALE

As of September 30, 2019, a parcel of land is being actively marketed by ISI. The land is reflected as land held for sale on the consolidated statements of financial position and is reported at the lower of cost or estimated fair value. This land was sold subsequent to September 30, 2019. See Note 11 for additional information.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or, if donated, estimated fair value at the date of receipt. Items, or groups of items, in excess of \$2,500 are capitalized, with lesser amounts expensed in the year purchased. Depreciation is provided on the straight-line method over an estimated useful life of three to forty years.

DEFERRED REVENUE

Deferred revenue consists of payments received by ISI for the land held for sale prior to the official sale of the land. The revenue was recognized as earned subsequent to September 30, 2019 when the land was officially sold. See Note 11 for additional information.

ANNUITY AGREEMENTS

ISI has established a gift annuity plan whereby donors may contribute assets to ISI in exchange for the right to receive a fixed dollar annual return during their lifetimes. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes. The difference between the amount of the annuity and the liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift. Upon the death of the annuitant (or the last joint annuitant), income distributions cease. The actuarial liability for annuities payable is evaluated annually and any surplus or deficiency is recognized as change in value of annuities in other income on the consolidated statements of activities.

CLASSES OF NET ASSETS

Net assets without donor restrictions include resources that are used to support current operations, including amounts invested in property and equipment. Included in this amount is \$200,000 of funds designated by the board as a reserve for building expenses.

Net assets with donor restrictions include donor-restricted contributions for specified exempt purposes. Support from donors for significant programs like field ministry staff and related projects are included in net assets with donor restrictions.

SUPPORT AND REVENUE

Field ministry, general fund, and other contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. An assessment of approximately 15% is applied against restricted gifts for general overhead purposes. Bequests are recorded as income at the time ISI has an established right to the bequest and the proceeds are measurable. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

Contributed services of \$131,480 and \$267,660 relate to volunteers who work with ISI's various Teaching English as a Second Language (TESL) programs for the years ended September 30, 2019 and 2018, respectively. These amounts are included in field ministry contributions and program service expenses. ISI has additional volunteers who contribute a significant number of ministry hours each year. The services these volunteers contribute do not meet the criteria for recognition according to current technical standards and are therefore not included in these consolidated financial statements.

Other income consists of various amounts including registration fees for conferences and training. These amounts are recognized when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs, such as salaries and employee benefits, facilities, supplies, printing, postage, and depreciation, have been allocated among the program services and supporting activities benefited. Salaries and employee benefits have been allocated based on time and effort expended. Facilities are allocated based on square footage of space utilized. All other expenses are allocated based on the underlying nature of the expense.

ADOPTION OF NEW ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ISI adopted the provisions of this new standard during the year ended September 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added including liquidity and funds available (Note 5), and new reporting and disclosures were added related to the functional allocation and natural classification of expenses (Note 2).

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

3. FAIR VALUE MEASUREMENTS:

ISI uses appropriate valuation techniques to determine fair value based on inputs available. When available, ISI 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. ISI has some certificates of deposit that have a secondary market and are held at fair value (Level 2). Other certificates of deposit are held at contract value. The following table displays the fair values of assets measured on a recurring basis at September 30, 2019 and 2018:

	September 30, 2019	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments and assets held at fair value:			
Certificates of deposit	\$ 2,509,759	\$ -	\$ 2,509,759
Fixed income mutual funds	66,462	66,462	-
Equity mutual funds	31,447	31,447	-
	2,607,668	\$ 97,909	\$ 2,509,759
Investments and assets held at other than fair value:			
Certificates of deposit	369,767		
Money market accounts	248,678		
	618,445		
Total investments	\$ 3,226,113		

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

3. FAIR VALUE MEASUREMENTS, continued:

	September 30, 2018	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments and assets held at fair value:			
Certificates of deposit	\$ 2,258,931	\$ -	\$ 2,258,931
Fixed income mutual funds	9,701	9,701	-
Equity mutual funds	63,698	63,698	-
	2,332,330	\$ 73,399	\$ 2,258,931
Investments and assets held at other than fair value:			
Certificates of deposit	544,202		
Money market accounts	304,713		
	848,915		
Total investments	\$ 3,181,245		

4. INVESTMENTS:

Investments consist of:

	September 30,	
	2019	2018
Annuity investments:		
Equity mutual funds	\$ 66,462	\$ 63,698
Fixed income bond funds	31,447	9,701
Money market funds	2,630	23,871
	100,539	97,270
Operating investments:		
Certificates of deposit	2,879,526	2,803,133
Money market funds	246,048	280,842
	3,125,574	3,083,975
	\$ 3,226,113	\$ 3,181,245

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

4. INVESTMENTS, continued:

Operating investment income is as follows:

	Year Ended September 30,	
	2019	2018
Interest and dividends	\$ 62,222	\$ 33,974
Net realized and unrealized gains (losses)	76,103	(8,798)
	<u>\$ 138,325</u>	<u>\$ 25,176</u>

5. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects ISI's financial assets as of September 30, 2019 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, designated by the board, or restricted by donors for a non-general use that is not expected to be fulfilled within one year.

Financial assets:	
Cash and cash equivalents	\$ 1,438,546
Investments	3,226,113
Financial assets, at year-end	<u>4,664,659</u>
Less those unavailable for general expenditure within one year, due to:	
Board designation	(200,000)
Certificates of deposit with maturity beyond one year	<u>(369,767)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,094,892</u>

ISI has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows through board meetings and detailed financial analysis. ISI also has a \$400,000 line of credit that it can draw upon in the event of an anticipated liquidity need. See Note 8 for further information regarding ISI's line of credit.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	September 30,	
	2019	2018
Land	\$ 832,327	\$ 832,327
Building and building improvements	2,368,210	2,358,210
Equipment	394,377	394,377
Furniture and fixtures	162,285	162,285
	3,757,199	3,747,199
Accumulated depreciation	(528,894)	(385,234)
	\$ 3,228,305	\$ 3,361,965

7. NOTE PAYABLE:

Notes payable consist of:

	September 30,	
	2019	2018
The note payable to a financial institution is collateralized by property and equipment and matures in August 2027, at which time a balloon payment is due. Principal and interest payments of \$12,181 are due monthly, with a fixed interest rate of 4%.	\$ 1,814,134	\$ 1,915,156
	\$ 1,814,134	\$ 1,915,156

Future minimum payments related to the note payable are:

Year Ending September 30,

2020	\$ 72,070
2021	75,050
2022	78,153
2023	81,384
2024	84,748
Thereafter	1,422,729
	\$ 1,814,134

ISI was in compliance with all financial and reporting covenants as of September 30, 2019.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

8. LINE OF CREDIT:

ISI has an unsecured line of credit in the amount of \$400,000 with a financial institution. The interest rate is a floating rate equal to the Prime Rate plus 1.25% or the Floor Rate of 5.0%, with the term of commitment ending in March 2020. There were no draws on the line of credit during the years ended September 30, 2019 and 2018.

9. COMMITMENTS:

ISI has entered into various operating lease agreements with other organizations for leasing of ISI's office space. The expected monthly lease payments range from \$1,200 to \$5,000 and are based on current agreements. Any renewals will increase the projected numbers based on the new agreements. The future minimum rental income expected is:

Year Ending September 30,

2020	\$	133,293
2021		129,239
2022		102,143
2023		42,629
2024		22,803
Thereafter		<u>21,767</u>
	\$	<u><u>451,874</u></u>

ISI has also entered into various non-cancelable agreements for leased equipment and IT services. Future minimum payments related to these agreements are:

Year Ending September 30,

2020	\$	102,947
2021		49,982
2022		26,198
2023		6,970
2024		6,970
Thereafter		<u>2,323</u>
	\$	<u><u>195,390</u></u>

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

10. RETIREMENT PLAN:

ISI contributes a percentage of salary to a Section 403(b) salary reduction, tax-sheltered annuity plan for eligible, participating employees. ISI matches 3% of headquarter staff eligible salaries, and up to 5% of field staff eligible salaries. Total employer contributions for the years ended September 30, 2019 and 2018 was \$129,076 and \$181,194, respectively.

11. SUBSEQUENT EVENTS:

Subsequent to September 30, 2019, the contract on the land held for sale closed. Final sale proceeds less selling costs totaled \$755,450, which includes the payments received by ISI prior to September 30, 2019. All deferred revenue was recognized as earned after finalization of the sale.

ISI paid down \$350,760 of the principal on the note payable subsequent to September 30, 2019 using proceeds from the land sold.

Subsequent events have been evaluated through December 19, 2019, which is the date the consolidated financial statements were available to be issued.