



**INTERNATIONAL STUDENTS, INC.
AND AFFILIATES**

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

Capin Crouse LLP

Colorado Springs, Colorado
December 18, 2020

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	September 30,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 3,838,006	\$ 1,438,546
Investments	3,958,239	3,226,113
Other assets	68,881	310,247
Land held for sale	-	350,760
Property and equipment–net	3,112,517	3,228,305
Total Assets	\$ 10,977,643	\$ 8,553,971
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 148,817	\$ 241,895
Accrued expenses	202,775	142,509
Deferred revenue	-	80,000
Annuities payable	55,442	57,764
Notes payable	3,130,293	1,814,134
	3,537,327	2,336,302
Net assets:		
Without donor restrictions:		
Operating	2,735,057	2,117,778
Board designated	200,000	200,000
	2,935,057	2,317,778
With donor restrictions:		
Field ministries	3,728,403	3,370,467
Ministry projects	776,856	529,424
	4,505,259	3,899,891
	7,440,316	6,217,669
Total Liabilities and Net Assets	\$ 10,977,643	\$ 8,553,971

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statements of Activities

Year Ended September 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Field ministry contributions	\$ -	\$ 11,321,926	\$ 11,321,926	\$ -	\$ 11,253,032	\$ 11,253,032
General fund contributions	754,665	-	754,665	438,391	-	438,391
Gain on sale of land	404,690	-	404,690	-	-	-
Rental income	216,935	-	216,935	211,830	-	211,830
Other contributions	-	145,017	145,017	-	257,414	257,414
Investment income	123,935	-	123,935	138,325	-	138,325
Contributed services	32,715	77,771	110,486	-	131,480	131,480
Other income	57,396	-	57,396	130,280	-	130,280
Capital campaign contributions	-	5,118	5,118	-	24,080	24,080
Total Support and Revenue	1,590,336	11,549,832	13,140,168	918,826	11,666,006	12,584,832
NET ASSETS RELEASED:						
Purpose and time restrictions	9,256,406	(9,256,406)	-	9,707,927	(9,707,927)	-
Administrative assessments	1,688,058	(1,688,058)	-	1,708,097	(1,708,097)	-
Total Net Assets Released	10,944,464	(10,944,464)	-	11,416,024	(11,416,024)	-

(continued)

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statements of Activities

(continued)

Year Ended September 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:						
Program services	9,228,192	-	9,228,192	9,488,313	-	9,488,313
Supporting activities:						
Management and general	1,087,622	-	1,087,622	1,214,817	-	1,214,817
Fund-raising:						
Direct and allocated						
fund-raising	1,141,526	-	1,141,526	1,107,891	-	1,107,891
Volunteer recruitment	460,181	-	460,181	481,209	-	481,209
	2,689,329	-	2,689,329	2,803,917	-	2,803,917
Total Expenses	11,917,521	-	11,917,521	12,292,230	-	12,292,230
Change in Net Assets	617,279	605,368	1,222,647	42,620	249,982	292,602
Net Assets, Beginning of Year	2,317,778	3,899,891	6,217,669	2,275,158	3,649,909	5,925,067
Net Assets, End of Year	\$ 2,935,057	\$ 4,505,259	\$ 7,440,316	\$ 2,317,778	\$ 3,899,891	\$ 6,217,669

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended September 30, 2020

	Program Services	Supporting Activities			Total
		Management and General	Fund- Raising	Volunteer Recruitment	
Salaries and employee benefits	\$ 7,897,034	\$ 511,745	\$ 887,291	\$ 410,356	\$ 9,706,426
Facilities	329,559	24,080	54,529	9,977	418,145
Ministry operations	341,651	32,900	26,752	15,004	416,307
Travel and meals	335,233	12,204	40,886	16,523	404,846
Professional fees	141,239	195,290	34,933	4,054	375,516
Interest and bank charges	3,128	167,972	489	3	171,592
Depreciation	41,881	92,460	5,936	53	140,330
Other	43,014	-	60,272	1,028	104,314
Donor care	52,737	54	5,069	3,035	60,895
Postage	5,232	22,029	14,322	24	41,607
Literature and printing	18,003	13,089	8,623	117	39,832
Telephone	14,028	4,766	1,954	1	20,749
Office supplies	5,453	11,033	470	6	16,962
	\$ 9,228,192	\$ 1,087,622	\$ 1,141,526	\$ 460,181	\$ 11,917,521
Percent of total expenses *	77.4%	9.1%	9.6%	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, 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
Facilities	247,749	152,618	23,782	10,138	434,287
Ministry operations	511,042	6,516	51,659	27,611	596,828
Travel and meals	891,063	23,333	86,439	41,346	1,042,181
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
Postage	8,390	19,998	12,623	19	41,030
Literature and printing	19,010	18,357	13,468	150	50,985
Telephone	9,758	3,554	1,135	-	14,447
Office supplies	6,966	10,000	916	232	18,114
	<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 Statements of Cash Flows

	Year Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,222,647	\$ 292,602
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	140,330	143,660
Stock donations	(65,176)	(28,546)
Gain on sale of land	(404,690)	-
Net realized and unrealized gains on investments	(47,773)	(76,103)
Change in value of annuities	4,233	6,476
Change in operating assets and liabilities:		
Other assets	241,366	(147,111)
Accounts payable	(93,078)	17,512
Accrued expenses	60,266	(18,239)
Deferred revenue	(80,000)	80,000
Net Cash Provided by Operating Activities	978,125	270,251
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	65,176	124,328
Purchases of investments	(608,198)	-
Reinvested dividends	(76,155)	(64,547)
Proceeds from sale of land	755,450	-
Purchases of property and equipment	(24,542)	(10,000)
Net Cash Provided by Investing Activities	111,731	49,781
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(435,041)	(101,022)
Proceeds from notes payable	1,751,200	-
Payments on annuities	(6,555)	(7,388)
Net Cash Provided (Used) by Financing Activities	1,309,604	(108,410)
Net Change in Cash and Cash Equivalents	2,399,460	211,622
Cash and Cash Equivalents, Beginning of Year	1,438,546	1,226,924
Cash and Cash Equivalents, End of Year	\$ 3,838,006	\$ 1,438,546
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:		
Cash paid for interest	\$ 65,433	\$ 78,427
Cash paid for unrelated business income tax	\$ 2,500	\$ 12,620

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

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 Students 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, 2020 and 2019

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, 2020, and 2019, amounts in excess of the federally insured limit were approximately \$3,480,000 and \$1,090,000, 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 was being actively marketed by ISI. The land was reflected as land held for sale on the consolidated statements of financial position and was reported at the lower of cost or estimated fair value. ISI sold this during the year ended September 30, 2020 and a gain was recorded in the consolidated statements of activities.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

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 as of September 30, 2019 consisted 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 during the year ended September 30, 2020 when the land was officially sold.

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 ministry projects are included in net assets with donor restrictions.

SUPPORT AND REVENUE

Field ministry, general fund, capital campaign, 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, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

ISI rents office space to various tenants. Rent revenue is recognized monthly as it is earned.

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

Contributed services of \$77,771 and \$131,480, relate to volunteers who work with ISI's various Teaching English as a Second Language (TESL) programs for the years ended September 30, 2020 and 2019, respectively. These amounts are reflected as contributed services revenue and program services expenses on the consolidated statements of activities. During the year ended September 30, 2020, ISI also received contributed accounting services totaling \$32,715 that met the criteria for recognition as in-kind revenue. 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.

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 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ISI adopted the provisions of this new standard during the year ended September 30, 2020. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Analysis of various provisions of this standard resulted in no changes in the way that ISI recognizes revenue, and therefore no changes to the previously issued audited financial statements were required.

In 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ISI adopted the provisions of this new standard during the year ended September 30, 2020. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. Adoption of this standard had no effect on change in net assets or net assets in total.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

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, 2020:

	September 30, 2020	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	\$ 2,406,455	\$ -	\$ 2,406,455
Equity mutual funds	70,215	70,215	-
Fixed income mutual funds	36,418	36,418	-
	2,513,088	\$ 106,633	\$ 2,406,455
Investments and assets held at other than fair value:			
Certificates of deposit	726,973		
Money market accounts	718,178		
	1,445,151		
Total investments	\$ 3,958,239		

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

3. FAIR VALUE MEASUREMENTS, continued:

The following table displays the fair values of assets measured on a recurring basis at September 30, 2019:

		Fair Value Measurements Using:	
	September 30, 2019	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
Equity mutual funds	66,462	66,462	-
Fixed income 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, 2020 and 2019

4. INVESTMENTS:

Investments consist of:

	September 30,	
	2020	2019
Annuity investments:		
Equity mutual funds	\$ 70,215	\$ 66,462
Fixed income bond funds	36,418	31,447
Money market funds	2,511	2,630
	<u>109,144</u>	<u>100,539</u>
Operating investments:		
Certificates of deposit	3,133,428	2,879,526
Money market funds	715,667	246,048
	<u>3,849,095</u>	<u>3,125,574</u>
	<u>\$ 3,958,239</u>	<u>\$ 3,226,113</u>

Operating investment income is as follows:

	Year Ended September 30,	
	2020	2019
Interest and dividends	\$ 76,162	\$ 62,222
Net realized and unrealized gains	47,773	76,103
	<u>\$ 123,935</u>	<u>\$ 138,325</u>

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

5. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects ISI's financial assets as of September 30, 2020 and 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.

	September 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 3,838,006	\$ 1,438,546
Investments	3,958,239	3,226,113
Financial assets, at year-end	7,796,245	4,664,659
Less those unavailable for general expenditure within one year, due to:		
Board designation	(200,000)	(200,000)
Certificates of deposit with maturity beyond one year	(2,392,461)	(369,767)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,203,784	\$ 4,094,892

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.

6. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	September 30,	
	2020	2019
Land	\$ 832,327	\$ 832,327
Building and building improvements	2,372,842	2,368,210
Equipment	414,286	394,377
Furniture and fixtures	162,286	162,285
	3,781,741	3,757,199
Accumulated depreciation	(669,224)	(528,894)
	\$ 3,112,517	\$ 3,228,305

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

7. NOTES PAYABLE:

Notes payable consist of:

	September 30,	
	2020	2019
Paycheck Protection Program (PPP) note payable to a financial institution backed by the federal government. The loan is fully forgivable if ISI meets certain spending and employment thresholds. Any portion not forgiven will be due in monthly installments from September 2021 through maturity in April 2022. The loan has a 1% interest rate.	\$ 1,751,200	\$ -
Note payable to a financial institution 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%.	1,379,093	1,814,134
	\$ 3,130,293	\$ 1,814,134

Future minimum payments related to the notes payable are:

Year Ending September 30,		
2021	\$	1,156,520
2022		783,851
2023		104,495
2024		108,752
2025		113,183
Thereafter		863,492
	\$	3,130,293

ISI was in compliance with all financial and reporting covenants as of September 30, 2020.

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 greater of the Prime Rate plus 0.5% or the Floor Rate of 5.0%, with the term of commitment ending in April 2022. There were no draws on the line of credit during the years ended September 30, 2020 and 2019.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

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:

<u>Year Ending September 30,</u>	
2021	\$ 150,843
2022	124,509
2023	65,758
2024	46,695
2025	38,034
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	\$ 425,839
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ISI has also entered into various non-cancelable agreements for leased equipment and IT services. Total expenses related to these agreements for the years ended September 30, 2020 and 2019 were \$94,520 and \$79,726, respectively. Future minimum payments related to these agreements are:

<u>Year Ending September 30,</u>	
2021	\$ 49,982
2022	26,198
2023	6,970
2024	6,970
2025	2,323
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	\$ 92,443
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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, 2020 and 2019 were \$137,813 and \$129,076, respectively.

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11 RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. During the year ended September 30, 2020, ISI was forced to cancel various ministry events or adjust them to a virtual format. Travel expenses were also significantly reduced due to travel restrictions. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of ISI for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

12. SUBSEQUENT EVENTS:

Subsequent to year-end, ISI made an additional principal payment of approximately \$534,000 on its note payable.

Subsequent events have been evaluated through December 18, 2020, which is the date the consolidated financial statements were available to be issued.