



INTERNATIONAL STUDENTS, INC.
AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2021 and 2020

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of International Students, Inc. and Affiliate, which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, 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 audits 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 Affiliate
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 Affiliate as of September 30, 2021 and 2020, 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
January 6, 2022

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Consolidated Statements of Financial Position

	September 30,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 3,769,381	\$ 3,838,006
Investments	3,591,573	3,958,239
Other assets	108,686	68,881
Property and equipment–net	3,042,510	3,112,517
Total Assets	\$ 10,512,150	\$ 10,977,643
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 75,161	\$ 105,529
Accrued expenses	168,219	202,775
Capitalized leases payable	62,573	43,288
Annuities payable	53,232	55,442
Notes payable	-	3,130,293
Total liabilities	359,185	3,537,327
Net assets:		
Without donor restrictions:		
Operating	3,809,869	2,735,057
Board designated	500,420	200,000
	4,310,289	2,935,057
With donor restrictions:		
Field ministries	4,922,654	3,728,403
Ministry projects	920,022	776,856
	5,842,676	4,505,259
Total net assets	10,152,965	7,440,316
Total Liabilities and Net Assets	\$ 10,512,150	\$ 10,977,643

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Consolidated Statements of Activities

	Year Ended September 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Field ministry contributions	\$ -	\$ 11,532,494	\$ 11,532,494	\$ -	\$ 11,321,926	\$ 11,321,926
Other contributions	-	229,970	229,970	-	150,135	150,135
General fund contributions	901,501	-	901,501	754,665	-	754,665
Gain on extinguishment of debt	1,751,200	-	1,751,200	-	-	-
Rental income	211,803	-	211,803	216,935	-	216,935
Other income	45,267	-	45,267	57,396	-	57,396
Investment income	34,826	-	34,826	123,935	-	123,935
Contributed services	-	28,970	28,970	32,715	77,771	110,486
Gain on sale of land	-	-	-	404,690	-	404,690
Total Support and Revenue	2,944,597	11,791,434	14,736,031	1,590,336	11,549,832	13,140,168
NET ASSETS RELEASED:						
Purpose and time restrictions	8,776,196	(8,776,196)	-	9,256,406	(9,256,406)	-
Administrative assessments	1,677,821	(1,677,821)	-	1,688,058	(1,688,058)	-
Total Net Assets Released	10,454,017	(10,454,017)	-	10,944,464	(10,944,464)	-

(continued)

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Consolidated Statements of Activities

(continued)

	Year Ended September 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:						
Program services	9,370,045	-	9,370,045	9,228,192	-	9,228,192
Supporting activities:						
Management and general	1,093,777	-	1,093,777	1,087,622	-	1,087,622
Fund-raising:						
Direct and allocated						
fund-raising	1,098,289	-	1,098,289	1,141,526	-	1,141,526
Volunteer recruitment	461,271	-	461,271	460,181	-	460,181
	2,653,337	-	2,653,337	2,689,329	-	2,689,329
Total Expenses	12,023,382	-	12,023,382	11,917,521	-	11,917,521
Change in Net Assets	1,375,232	1,337,417	2,712,649	617,279	605,368	1,222,647
Net Assets, Beginning of Year	2,935,057	4,505,259	7,440,316	2,317,778	3,899,891	6,217,669
Net Assets, End of Year	\$ 4,310,289	\$ 5,842,676	\$ 10,152,965	\$ 2,935,057	\$ 4,505,259	\$ 7,440,316

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended September 30, 2021

	Program Services	Supporting Activities			Total
		Management and General	Fund- Raising	Volunteer Recruitment	
Salaries and employee benefits	\$ 7,982,969	\$ 498,600	\$ 911,971	\$ 414,576	\$ 9,808,116
Professional fees	195,621	285,236	30,790	3,983	515,630
Facilities	315,337	18,041	50,545	9,247	393,170
Ministry operations	282,054	6,911	25,354	15,254	329,573
Travel and meals	269,887	5,359	25,778	13,880	314,904
Grants to others	172,282	-	-	-	172,282
Other	45,092	44,430	15,750	1,164	106,436
Interest and bank charges	1,690	99,828	480	8	102,006
Depreciation	20,064	77,982	3,546	18	101,610
Donor care	41,858	1,005	4,005	2,412	49,280
Literature and printing	6,351	19,307	14,207	336	40,201
Postage	6,009	18,740	12,125	30	36,904
Telephone	19,266	7,672	2,459	-	29,397
Office supplies	11,565	10,666	1,279	363	23,873
	\$ 9,370,045	\$ 1,093,777	\$ 1,098,289	\$ 461,271	\$ 12,023,382
Percent of total expenses *	78.0%	9.1%	9.1%	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 AFFILIATE

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
Professional fees	141,239	195,290	34,933	4,054	375,516
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
Other	43,014	-	60,272	1,028	104,314
Interest and bank charges	3,128	167,972	489	3	171,592
Depreciation	41,881	92,460	5,936	53	140,330
Donor care	52,737	54	5,069	3,035	60,895
Literature and printing	18,003	13,089	8,623	117	39,832
Postage	5,232	22,029	14,322	24	41,607
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 AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,712,649	\$ 1,222,647
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	101,610	140,330
Stock donations	(450,603)	(65,176)
Gain on sale of land	-	(404,690)
Net realized and unrealized gains and losses on investments	27,516	(47,773)
Loss on disposal of equipment	3,671	-
Gain on extinguishment of debt	(1,751,200)	-
Change in value of annuities	6,117	4,233
Change in operating assets and liabilities:		
Other assets	(39,805)	241,366
Accounts payable	(30,368)	(88,377)
Accrued expenses	(34,556)	60,266
Deferred revenue	-	(80,000)
Net Cash Provided by Operating Activities	545,031	982,826
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	852,095	65,176
Purchases of investments	-	(608,198)
Reinvested dividends	(62,342)	(76,155)
Proceeds from sale of land	-	755,450
Purchases of property and equipment	-	(24,542)
Net Cash Provided by Investing Activities	789,753	111,731
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(1,379,093)	(435,041)
Proceeds from notes payable	-	1,751,200
Principal payments on capital leases	(15,989)	(4,701)
Payments on annuities	(8,327)	(6,555)
Net Cash Provided (Used) by Financing Activities	(1,403,409)	1,304,903
Net Change in Cash and Cash Equivalents	(68,625)	2,399,460
Cash and Cash Equivalents, Beginning of Year	3,838,006	1,438,546
Cash and Cash Equivalents, End of Year	\$ 3,769,381	\$ 3,838,006
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:		
Cash paid for interest	\$ 16,257	\$ 65,433
Cash paid for unrelated business income tax	\$ 9,490	\$ 2,500
Property and equipment acquired through capital lease	\$ 51,453	\$ -
Termination of capital lease agreement and return of equipment	\$ 16,179	\$ -

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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 close to 1.5 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 AFFILIATE

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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, 2021, and 2020, amounts in excess of the federally insured limit were approximately \$3,450,000 and \$3,480,000, 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.

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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.

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 \$500,420 of funds designated by the board for expansion projects, contingency funds, and 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 AFFILIATE

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

During the year ended September 30, 2021, ISI received notice that the Small Business Administration had forgiven its Paycheck Protection Program (PPP) loan in its entirety. The entire balance of \$1,751,200 is recognized as gain on extinguishment of debt in the consolidated statements of activities for the year ended September 30, 2021.

ISI rents office space to various tenants. Rental income is recognized monthly as it is earned.

Other income consists of various amounts including registration fees for conferences and training. These amounts are recorded when earned and recognized at the point in time that the performance obligation is satisfied, which is when the event occurred.

Contributed services of \$28,970 and \$77,771, relate to volunteers who work with ISI's various Teaching English as a Second Language (TESL) programs for the years ended September 30, 2021 and 2020, 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.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

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.

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

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, 2021:

	September 30, 2021	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	\$ 2,524,840	\$ -	\$ 2,524,840
Equity mutual funds	84,322	84,322	-
Fixed income mutual funds	39,748	39,748	-
	2,648,910	\$ 124,070	\$ 2,524,840
Investments and assets held at other than fair value:			
Certificates of deposit	761,455		
Money market accounts	181,208		
	942,663		
Total investments	\$ 3,591,573		

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

3. FAIR VALUE MEASUREMENTS, continued:

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 AFFILIATE

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

4. INVESTMENTS:

Investments consist of:

	September 30,	
	2021	2020
Annuity investments:		
Equity mutual funds	\$ 84,322	\$ 70,215
Fixed income bond funds	39,748	36,418
Money market funds	2,526	2,511
	<u>126,596</u>	<u>109,144</u>
Operating investments:		
Certificates of deposit	3,286,295	3,133,428
Money market funds	178,682	715,667
	<u>3,464,977</u>	<u>3,849,095</u>
	<u>\$ 3,591,573</u>	<u>\$ 3,958,239</u>

Operating investment income is as follows:

	Year Ended September 30,	
	2021	2020
Interest and dividends	\$ 62,342	\$ 76,162
Net realized and unrealized gains and losses	(27,516)	47,773
	<u>\$ 34,826</u>	<u>\$ 123,935</u>

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

5. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects ISI's financial assets as of September 30, 2021 and 2020 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,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 3,769,381	\$ 3,838,006
Investments	3,591,573	3,958,239
Financial assets, at year-end	7,360,954	7,796,245
Less those unavailable for general expenditure within one year, due to:		
Board designated net assets unavailable for use within one year	(200,000)	(200,000)
Certificates of deposit with maturity beyond one year	(2,835,702)	(2,392,461)
	(3,035,702)	(2,592,461)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,325,252	\$ 5,203,784

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 9 for further information regarding ISI's line of credit.

6. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	September 30,	
	2021	2020
Land	\$ 832,327	\$ 832,327
Building and building improvements	2,372,842	2,372,842
Equipment	256,121	414,286
Furniture and fixtures	132,337	162,286
	3,593,627	3,781,741
Accumulated depreciation	(551,117)	(669,224)
	\$ 3,042,510	\$ 3,112,517

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

7. CAPITALIZED LEASES PAYABLE:

Capitalized leases payable consists of:

	September 30,	
	2021	2020
Capital lease for office equipment with monthly payments of \$971 maturing in June 2026	\$ 48,409	\$ -
Capital lease for office equipment with monthly payments of \$336 maturing in February 2025	14,164	17,243
Capital lease for office equipment with monthly payments of \$1,196 maturing in August 2022. During the year ended September 30, 2021, ISI terminated this agreement.	-	26,045
	\$ 62,573	\$ 43,288

Future minimum payments related to capitalized leases are:

<u>Year Ending September 30,</u>	
2022	\$ 12,715
2023	13,400
2024	14,122
2025	12,249
2026	10,087
	\$ 62,573

The total cost and accumulated depreciation of leased equipment as of September 30, 2021 was \$96,346 and \$33,877, respectively. As of September 30, 2020, the total cost and accumulated depreciation of leased equipment was \$107,491 and \$66,225, respectively. Leased equipment is included as property and equipment - net on the consolidated statements of financial position.

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

8. NOTES PAYABLE:

Notes payable consist of:

	September 30,	
	2021	2020
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. During the year ended September 30, 2021, ISI received full forgiveness of the loan.	\$ -	\$ 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%. During the year ended September 30, 2021, ISI paid off the full principal of the loan.	-	1,379,093
	<u>\$ -</u>	<u>\$ 3,130,293</u>

9. 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, 2021 and 2020.

INTERNATIONAL STUDENTS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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10. 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>	
2022	\$ 119,588
2023	78,964
2024	82,052
2025	74,748
2026	28,401
	<hr/>
	\$ 383,753
	<hr/> <hr/>

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, 2021 and 2020 were \$87,954 and \$94,520, respectively. Future minimum payments related to these agreements are:

<u>Year Ending September 30,</u>	
2022	\$ 19,319
2023	11,289
2024	6,970
2025	2,323
	<hr/>
	\$ 39,901
	<hr/> <hr/>

11. 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's eligible salaries, and up to 5% of field staff's eligible salaries. Total employer contributions for the years ended September 30, 2021 and 2020 were \$195,185 and \$137,813, respectively.

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Notes to Consolidated Financial Statements

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12. RISKS AND UNCERTAINTIES:

In March 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 years ended September 30, 2021 and 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.

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 6, 2022, which is the date the consolidated financial statements were available to be issued.