



INTERNATIONAL STUDENTS, INC.
AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 12, 2018

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	September 30,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 1,226,924	\$ 1,506,942
Investments	3,181,245	2,661,831
Other assets	163,136	133,629
Land held for sale	350,760	350,760
Property and equipment–net	3,361,965	3,400,770
Total Assets	\$ 8,284,030	\$ 8,053,932
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 300,965	\$ 292,507
Accrued wages and vacation	84,166	88,006
Annuities payable	58,676	60,760
Note payable	1,915,156	1,994,582
	2,358,963	2,435,855
Net assets:		
Unrestricted:		
Operating	277,589	524,987
Board designated	200,000	-
Equity in property and equipment–net and land held for sale	1,797,569	1,756,948
	2,275,158	2,281,935
Temporarily restricted:		
Field ministries	3,234,897	2,984,914
Ministry projects	415,012	351,228
	3,649,909	3,336,142
	5,925,067	5,618,077
Total Liabilities and Net Assets	\$ 8,284,030	\$ 8,053,932

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended September 30,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Field ministry contributions	\$ -	\$ 10,991,568	\$ 10,991,568	\$ -	\$ 10,465,459	\$ 10,465,459
General fund contributions	743,153	-	743,153	942,765	-	942,765
Capital campaign contributions	-	123,258	123,258	-	845,319	845,319
Contributed services	-	267,660	267,660	-	204,984	204,984
Rental income	188,881	-	188,881	128,382	-	128,382
Investment income	25,176	-	25,176	11,376	-	11,376
Other income	172,328	-	172,328	173,610	-	173,610
Other contributions	668	193,929	194,597	-	184,915	184,915
Total Support and Revenue	1,130,206	11,576,415	12,706,621	1,256,133	11,700,677	12,956,810
NET ASSETS RELEASED:						
Purpose and time restrictions	9,610,999	(9,610,999)	-	9,955,289	(9,955,289)	-
Administrative assessments	1,651,649	(1,651,649)	-	1,556,124	(1,556,124)	-
Total Net Assets Released	11,262,648	(11,262,648)	-	11,511,413	(11,511,413)	-
EXPENSES:						
Program services	9,468,019	-	9,468,019	9,142,766	-	9,142,766
Supporting activities:						
Management and general	1,285,491	-	1,285,491	1,122,788	-	1,122,788
Fund-raising:						
Direct and allocated fund-raising	1,178,050	-	1,178,050	1,197,252	-	1,197,252
Volunteer recruitment	468,071	-	468,071	450,290	-	450,290
	2,931,612	-	2,931,612	2,770,330	-	2,770,330
Total Expenses	12,399,631	-	12,399,631	11,913,096	-	11,913,096
Change in Net Assets	(6,777)	313,767	306,990	854,450	189,264	1,043,714
Net Assets, Beginning of Year	2,281,935	3,336,142	5,618,077	1,427,485	3,146,878	4,574,363
Net Assets, End of Year	\$ 2,275,158	\$ 3,649,909	\$ 5,925,067	\$ 2,281,935	\$ 3,336,142	\$ 5,618,077

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
Facilities	300,759	210,799	30,109	12,218	553,885
Ministry operations	693,029	588	39,441	23,759	756,817
Professional fees	119,363	107,423	29,783	200	256,769
Interest and bank charges	-	202,723	-	-	202,723
National staff conference	171,530	2,009	15,655	9,430	198,624
Other	83,689	61,211	13,939	2,700	161,539
Depreciation	53,743	74,935	9,155	30	137,863
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
Office supplies	8,484	9,784	1,090	233	19,591
Telephone	6,921	4,522	5,051	1,168	17,662
	\$ 9,468,019	\$ 1,285,491	\$ 1,178,050	\$ 468,071	\$ 12,399,631
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 Statement of Functional Expenses

Year Ended September 30, 2017

	Program Services	Supporting Activities			Total
		Management and General	Fund- Raising	Volunteer Recruitment	
Salaries and employee benefits	\$ 6,886,934	\$ 546,188	\$ 833,109	\$ 358,967	\$ 8,625,198
Travel and meals	851,485	21,105	81,183	39,825	993,598
Ministry operations	636,751	819	39,631	23,874	701,075
Facilities	361,166	178,009	40,647	11,207	591,029
Professional fees	75,355	119,469	30,091	203	225,118
National staff conference	140,552	-	13,455	8,106	162,113
Interest and bank charges	-	156,107	-	-	156,107
Other	85,759	25,051	6,520	3,570	120,900
Donor care	-	-	89,145	-	89,145
Literature and printing	55,544	6,682	15,580	3,038	80,844
Postage	10,272	27,163	35,848	2	73,285
Depreciation	19,917	30,559	4,132	-	54,608
Telephone	10,351	6,801	5,562	1,164	23,878
Office supplies	8,680	4,835	2,349	334	16,198
	\$ 9,142,766	\$ 1,122,788	\$ 1,197,252	\$ 450,290	\$ 11,913,096
Percent of total expenses *	76.7%	9.4%	10.0%	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,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 306,990	\$ 1,043,714
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	137,863	54,608
Stock donations	44,627	89,520
Contributions received for long-term purposes	-	(845,319)
Net realized and unrealized (gains) losses on investments	8,798	18,685
Change in value of annuities	6,340	6,245
Change in operating assets and liabilities:		
Other assets	(29,507)	51,082
Accounts payable and accrued liabilities	8,458	120,452
Accrued wages and vacation	(3,840)	14,290
Net Cash Provided by Operating Activities	479,729	553,277
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	347,360	614,885
Purchases of investments	(884,710)	(200,802)
Reinvested dividends	(35,489)	(30,918)
Purchases of property and equipment	(99,058)	(1,392,167)
Net Cash Used by Investing Activities	(671,897)	(1,009,002)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(79,426)	(5,418)
Contributions received for long-term purposes	-	845,319
Payments on annuities	(8,424)	(8,412)
Net Cash Provided (Used) by Financing Activities	(87,850)	831,489
Net Change in Cash and Cash Equivalents	(280,018)	375,764
Cash and Cash Equivalents, Beginning of Year	1,506,942	1,131,178
Cash and Cash Equivalents, End of Year	\$ 1,226,924	\$ 1,506,942
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEM:		
Property and equipment acquired through note payable	\$ -	\$ 2,000,000

See notes to consolidated financial statements

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

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. As of September 30, 2018, International Students, Inc. has accrued an immaterial amount of unrelated business taxable income which is included in accounts payable and accrued liabilities on the statements of financial position. 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.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

1. NATURE OF ORGANIZATIONS, continued:

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.

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, 2018, and 2017, amounts in excess of the federally insured limit were approximately \$840,000 and \$1,175,000, 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.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2018, 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.

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

The consolidated financial statements report amounts separately by class of net assets.

Unrestricted net assets include resources that are used to support current operations, including amounts invested in property and equipment.

Temporarily restricted net assets include donor-restricted contributions for specified exempt purposes. Significant programs supported by donors included in temporarily restricted net assets are support of field ministry staff and related projects.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, temporarily restricted net assets are reclassified to unrestricted net assets 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.

Contributed services of \$267,660 and \$204,894 relate to volunteers who work with ISI's various Teaching English as a Second Language (TESL) programs for the years ended September 30, 2018 and 2017, 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.

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.

As of September 30, 2018 and 2017, investments held by ISI subject to the fair value hierarchy are mutual funds, bond funds, certificates of deposit with original maturities greater than ninety days, and money market accounts. The investments are reported at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

4. INVESTMENTS:

Investments consist of:

	September 30,	
	2018	2017
Annuity investments:		
Equity mutual funds	\$ 63,698	\$ 57,293
Fixed income bond funds	9,701	9,658
Money market funds	23,871	31,271
	97,270	98,222
Operating investments:		
Certificates of deposit	2,803,133	2,349,163
Money market funds	280,842	214,446
	3,083,975	2,563,609
	\$ 3,181,245	\$ 2,661,831

Operating investment income is as follows:

	Year Ended September 30,	
	2018	2017
Interest and dividends	\$ 33,974	\$ 30,061
Net realized and unrealized gains (losses)	(8,798)	(18,685)
	\$ 25,176	\$ 11,376

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	September 30,	
	2018	2017
Land	\$ 832,327	\$ 832,327
Building and building improvements	2,358,210	2,300,076
Equipment	394,377	259,115
Furniture and fixtures	162,285	142,185
	3,747,199	3,533,703
Accumulated depreciation	(385,234)	(247,371)
	3,361,965	3,286,332
Software development in process	-	114,438
	\$ 3,361,965	\$ 3,400,770

Equity in property and equipment–net and land held for sale consists of:

	September 30,	
	2018	2017
Property and equipment–net	\$ 3,361,965	\$ 3,400,770
Land held for sale	350,760	350,760
Less note payable	(1,915,156)	(1,994,582)
	\$ 1,797,569	\$ 1,756,948

6. NOTE PAYABLE:

Notes payable consist of:

	September 30,	
	2018	2017
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%.	\$ 1,915,156	\$ 1,994,582
Less current portion of notes payable	(69,209)	(66,461)
	\$ 1,845,947	\$ 1,928,121

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

6. NOTE PAYABLE, continued:

Future minimum payments are:

Year Ending September 30,

2019	\$	69,209
2020		72,070
2021		75,050
2022		78,153
2023		81,384
Thereafter		<u>1,539,290</u>
	\$	<u>1,915,156</u>

ISI was in compliance with all financial and reporting covenants as of September 30, 2018.

7. 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 2019. There were no draws on the line of credit during the years ended September 30, 2018 and 2017.

8. LEASE 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 \$1,700 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,

2019	\$	185,783
2020		109,879
2021		<u>63,992</u>
	\$	<u>359,654</u>

9. 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, 2018 and 2017 was \$181,194 and \$153,859, respectively.

INTERNATIONAL STUDENTS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

10. 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. Accordingly, certain costs, such as facilities, supplies, printing, postage, and depreciation, have been allocated among the program services and supporting activities benefited. The *Not-for-Profit Entities Other Expenses* subtopic of the FASB ASC has been implemented in these consolidated financial statements. The subtopic requires that the costs related to the recruitment of volunteers be classified as supporting activities expenses.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 12, 2018, which is the date the consolidated financial statements were available to be issued.