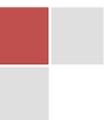


**INTERNATIONAL SERVICE FELLOWSHIP (USA)
AUDIT REPORT
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

Morey Nee Buck & Oswald, LLC
Certified Public Accountants & Advisors



INTERNATIONAL SERVICE FELLOWSHIP (USA)
MARCH 31, 2019 AND 2018

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Morey, Nee, Buck & Oswald, LLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Trustees
INTERNATIONAL SERVICE FELLOWSHIP (USA)
Upper Darby, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the International Service Fellowship (USA) (a nonprofit organization), which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the International Service Fellowship (USA) as of March 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended March 31, 2019. The requirements of the ASU have been applied retrospectively to 2018. Our opinion is not modified with respect to this matter.

Morey, Nee, Buck & Oswald, LLC

Morey, Nee, Buck & Oswald, LLC
Spring House, Pennsylvania
September 5, 2019

INTERNATIONAL SERVICE FELLOWSHIP (USA)
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 378,587	\$ 369,382
Due from other funds	77,612	65,129
Due from International Council	44,556	44,232
Prepaid expenses	5,792	37,461
Advances to field personnel	35,204	27,950
Inventory	21,677	22,747
Investments	14,917,474	15,133,065
Land, buildings and equipment	<u>254,954</u>	<u>259,510</u>
 Total assets	 <u>\$ 15,735,856</u>	 <u>\$ 15,959,476</u>
Liabilities and net assets:		
Accounts payable	\$ 55,349	\$ 55,478
Accrued payroll and taxes	75,800	65,236
Accrued retirement	272,994	283,637
Accrued education benefits	388,877	380,994
Defined contribution benefits	4,234,511	4,156,369
Annuity obligations	<u>140,232</u>	<u>134,010</u>
 Total liabilities	 <u>5,167,763</u>	 <u>5,075,724</u>
Net assets:		
Without donor restrictions	1,589,449	1,586,692
With donor restrictions	<u>8,978,644</u>	<u>9,297,060</u>
 Total net assets	 <u>10,568,093</u>	 <u>10,883,752</u>
 Total liabilities and net assets	 <u>\$ 15,735,856</u>	 <u>\$ 15,959,476</u>

The accompanying footnotes are an integral part of the audited financial statements.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Totals</u>
Revenues and other support:			
Partner and home staff support	\$ 4,025,959	\$ 173,215	\$ 4,199,174
Contributions to special fields	-	771,511	771,511
General ministries and board gifts	331,153	-	331,153
Outfitting	71,436	400	71,836
Foundations and Legacies	30,000	16,796	46,796
Interest and dividend income	39,790	224,994	264,784
Commentary and book income	-	867	867
Other income	117,741	-	117,741
Contributions	-	18,155	18,155
Net assets released from restrictions	<u>1,878,767</u>	<u>(1,878,767)</u>	<u>-</u>
	<u>6,494,846</u>	<u>(672,829)</u>	<u>5,822,017</u>
Gains (losses):			
Gain (loss) from sale of investments	(32,005)	(154,120)	(186,125)
Unrealized gain (loss) on investments	<u>95,135</u>	<u>508,533</u>	<u>603,668</u>
	<u>63,130</u>	<u>354,413</u>	<u>417,543</u>
Total revenues, other support and gains (losses)	<u>6,557,976</u>	<u>(318,416)</u>	<u>6,239,560</u>
Program expenses:			
Field operations	5,500,073	-	5,500,073
Supporting services:			
US operations	931,401	-	931,401
Fund raising	<u>123,745</u>	<u>-</u>	<u>123,745</u>
Total expenses	<u>6,555,219</u>	<u>-</u>	<u>6,555,219</u>
Change in net assets	2,757	(318,416)	(315,659)
Net assets at beginning of year	<u>1,586,692</u>	<u>9,297,060</u>	<u>10,883,752</u>
Net assets at end of year	<u>\$ 1,589,449</u>	<u>\$ 8,978,644</u>	<u>\$ 10,568,093</u>

The accompanying footnotes are an integral part of the audited financial statements.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2018

	Net Assets Without <u>Donor Restrictions</u>	Net Assets with <u>Donor Restrictions</u>	<u>Totals</u>
Revenues and other support:			
Partner and home staff support	\$ 4,033,018	\$ 292,596	\$ 4,325,614
Contributions to special fields	-	829,141	829,141
General ministries and board gifts	313,826	-	313,826
Outfitting	72,506	12,601	85,107
Foundations and Legacies	30,000	36,893	66,893
Interest and dividend income	24,975	158,347	183,322
Commentary and book income	-	1,081	1,081
Other income	124,579	-	124,579
Contributions	-	9,050	9,050
Net assets released from restrictions	<u>1,840,729</u>	<u>(1,840,729)</u>	<u>-</u>
	<u>6,439,633</u>	<u>(501,020)</u>	<u>5,938,613</u>
Gains (losses):			
Gain (loss) from sale of investments	(3,424)	(10,843)	(14,267)
Unrealized gain (loss) on investments	<u>107,858</u>	<u>690,060</u>	<u>797,918</u>
	<u>104,434</u>	<u>679,217</u>	<u>783,651</u>
Total revenues, other support and gains (losses)	<u>6,544,067</u>	<u>178,197</u>	<u>6,722,264</u>
Program expenses:			
Field operations	5,188,210	-	5,188,210
Supporting services:			
US operations	854,504	-	854,504
Fund raising	<u>101,396</u>	<u>-</u>	<u>101,396</u>
Total expenses	<u>6,144,110</u>	<u>-</u>	<u>6,144,110</u>
Change in net assets	399,957	178,197	578,154
Net assets at beginning of year	<u>1,186,735</u>	<u>9,118,863</u>	<u>10,305,598</u>
Net assets at end of year	<u>\$ 1,586,692</u>	<u>\$ 9,297,060</u>	<u>\$ 10,883,752</u>

The accompanying footnotes are an integral part of the audited financial statements.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Field Operations</u>	<u>US Operations</u>	<u>Fund Raising</u>	<u>Totals</u>
Pension and supplemental payments	\$ 211,600	\$ -	\$ -	\$ 211,600
Furlough fund	124,946	-	-	124,946
Interserve administration	452,639	(452,639)	-	-
Retiree pension fund	80,647	-	-	80,647
Field expense	2,009,132	-	-	2,009,132
Home allowance and medical	1,441,028	-	-	1,441,028
Deputation	-	-	64,977	64,977
Short term expense	76,177	-	-	76,177
Candidate school expense	-	19,750	-	19,750
Outfitting	96,782	-	-	96,782
Mission house	-	27,328	-	27,328
U.S. director	106,092	-	15,752	121,844
Communication	-	60,931	15,047	75,978
Development	-	-	15,453	15,453
Personnel	-	332,647	-	332,647
U.S. office	-	825,665	12,516	838,181
Payments of special funds	406,345	-	-	406,345
Payment to other councils	352,273	-	-	352,273
J A Coles/ Hoyt expense	142,412	-	-	142,412
Annuity payments	-	14,157	-	14,157
Area coordinator	-	103,562	-	103,562
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 5,500,073</u>	<u>\$ 931,401</u>	<u>\$ 123,745</u>	<u>\$ 6,555,219</u>

The accompanying footnotes are an integral part of the audited financial statements.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018

	Field <u>Operations</u>	US <u>Operations</u>	Fund <u>Raising</u>	<u>Totals</u>
Pension and supplemental payments	\$ 215,075	\$ -	\$ -	\$ 215,075
Furlough fund	75,351	-	-	75,351
Interserve administration	460,714	(460,714)	-	-
Retiree pension fund	81,372	-	-	81,372
Field expense	1,939,414	-	-	1,939,414
Home allowance and medical	1,207,998	-	-	1,207,998
Deputation	-	-	35,395	35,395
Short term expense	70,688	-	-	70,688
Candidate school expense	-	25,188	-	25,188
Outfitting	72,898	-	-	72,898
Mission house	-	20,773	-	20,773
U.S. director	101,646	-	14,700	116,346
Communication	-	54,300	15,070	69,370
Development	-	-	25,048	25,048
Personnel	-	245,223	-	245,223
U.S. office	-	869,632	11,183	880,815
Payments of special funds	535,024	-	-	535,024
Payment to other councils	338,030	-	-	338,030
J A Coles/ Hoyt expense	90,000	-	-	90,000
Annuity payments	-	14,157	-	14,157
Area coordinator	-	85,945	-	85,945
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 5,188,210</u>	<u>\$ 854,504</u>	<u>\$ 101,396</u>	<u>\$ 6,144,110</u>

The accompanying footnotes are an integral part of the audited financial statements.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (315,659)	\$ 578,154
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	27,665	27,000
Net realized (gain) loss on sales of investments	186,125	14,267
Net unrealized (gain) loss on investments held	(603,668)	(797,918)
(Increase) decrease in due from other funds	(12,483)	(22,410)
(Increase) decrease in due from to International Council	(324)	(10,429)
(Increase) decrease in prepaid expenses	31,669	(24,359)
(Increase) decrease in advances to field personnel	(7,254)	18,020
(Increase) decrease in inventory	1,070	916
Increase (decrease) in accounts payable	(129)	15,585
Increase (decrease) in accrued payroll and taxes	10,564	(12,174)
Increase (decrease) in accrued retirement	(10,643)	(8,948)
Increase (decrease) in accrued education benefits	7,882	23,049
Increase (decrease) in annuity obligations	6,222	2,850
Contributions restricted for long-term purposes:		
Contributions to permanently restricted	<u>(18,155)</u>	<u>(9,050)</u>
Net cash provided (used) by operating activities	<u>(697,118)</u>	<u>(205,447)</u>
Cash flows from investing activities:		
Purchase of equipment	(23,109)	-
Purchase of investments	(9,801,429)	(8,279,656)
Proceeds from sale of investments	<u>10,512,706</u>	<u>8,330,627</u>
Net cash provided (used) by investing activities	<u>688,168</u>	<u>50,971</u>
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes:		
Permanently restricted	18,155	9,050
Payments on line of credit	<u>-</u>	<u>(1,667)</u>
Net cash provided (used) by financing activities	<u>18,155</u>	<u>7,383</u>
Net increase (decrease) in cash and cash equivalents	9,205	(147,093)
Cash and cash equivalents, beginning of year	<u>369,382</u>	<u>516,475</u>
Cash and cash equivalents, end of year	<u>\$ 378,587</u>	<u>\$ 369,382</u>
Supplemental information:		
Interest paid	<u>\$ -</u>	<u>\$ 28</u>

The accompanying footnotes are an integral part of the audited financial statements.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

International Service Fellowship (USA) is the successor to B.M.M.F. International (USA) by change of name effective December 1986. The latter was incorporated as Bible and Medical Missionary Fellowship on September 25, 1964 under the Pennsylvania Nonprofit Law of May 5, 1933 pursuant to a decree of the Delaware County Court of Common Pleas. The Organization is supported primarily through donor contributions. The Articles of Incorporation, as amended, describe the purpose of the corporation in two parts which may be described generally as follows:

1. To make known the Gospel of Christ among the people of such countries as may be determined by (a) contributing to the deepening of the spiritual life of the churches in those countries, (b) training national Christians for spiritual leadership through the medium of seminaries, schools, hospitals, etc., and (c) engaging in related activities to support these ministries.
2. To minister to the needs of people in Asia with due respect to the dignity of individuals without respect to race, caste or creed, by (a) undertaking care and treatment of the sick, (b) providing care, relief and rehabilitation to orphans, aged, sick, blind, disabled and helpless persons, and (c) assisting in the development of corporations self-supporting at a low income level through improved agricultural methods, handicrafts and cottage industries.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the year ended March 31, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to 2018. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

BASIS OF PRESENTATION

Financial presentation follows the recommendations of the Financial Accounting Standards Board under which the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are net assets not subject to donor-imposed stipulations; and net assets with donor restrictions, which are net assets subject to donor-imposed stipulations that may or will be met either by action of the Organization and/or the passage of time.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

BASIS OF ACCOUNTING

The financial statements of International Service Fellowship (USA) have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of 90 days or less.

DONATED MATERIALS AND SERVICES

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

USE OF ESTIMATES

The preparation of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

EXPENSE ALLOCATION

The financial statements report certain categories of expenses that are attributable to their program service or a supporting function of management and general or fundraising. Those expenses include payroll costs, depreciation, insurance, and other various costs. Payroll costs are allocated based on time and efforts studies of the Organization's employees. Depreciation is allocated based on square footage estimates of their building of operations. Insurance is allocated based on the estimated effective usage of their policies. Other various costs are allocated based on estimates or actual use across each of the three classifications.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements.

In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

INVESTMENTS

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

INVENTORY

Inventories are stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out method.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the assets' estimated useful lives. The Organization's capitalization policy is to capitalize items over \$ 1,000.

RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhances disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value includes a hierarchy that prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1- Fair value is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2- Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3- Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at March 31:

	<u>2019</u>	<u>2018</u>
Cash in bank	\$ 378,262	\$ 369,057
Petty cash	<u>325</u>	<u>325</u>
	<u>\$ 378,587</u>	<u>\$ 369,382</u>

3. INVESTMENTS

The basis of the reported assets is current market value.

	<u>2019</u>	<u>2018</u>
General Fund	\$ 247,830	\$ 491,909
U.F.C.S. International Council	127,331	123,436
Furlough	531,548	501,366
College Fund	839,324	818,665
Annuity Fund	378,275	382,365
Commentary Fund	<u>20,108</u>	<u>19,240</u>
	<u>2,144,416</u>	<u>2,336,981</u>
<u>Endowment:</u>		
Dilworth Fund	996,329	1,053,119
Girardeau Fund	303,259	300,183
General Ministries	20,804	20,390
Hoyt (Jhansi)	670,637	630,715
J. Ackerman Coles	1,966,910	2,184,755
Partnerseed Fund	<u>4,580,608</u>	<u>4,450,553</u>
	<u>8,538,547</u>	<u>8,639,715</u>
	10,682,963	10,976,696
Non-qualified pension benefits	<u>4,234,511</u>	<u>4,156,369</u>
Totals	<u>\$ 14,917,474</u>	<u>\$ 15,133,065</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

3. INVESTMENTS (continued)

Investments are composed of the following:

Cash and cash equivalents	\$ 2,405,113
Equities:	
Energy	587,437
Materials	284,834
Industrials	881,282
Consumer discretionary	1,177,859
Consumer staples	507,317
Health care	1,603,573
Financials	877,652
Information technology	1,896,142
Communication services	1,045,045
Mutual funds:	
Mid cap growth	25,443
Mid cap value	25,239
Small cap growth	23,155
Small cap value	20,240
Developed markets	126,567
International large cap	51,162
Federal money market	402,832
Fixed income:	
Corporate bonds	2,765,210
US Government bonds	<u>211,372</u>
 Total investments	 <u>\$ 14,917,474</u>

The Organization measures its investments on a recurring basis at fair value. These items were measured as of March 31, 2019 and 2018 using the following inputs:

	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Assets:			
Money market	\$ 2,405,113	\$ -	\$ -
Marketable equity securities	8,861,141	-	-
Marketable debt instruments	-	2,976,582	-
Mutual funds	<u>674,638</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,940,892</u>	<u>\$ 2,976,582</u>	<u>\$ -</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

3. INVESTMENTS (continued)

	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Assets:			
Money market	\$ 2,767,177	\$ -	\$ -
Marketable equity securities	8,973,824	-	-
Marketable debt instruments	-	2,417,917	-
Mutual funds	<u>974,147</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,715,148</u>	<u>\$ 2,417,917</u>	<u>\$ -</u>

Mutual funds are valued at the net asset value of shares held by the Organization at year end, which are considered Level 1 inputs. Marketable equity and debt securities are valued at the closing price reported on the active market on which the individual securities are traded which are considered Level 1 inputs and Level 2 inputs, respectively.

The carrying amount of money market funds approximate fair value at year-end.

The Organization recognizes transfers into and out of Levels at the end of the reporting period. There was no change in the valuation technique for Level 2 inputs during the years ended March 31, 2019 and 2018.

Organization did not have any Level 3 assets during the year ended March 31, 2019 and 2018.

4. ACCRUED EDUCATION BENEFITS

Currently, International Service Fellowship partners reserve either \$50 or \$75 per month per child, depending on the child's age, for post high school education. International Service Fellowship acts as custodian for this fund. From this fund, the Organization will pay \$ 2,500 per year per student up to a maximum of \$ 10,000. Reserves begin accumulating when the family leaves for the field, or at birth for families who are already members.

5. PREPAID EXPENSES

Prepaid expenses consisted of the following:	<u>2019</u>	<u>2018</u>
Insurance	\$ -	\$ 4,627
Real estate taxes and sewer	3,394	4,279
Airfare	2,398	27,944
Other	<u>-</u>	<u>611</u>
Total prepaid expenses	<u>\$ 5,792</u>	<u>\$ 37,461</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2019 AND 2018

6. INVENTORY

Inventories consist of finished goods for resale. These goods are mostly books, videos and audio tapes. Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method, and net realizable value represents the estimated selling price of the items.

7. US OPERATION ADMINISTRATIVE COSTS

Field personnel who are part of the field operations are charged a fee to help cover a portion of the home office administrative expenses. The amount charged for the years ended 2019 and 2018 was \$452,639 and \$ 460,714, respectively.

8. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 12,000	\$ 12,000
Office - 7000 Ludlow Street, Upper Darby, PA	510,579	507,778
House - 326 Wayne Avenue, Upper Darby, PA	126,132	126,132
Computers	193,351	173,042
Furniture and equipment	<u>50,861</u>	<u>50,861</u>
Sub-total	892,923	869,813
Less: accumulated depreciation	<u>637,969</u>	<u>610,303</u>
Land, buildings and equipment, net	<u>\$ 254,954</u>	<u>\$ 259,510</u>

Depreciation expense for the years ended 2019 and 2018 was \$27,665 and \$27,000, respectively.

9. ANNUITIES

International Service Fellowship (USA) has a gift annuity plan whereby donors may contribute assets to the Organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as unrestricted contribution income at the date of the gift unless the gift portion is restricted. Income earned on annuity investments and distributions paid are credited and charged respectively against the annual liability.

For gifts contributed to International Service Fellowship (USA) prior to January 1, 2018, the monies are held as general assets of the Organization, and the related annuity liability was recorded as a general obligation of the Organization. The Organization established an investment account from which distributions to be paid to the annuitant are being made. The basis of the assets in the annuity fund is fair market value.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
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9. ANNUITIES (continued)

The Organization computed the liability using life expectancy tables and a reserve factor based on the annuitants age as of March 31, 2019. There was no change during the current year in the discount rates used or assumptions made.

State law requires the Organization to have available \$100,000 plus one-half of the annuity liability in unencumbered assets. As of March 31, 2019, the Organization met this requirement by having \$378,275 set aside in the investment account.

As of January 1, 2017, for any new annuities received, International Service Fellowship (USA) will use an independent third party to calculate the gift annuity and the portion to be realized as an unrestricted gift. The Organization is not recording a liability for the annuity as the third party is responsible for paying the annuitant.

10. OTHER INCOME

Other income consists primarily of the following: Income from conferences; fees charged for processing donations for other councils and special projects.

11. PRINCIPAL ADDITIONS

Partnerseed is a permanently restricted fund that has been established to cover International Service Fellowship (USA) partner administrative costs. The principal of Partnerseed is invested when received. Each quarter, 1% of the investment account balance is transferred to net assets without donor restrictions to cover the cost of administrative services both in the U.S. and overseas.

12. INTERSERVE INTERNATIONAL

Interserve International is a non-profit organization legally organized in the United Kingdom. Interserve International's purpose is to facilitate the work of Independent National Offices in 14 countries that minister in partnership with the global church amongst the neediest peoples of Asia and the Arab World. International Service Fellowship (USA) supports and transacts business with Interserve International routinely; however, there are no common officers. The Finance Director of International Service Fellowship (USA) has check signing authority on Interserve International's US bank account in order to assist them and the bank if needed.

All bank account activity is recorded on Interserve International's books and reported by them. All interest earned from the bank account is credited to International Service Fellowship (USA) to help defray administrative costs incurred by International Service Fellowship (USA). The interest earned, which is immaterial, is reported in the statement of activities as other income.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
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13. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken. Management has performed their evaluation and believes there are no unrecognized tax positions that are required to be disclosed.

The Organization's policy is to classify income tax related interest and penalties, if any, in interest expense and other expenses, respectively.

14. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced any losses from maintaining balances in excess of the federally insured limits and considers the risk of total loss of balances exceeding the federally insured amount as remote.

15. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Income from endowments that are not restricted by the donor was released and available for general use by the Organization.

	<u>2019</u>	<u>2018</u>
Retiree supplemental	\$ 47,963	\$ 47,392
Short term	76,177	70,688
Appointee	232,305	111,111
Outfitting	11,489	25,076
Payments of Other Councils	352,273	338,029
Other Ministries	43,525	104,912
Payments of special funds	<u>398,111</u>	<u>526,722</u>
	<u>1,161,843</u>	<u>1,223,930</u>
Dilworth fund	48,145	48,529
Girardeau fund	6,208	6,506
General Ministries	414	206
Hoyt	13,522	30,920
J.A. Coles distribution	444,817	333,894
Partnerseed fund	<u>203,818</u>	<u>196,744</u>
	<u>716,924</u>	<u>616,799</u>
Total net assets released	<u>\$ 1,878,767</u>	<u>\$ 1,840,729</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
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15. NET ASSETS RELEASED FROM RESTRICTIONS (continued)

Funds released were used according to the terms and guidelines established by the donor. Dilworth Funds were used to cover the shortfall of a number of overseas Partners who ended the fiscal year with a deficit. Girardeau Funds were used to help cover the shortfall of any US based Partners who ended the fiscal year with a deficit. J. A. Coles Funds were used to support health care projects and workers involved in health care in historic India (this includes India, Bangladesh and Pakistan). Partnerseed Funds were used to cover the International Office Administrative Expenses and a small portion of the US Administration.

16. ACCRUED RETIREMENT

International Service Fellowship (USA) has frozen its non-qualified defined benefit pension plan for present retirees and those past employees who were vested effective June 1, 1995. The organization now maintains a qualified defined contribution plan for active employees.

The following table sets forth the plan's funded status and amounts recognized in the Organization's statement of financial position:

	<u>2019</u>	<u>2018</u>
Net pension cost included the following components:		
Service cost - benefits earned during the period	\$ -	\$ -
Interest cost on projected benefit obligation	13,733	14,823
Actual return on plan assets	-	-
Net amortization and deferral	<u>(2,812)</u>	<u>(2,207)</u>
Net periodic pension cost	<u>\$ 10,921</u>	<u>\$ 12,616</u>
Actuarial present value of benefit obligations:		
Accumulated benefit obligation	<u>\$ 223,787</u>	<u>\$ 219,723</u>
Reconciliation of funded status of plan with balance sheet accounts:		
	<u>2019</u>	<u>2018</u>
Projected benefit obligation for service rendered to date	\$ (223,787)	\$ (219,723)
Plan assets at fair value	<u>-</u>	<u>-</u>
Plan assets in deficit of projected benefit obligation	(223,787)	(219,723)
Unrecognized net (gain) or loss due to actuarial experience	(49,207)	(63,914)
Unrecognized net transition obligation or (asset)	-	-
Adjustments required to recognize minimum liability	<u>-</u>	<u>-</u>
(Accrued) or Prepaid pension cost	<u>\$ (272,994)</u>	<u>\$ (283,637)</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

16. ACCRUED RETIREMENT (continued)

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 6.25 percent in 2019 and 6.25 percent in 2018.

The plan no longer has any assets to fund the pension cost or benefits. Both the periodic pension cost and benefits paid during the year are funded from the general operating fund. The following table shows estimated future benefit payments expected to be paid from the plan:

<u>For the year ending:</u>	<u>Pension Benefits</u>
2020	\$ 21,564
2021	21,564
2022	21,564
2023	21,564
2024	21,564
2025 thru 2030	107,820

The measurement date used to determine the periodic pension cost was March 31, 2018, while the measurement date used to determine the accumulated benefit obligation was March 31, 2019. Total benefits paid to participants during both 2019 and 2018 were \$21,564.

Prior to the defined benefit plan being frozen in 1995, funding to the plan was provided by the Organization. There haven't been any employer contributions made since the plan was frozen; and as of March 31, 2019, there are no assets available to fund the plan.

17. ACCRUED NON-QUALIFIED PENSION BENEFITS

International Service Fellowship (USA) had a non-qualified pension plan covering substantially all of its employees; however, the plan was frozen as of December 31, 2008.

International Service Fellowship (USA) is the custodian for this fund and, at March 31, 2019 and March 31, 2018, reported investment assets of \$4,234,511 and \$4,156,369, respectively, along with a liability in the same amount. Activity within the plan was recorded against the liability account, not against current operations.

18. PENSION PLAN

The Organization maintains a 401k retirement plan covering substantially all full-time employees. A monthly contribution of \$200 per adult is invested on their behalf. Overseas partners who are single with at least 15 years of service receive an additional \$75 per month. Overseas couples with at least 15 years of service receive an additional \$100 per month.

Total employer contributions made into the plan was \$237,000 and \$239,275 for the years ended March 31, 2019 and 2018, respectively.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
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19. NET ASSETS END OF YEAR

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions consisted of the following:		
Building and equipment	\$ 254,954	\$ 259,510
Board designated funds:		
Furlough fund	\$ 304,459	\$ 350,734
U.F.C.S. International	<u>86,333</u>	<u>84,672</u>
	390,792	435,406
Unrestricted	<u>943,703</u>	<u>891,776</u>
Total net assets without donor restrictions	<u>1,589,449</u>	<u>1,586,692</u>

Net assets with donor restrictions are available for the following purposes:

Legacies	8,417	18,417
Commentary fund	24,435	22,699
Other Councils	85,890	87,926
Special Projects	572,191	549,029
Other	<u>214,056</u>	<u>421,096</u>
	<u>904,989</u>	<u>1,099,167</u>

Net assets with donor restrictions that are permanently endowed are to be held indefinitely. The income from the assets is used to support the Organization's general activities. The endowed net assets are comprised of the following:

Dilworth fund	947,828	968,413
Hoyt fund	647,991	612,070
Girardeau fund	308,525	299,904
General Ministries fund	22,160	22,366
J. Ackerman Coles fund	1,611,445	1,889,645
Partnerseed fund	<u>4,535,706</u>	<u>4,405,495</u>
	<u>8,073,655</u>	<u>8,197,893</u>
Total net assets with donor restrictions	<u>8,978,644</u>	<u>9,297,060</u>
Total net assets	<u>\$ 10,568,093</u>	<u>\$ 10,883,752</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
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20. ENDOWMENT

The Organization's endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Current GAAP provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and improves disclosure about an organization's endowment funds regardless of whether the organization is subject to UPMIFA. The Commonwealth of Pennsylvania has not adopted UPMIFA but rather has enacted Pennsylvania Act 141 ("PA Act 141"). PA Act 141 permits an organization's trustees to define income as a stipulated percentage of endowment assets (between 2% and 7% of the fair value of the assets averaged over a period of at least three preceding years) without regard to actual interest, dividend, or realized and unrealized gains.

The Organization classifies as permanently restricted (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation on the fund, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization, and the endowment fund policies of the organization. As of March 31, 2019 and 2018, the endowment assets were composed of the following:

	<u>2019</u>	<u>2018</u>
	<u>Permanently Restricted</u>	<u>Permanently Restricted</u>
Investments	<u>\$ 8,073,655</u>	<u>\$ 8,197,893</u>

Changes in endowment assets were as follows for the years ended March 31, 2019 and 2018, respectively:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 8,197,893	\$ 7,975,350
Contributions	18,155	9,050
Investment income	72,818	155,180
Net appreciation	501,713	675,112
Amounts appropriated for expenditure	<u>(716,924)</u>	<u>(616,799)</u>
Ending balance	<u>\$ 8,073,655</u>	<u>\$ 8,197,893</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
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21. LINE OF CREDIT

The Organization has a working capital line of credit arrangement with Univest National Bank & Trust, with interest stated at 3.50% with no stated maturity or renewal date. The line of credit is unsecured for \$200,000 with an available balance of \$200,000. Univest National Bank & Trust reserves the right to demand payment on the line of credit at an time, whether or not a default has occurred.

22. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 378,587
Investments	<u>14,917,474</u>
	15,296,061
Less:	
Donor restricted monies	904,990
Annuity investments	378,275
Investments permanently endowed	8,538,547
Non-qualified contribution benefit assets	4,234,511
Board designated net assets	<u>390,792</u>
	<u>\$ 848,946</u>

The Organization's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts from revenue items.

The Board does not consider donor restricted monies, investments that are permanently endowed and annuity assets available for general expenditures. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Board designated net assets are set aside as funds to be used for furlough costs as needed for partners and are generally not available for general expenditures.

23. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through September 5, 2019, which is the date on which the financial statements were available to be issued. No events or transactions that require disclosure or recognition were identified.