

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

# INTERNATIONAL SERVICE FELLOWSHIP (USA) MARCH 31, 2021 AND 2020

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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, 2021 and 2020, 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 from 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, 2021 and 2020, 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.

Morey, Nee, Buck & Oswald, LLC Spring House, Pennsylvania

Merey, Me, Buck! aswald, LLC

September 16, 2021

# INTERNATIONAL SERVICE FELLOWSHIP (USA) STATEMENTS OF FINANCIAL POSITION AS OF MARCH 31, 2021 AND 2020

		<u>2021</u>		<u>2020</u>
Assets:				
Cash and cash equivalents	\$ 6	680,980	\$	483,403
Due from other funds		91,858		85,075
Due from International Council		64,792		46,286
Prepaid expenses		10,276		9,310
Advances to field personnel		-		13,886
Inventory		19,008		19,642
Investments	18,2	200,705	1	14,040,692
Land, buildings and equipment	2	<u> 230,856</u>		255,352
Total assets	\$ 19,2	<u> 298,475</u>	<u>\$ 1</u>	<u>14,953,646</u>
Liabilities and net assets:				
Accounts payable	\$ 1	119,851	\$	17,267
Accrued payroll and taxes	Ψ .	92,086	4	102,333
Advances to field		44,168		-
Accrued retirement	7	254,416		263,636
Accrued education benefits, net		342,219		376,430
Paycheck Protection Program loan		566,400		-
Defined contribution benefits		065,831		4,095,698
Annuity obligations	•	.05,948		111,312
3.4.4.5				
Total liabilities	6,5	590,919		4,966,676
Net assets:				
Without donor restrictions	2 (	015,236		1,486,050
With donor restrictions	•	592,320		8,500,920
with dollor restrictions		<u> </u>		0,500,720
Total net assets	12,7	707,55 <u>6</u>		9,986,970
m - 11: 1:1::	ф 40.6	200 455	ф.	14050 (46
Total liabilities and net assets	<u>\$ 19,2</u>	<u> 298,475</u>	<u>\$</u>	<u>14,953,646</u>

# INTERNATIONAL SERVICE FELLOWSHIP (USA) STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2021

		ets Without		t Assets with		
	<u>Donor l</u>	Restrictions	<u>Donor</u>	Restrictions	-	<u>Totals</u>
Revenues and other support:						
Partner and home staff support	\$	4,001,269	\$	134,237	\$	4,135,506
Contributions to special fields		-		1,047,660		1,047,660
General ministries and board gifts		335,028		-		335,028
Outfitting		63,565		4,272		67,837
Foundations and Legacies		35,000		-		35,000
Interest and dividend income		25,226		172,697		197,923
Commentary and book income		-		537		537
Other income		150,036		-		150,036
Contributions		-		8,000		8,000
Net assets released from						
restrictions		1,636,325		(1,636,325)	_	<u>-</u>
		6,246,449		(268,922)		<u>5,977,527</u>
Gains (losses):						
Gain (loss) from sale of investments		149,326		841,780		991,106
Unrealized gain (loss) on investments		247,759		1,618,542	_	<u>1,866,301</u>
				0.460.000		
		397,085		2,460,322	_	<u>2,857,407</u>
Total revenues, other support and				0.404.400		0.004.004
gains (losses)		6,643,534		2,191,400	_	8,834,934
_						
Program expenses:		<b>=</b> 400 040				<b>=</b> 400 040
Field operations		5,129,913		-		5,129,913
Supporting services:		006 700				006 700
US operations		906,783		-		906,783
Fund raising		<u>77,652</u>			_	<u>77,652</u>
Tatal assessed		(114240				(114240
Total expenses		6,114,348		<del>-</del>	_	6,114,348
Change in not assets		F20 106		2 101 400		2 720 506
Change in net assets		529,186		2,191,400		2,720,586
Net assets at beginning of year		1,486,050		8,500,920		9,986,970
net assets at beginning of year		<u> </u>	_	0,300,720		<u> </u>
Net assets at end of year	<u>\$</u>	2,015,236	<u>\$</u>	10,692,320	<u>\$</u>	12,707,556

# INTERNATIONAL SERVICE FELLOWSHIP (USA) STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2020

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Totals
Revenues and other support:	Donor Reserverions	<u>Donor Reserverions</u>	
Partner and home staff support	\$ 3,854,231	\$ 194,047	\$ 4,048,278
Contributions to special fields	-	775,967	775,967
General ministries and board gifts	402,160	-	402,160
Outfitting	24,660	18,706	43,366
Foundations and Legacies	30,000	6,606	36,606
Interest and dividend income	35,148	209,945	245,093
Commentary and book income	, -	1,479	1,479
Other income	114,464	-	114,464
Contributions	, -	12,000	12,000
Net assets released from		,	•
restrictions	<u>1,520,000</u>	(1,520,000)	
	5,980,663	(301,250)	5,679,413
Gains (losses):			
Gain (loss) from sale of investments	(1,829)	65,645	63,816
Unrealized gain (loss) on investments	(14,917)	(242,119)	(257,036)
m . 1	(16,746)	(176,474)	(193,220)
Total revenues, other support and gains (losses)	5,963,917	<u>(477,724)</u>	5,486,193
Program expenses:			
Field operations	4,941,312	-	4,941,312
Supporting services:	<b>,</b> - <b>,</b> -		,- ,-
US operations	1,029,877	-	1,029,877
Fund raising	96,127	<u>-</u>	96,127
-			
Total expenses	6,067,316	<del></del>	<u>6,067,316</u>
Change in net assets	(103,399)	(477,724)	(581,123)
Net assets at beginning of year	1,589,449	<u>8,978,644</u>	10,568,093
Net assets at end of year	<u>\$ 1,486,050</u>	<u>\$ 8,500,920</u>	<u>\$ 9,986,970</u>

# INTERNATIONAL SERVICE FELLOWSHIP (USA) STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED MARCH 31, 2021

	Field	US	Fund	
	<b>Operations</b>	<b>Operations</b>	<u>Raising</u>	<u>Totals</u>
Pension and supplemental payments	\$ 239,361	\$ -	\$ -	\$ 239,361
Furlough fund	91,717	-	-	91,717
Interserve administration	428,782	(428,782)	-	-
Retiree pension fund	115,813	-	-	115,813
Field expense	1,671,589	-	-	1,671,589
Home allowance and medical	1,395,175	-	-	1,395,175
Deputation	-	-	12,747	12,747
Short term expense	5,430	-	-	5,430
Candidate school expense	-	1,566	-	1,566
Outfitting	45,902	-	-	45,902
Mission house	-	17,617	-	17,617
U.S. director	106,810	-	26,218	133,028
Communication	-	58,945	19,310	78,255
Development	-	-	11,314	11,314
Personnel	-	173,081	-	173,081
U.S. Office	-	875,361	8,063	883,424
Payments of special funds	523,947	-	-	523,947
Payment to other councils	429,487	-	-	429,487
J A Coles/ Hoyt expense	75,900	-	-	75,900
Annuity interest payments	-	10,229	-	10,229
Area coordinator		<u>198,766</u>		<u>198,766</u>
Total expenses	<u>\$ 5,129,913</u>	\$ 906,783	<u>\$ 77,652</u>	\$ 6,114,348

# INTERNATIONAL SERVICE FELLOWSHIP (USA) STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED MARCH 31, 2020

	Field	US	Fund	
	<b>Operations</b>	<b>Operations</b>	<u>Raising</u>	<u>Totals</u>
Pension and supplemental payments	\$ 207,000	\$ -	\$ -	\$ 207,000
Furlough fund	72,585	-	-	72,585
Interserve administration	437,967	(437,967)	-	-
Retiree pension fund	99,846	-	-	99,846
Field expense	1,690,636	-	-	1,690,636
Home allowance and medical	1,285,937	-	-	1,285,937
Deputation	-	-	39,678	39,678
Short term expense	73,370	-	-	73,370
Candidate school expense	-	7,836	-	7,836
Outfitting	45,026	-	-	45,026
Mission house	-	24,149	-	24,149
U.S. director	100,098	-	21,911	122,009
Communication	-	63,538	19,311	82,849
Development	-	-	8,409	8,409
Personnel	-	242,801	-	242,801
U.S. office	-	870,748	6,818	877,566
Payments of special funds	448,559	-	-	448,559
Payment to other councils	377,568	-	-	377,568
J A Coles/ Hoyt expense	102,720	-	-	102,720
Annuity interest payments	-	10,519	-	10,519
Area coordinator		<u>248,253</u>		248,253
Total expenses	<u>\$ 4,941,312</u>	\$ 1,029,877	\$ 96,127	\$ 6,067,316

# INTERNATIONAL SERVICE FELLOWSHIP (USA) STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,720,586	\$ (581,123)
Adjustments to reconcile change in net assets to net		
cash provided (used) by operating activities:		
Depreciation	24,496	27,956
Net realized (gain) loss on sales of investments	(991,106)	(63,816)
Net unrealized (gain) loss on investments held	(1,866,301)	257,036
(Increase) decrease in due from other funds	(6,782)	(7,463)
(Increase) decrease in due from International Council	(18,506)	(1,730)
(Increase) decrease in prepaid expenses	(965)	(3,518)
(Increase) decrease in advances to field personnel	58,055	21,320
(Increase) decrease in inventory	633	2,035
Increase (decrease) in accounts payable	102,582	(38,082)
Increase (decrease) in accrued payroll and taxes	(10,239)	26,533
Increase (decrease) in accrued retirement	(9,221)	(9,358)
Increase (decrease) in accrued education benefits	(34,210)	(12,447)
Increase (decrease) in annuity obligations	(5,363)	(28,920)
Contributions restricted for long-term purposes:		
Contributions to permanently restricted	(8,000)	(12,000)
Net cash provided (used) by operating activities	<u>(44,341)</u>	<u>(423,577)</u>
Cach flows from investing activities:		
Cash flows from investing activities:		(20.254)
Purchase of equipment Purchase of investments	(0.006.702)	(28,354)
	(8,886,783)	(7,060,060)
Proceeds from sale of investments	8,554,301	7,604,807
Net cash provided (used) by investing activities	<u>(332,482)</u>	<u>516,393</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	566,400	-
Collections of contributions restricted for long-term pur	poses:	
Permanently restricted	8,000	12,000
Net cash provided (used) by financing activities	<u> 574,400</u>	12,000
Net increase (decrease) in cash and cash equivalents	197,577	104,816
Cash and cash equivalents, beginning of year	<u>483,403</u>	<u>378,587</u>
Cash and cash equivalents, end of year	<u>\$ 680,980</u>	<u>\$ 483,403</u>
Supplemental information:		
Interest paid	<u>\$</u>	<u>\$</u>
-		

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 businesses that are self-supporting at a low income level through improved agricultural methods, handicrafts and cottage industries.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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 as well as restrictions that do not expire.

#### **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. 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.

# 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.

#### **INVENTORY**

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

#### 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 reclassified 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.

### 2. CASH AND CASH EQUIVALENTS

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

		<u>2021</u>	<u>2020</u>
Cash in bank	\$	680,655	\$ 483,078
Petty cash	_	325	 325
	\$	680,980	\$ 483,403

# 3. **INVESTMENTS**

The basis of the reported assets is current market value.

	<u>2021</u>	<u>2020</u>
General Fund	\$ 844,168	\$ 225,523
U.F.C.S. International Council	144,701	129,301
Furlough	661,625	533,807
College Fund	1,058,606	836,100
Annuity Fund	419,532	379,712
Commentary Fund	<del>-</del>	20,668
	3,128,632	2,125,111
Endowment:		
Dilworth Fund	1,201,599	891,779
Girardeau Fund	351,265	303,036
General Ministries	21,224	21,200
Hoyt (Jhansi)	852,758	673,912
J. Ackerman Coles	1,888,562	1,533,462
Partnerseed Fund	<u>5,690,834</u>	4,396,494
	10,006,242	7,819,883
	13,134,874	9,944,994
Non-qualified pension benefits	5,065,831	4,095,698
Totals	<u>\$18,200,705</u>	<u>\$14,040,692</u>

# 3. INVESTMENTS (continued)

Investments are composed of the following:

	<u>2021</u>	2020
Cash and cash equivalents	\$ 1,675,600	\$ 2,593,029
Equities:		
Energy	500,384	240,518
Materials	281,814	147,704
Industrials	1,456,222	800,201
Consumer discretionary	1,294,597	812,489
Consumer staples	710,286	730,304
Health care	1,776,426	922,467
Financials	1,071,741	964,034
Information technology	2,754,137	1,603,440
Communication services	795,839	591,021
Utilities	412,954	281,686
Real estate	253,859	
Equity funds		176,485
Mutual funds:		
Mid cap growth	-	-
Mid cap equity	58,956	40,446
Small cap growth	-	-
Small cap equity	71,705	31,435
Developed markets	-	-
International large cap	114,663	-
Federal money market	1,096,701	457,499
Fixed income	350,150	64,677
International equity ETF	71,791	104,710
Fixed income:		
Corporate bonds	2,349,771	3,176,086
US Government bonds	1,103,109	302,461
Total investments	<u>\$ 18,200,705</u>	\$ 14,040,692

# 3. INVESTMENTS (continued)

The Organization measures its investments on a recurring basis at fair value. These items were measured as of March 31, 2021 and 2020 using the following inputs:

2021 Assets:	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 1,675,600	\$ -	\$ -
Marketable equity securities	11,422,921	-	-
Marketable debt instruments	-	3,452,880	-
Mutual funds	<u>1,649,304</u>	<del>-</del>	
	<u>\$ 14,747,825</u>	<u>\$ 3,452,880</u>	<u> </u>
	Overted Driege in	Other Observable	Significant Unobservable
	Quoted Prices in Active Markets	Inputs	Inputs
2020	(Level 1)	(Level 2)	(Level 3)
Assets:			
Money market	\$ 2,593,029	\$ -	\$ -
Marketable equity securities	7,270,349	-	-
Marketable debt instruments	-	3,478,547	-
Mutual funds	698,767		<del>-</del>

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, 2021 and 2020.

Organization did not have any Level 3 assets during the years ended March 31, 2021 and 2020.

#### 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 and are presented at net present value.

#### 5. PREPAID EXPENSES

Prepaid expenses consisted of the following:	<u>2021</u>	<u>2020</u>
Real estate taxes and sewer	\$ 6,821	\$ 3,331
Airfare and conferences	<u>3,455</u>	<u>5,979</u>
Total prepaid expenses	\$ 10,276	\$ 9,310

#### 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 is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

# 7. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 12,000	\$ 12,000
Office - 7000 Ludlow Street, Upper Darby, PA	510,579	510,579
House - 326 Wayne Avenue, Upper Darby, PA	145,979	145,979
Computers	120,643	201,858
Furniture and equipment	<u> 50,861</u>	<u>50,861</u>
Sub-total	840,062	921,277
Less: accumulated depreciation	<u>609,206</u>	<u>665,925</u>
Land, buildings and equipment, net	<u>\$ 230,856</u>	<u>\$ 255,352</u>

Depreciation expense for the years ended 2021 and 2020 was \$24,496 and \$27,956, respectively.

During the year, the Organization disposed of computer equipment no longer being used in the day-to-day operations. The equipment was fully depreciated and therefore, there was no impact to the statement of activities.

#### 8. 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 2021 and 2020 was \$428,782 and \$437,967, 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.

The Organization computed the liability using life expectancy tables and a reserve factor based on the annuitants age as of March 31, 2021. 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, 2021 and 2020, the Organization met this requirement by having \$419,532 and \$379,712, respectively set aside in the investment account.

As of January 1, 2018, 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.

#### 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.

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Retiree supplemental Short term Appointee Outfitting Payments of Other Councils Other Ministries Payments of special funds	\$	2021 87,328 5,430 87,644 - 429,487 36,449 519,447	\$	2020 66,917 73,370 40,150 13,593 377,568 24,325 439,830
		<u>1,165,785</u>		<u>1,035,753</u>
Dilworth fund Girardeau fund General Ministries Hoyt J.A. Coles distribution Partnerseed fund	_	49,014 6,590 24 8,186 178,745 227,981 470,540	_	35,791 7,984 396 9,417 215,855 214,804 484,247
Total net assets released	\$	<u>1,636,325</u>	\$	1,520,000

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>2021</u>		<u>2020</u>
Net pension cost included the following components: Service cost - benefits earned during the period Interest cost on projected benefit obligation	\$	- 11,972	\$	- 13,987
Actual return on plan assets Net amortization and deferral Net periodic pension cost	\$	(4,679) 7,293	\$	(1,781) 12,206
Actuarial present value of benefit obligations: Accumulated benefit obligation	<u>\$</u>	173,436	<u>\$</u>	191,550
Reconciliation of funded status of plan with balance sheet ac	cou	nts:		
Projected benefit obligation for service rendered to date Plan assets at fair value	\$	(173,436)	\$	(191,550)
Plan assets in deficit of projected benefit obligation Unrecognized net (gain) or loss due to actuarial experience Unrecognized net transition obligation or (asset) Adjustments required to recognize minimum liability (Accrued) or Prepaid pension cost	\$	(173,436) (80,980) - - (254,416)		(191,550) (72,086) - - (263,636)

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 6.25 percent in both 2021 and 2020.

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:

For the year ending:	Pension Benefits
2022	\$ 20,749
2023	20,749
2024	19,464
2025	18,754
2026	17,996
2027 thru 2	2031 77,239

# 16. ACCRUED RETIREMENT (continued)

The measurement date used to determine the periodic pension cost was March 31, 2020, while the measurement date used to determine the accumulated benefit obligation was March 31, 2021. Total benefits paid to participants during 2021 and 2020 was \$21,192 and \$19,943, respectively.

Prior to the defined benefit plan being frozen in 1995, funding to the plan was provided by the Organization. There have not been any employer contributions made since the plan was frozen and, as of March 31, 2021, 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, 2021 and March 31, 2020, reported investment assets of \$5,065,831 and \$4,095,698, 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 \$225 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 were \$272,436 and \$236,600 for the years ended March 31, 2021 and 2020, respectively.

#### 19. FUNCTIONAL EXPENSES

The following is a summary of the Organization's operating functional expenses for the year ended March 31, 2021 and 2020:

	<u>Program</u>	<u>Management</u>	Fund Raising	2021
Payroll and allowances	\$ 1,853,563	\$ 603,502	\$ 45,528	\$ 1,871,381
Pension	239,361	33,075	-	272,436
Medical, taxes and benefits	949,019	144,644	-	1,093,663
Travel and conferences	96,314	24,822	12,747	133,883
Project expenses	1,029,334	-	-	1,029,334
Depreciation	-	24,496	-	24,496
Other	962,322	<u>76,244</u>	<u>19,377</u>	<u>1,057,943</u>
Totals	\$ 5,129,913	\$ 906,783	\$ 77,65 <u>2</u>	\$ 6,114,348

# 19. FUNCTIONAL EXPENSES (continued)

	<u>Program</u>	Management I	Fund Raising	2020
Payroll and allowances	\$ 1,785,250	\$ 771,950	\$ -	\$ 2,557,200
Pension	207,000	29,600	-	236,600
Medical, taxes and benefits	1,284,058	151,321	-	1,435,379
Travel and conferences	-	29,483	-	29,483
Project expenses	920,118	-	-	920,118
Depreciation	-	27,956	-	27,956
Other	<u>744,886</u>	<u>19,567</u>	96,127	<u>860,580</u>
Totals	<u>\$ 4,941,312</u>	<u>\$ 1,029,877</u>	<u>\$ 96,127</u>	\$ 6,067,316

# 20. **NET ASSETS END OF YEAR**

Net assets without donor restrictions are available for the following purposes:

			<u>2021</u>		<u>2020</u>
Building and equipment			\$ 230,856	\$	255,352
Board designated funds: <u>20</u>	<u>21</u>	<u>2020</u>			
Furlough fund \$337,8	29	\$303,906			
U.F.C.S. International 100,9	<u>74</u>	<u>85,574</u>			
			438,803		389,480
Unrestricted			 <u>1,345,577</u>	_	841,218
Total net assets without donor restri	ctio	ons	 2 <u>,015,236</u>	_	<u>1,486,050</u>

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

	01 1	
Legacies	-	3,273
Commentary fund	6,100	26,298
Other Councils	64,469	89,884
Special Projects	650,907	526,766
Other	<u>251,210</u>	258,180
	972,686	904,401

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	1,127,204	856,491
Hoyt fund	830,123	651,267
Girardeau fund	349,964	306,593
General Ministries fund	22,607	22,160
J. Ackerman Coles fund	1,743,920	1,408,083
Partnerseed fund	<u> 5,645,816</u>	4,351,925
	<u>9,719,634</u>	<u>7,596,519</u>
Total net assets with donor restrictions	<u>10,692,320</u>	<u>8,500,920</u>
Total net assets	<u>\$ 12,707,556</u>	<u>\$ 9,986,970</u>

#### 21. 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, 2021 and 2020, the endowment assets were composed of the following:

	<u>2021</u>	<u>2020</u>
Investments	<u>\$10,006,242</u>	\$ 8,538,547

Changes in endowment net assets were as follows for the years ended March 31, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Beginning balance Contributions	\$ 7,596,519 8,000	\$ 8,073,655 12,000
Investment income	994,919	235,475
Net appreciation (depreciation) Amounts appropriated for expenditure	1,590,736 (470,540)	(240,364) <u>(484,247)</u>
Ending balance	<u>\$ 9,719,634</u>	<u>\$ 7,596,519</u>

#### 22. 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 any time, whether or not a default has occurred.

### 23. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 27, 2020, the Organization received \$566,400 through the Small Business Association (SBA) and the CARES Act (Act). The Paycheck Protection Program (PPP) is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.

In September 2021, the Organization received notice from their lender that the SBA forgave the entire amount of the Paycheck Protection Program loan in May 2021.

# 24. 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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 680,980	\$ 483,403
Investments	<u> 18,200,705</u>	<u> 14,040,692</u>
	18,881,685	14,524,095
Less:		
Donor restricted monies	972,686	904,401
Annuity investments	419,532	379,712
Investments permanently endowed	10,006,242	7,819,883
Non-qualified contribution benefit assets	5,065,831	4,095,698
Board designated net assets	438,803	<u>389,480</u>
	<u>\$ 1,978,591</u>	<u>\$ 934,921</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 primarily for furlough costs as needed for partners and are generally not available for general expenditures.

#### 25. SIGNIFICANT UNCERTAINTY

The COVID-19 outbreak in the United States and world-wide has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact and duration cannot be reasonably estimated at this time.

# **26. SUBSEQUENT EVENTS**

Management has evaluated subsequent events and transactions through September 16, 2021, which is the date on which the financial statements were available to be issued.