

**INTERNATIONAL SERVICE FELLOWSHIP (USA)
AUDIT REPORT
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**



INTERNATIONAL SERVICE FELLOWSHIP (USA)
MARCH 31, 2023 AND 2022

<u>TABLE OF CONTENTS</u>	<u>Page No</u>
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to the Financial Statements	9

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

Qualified Opinion

We have audited the accompanying financial statements of International Service Fellowship (USA) (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not measuring or recognizing pension costs and obligations in the financial statements described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of International Service Fellowship (USA) as of March 31, 2023 and 2022, 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.

Basis for Qualified Opinion

As more fully described in Note 16 to the financial statements, the Organization did not have an actuarial study performed on its defined benefit retirement plan for the year ended March 31, 2023. In our opinion, accounting principles generally accepted in the United States of America require that the Organization recognize and measure pension costs and obligations and disclosures in the financial statements. The effects on the accompanying financial statements of the failure to perform an actuarial study on the accrued retirement benefits have not been determined.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of International Service Fellowship (USA) and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about International Service Fellowship (USA)'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 International Service Fellowship (USA)'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about International Service Fellowship (USA)'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Morey, Nee, Buck & Oswald, LLC

Morey, Nee, Buck & Oswald, LLC
Spring House, Pennsylvania
September 22, 2023

INTERNATIONAL SERVICE FELLOWSHIP (USA)
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 667,747	\$ 590,696
Due from other funds	73,600	49,502
Due from International Council	152,139	167,221
Other receivable	3,055	-
Prepaid expenses	24,129	14,408
Advances to field personnel	29,223	38,631
Inventory	17,617	17,278
Investments	17,482,181	19,276,610
Land, buildings and equipment	<u>187,474</u>	<u>211,448</u>
Total assets	<u>\$ 18,637,165</u>	<u>\$ 20,365,794</u>
Liabilities and net assets:		
Accounts payable	\$ 56,289	\$ 54,561
Accrued payroll and taxes	124,572	106,317
Accrued retirement	218,769	240,517
Accrued education benefits	350,636	336,160
Defined contribution benefits	4,760,602	5,338,151
Annuity obligations	<u>95,153</u>	<u>91,116</u>
Total liabilities	<u>5,606,021</u>	<u>6,166,822</u>
Net assets:		
Without donor restrictions	2,639,562	2,665,694
With donor restrictions	<u>10,391,582</u>	<u>11,533,278</u>
Total net assets	<u>13,031,144</u>	<u>14,198,972</u>
Total liabilities and net assets	<u>\$ 18,637,165</u>	<u>\$ 20,365,794</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, 2023

	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	\$ 4,356,441	\$ 229,600	\$ 4,586,041
Contributions to special fields	-	1,214,363	1,214,363
General ministries and board gifts	432,456	-	432,456
Outfitting	56,790	20	56,810
Foundations and Legacies	-	119,251	119,251
Interest and dividend income	48,131	194,471	242,602
Commentary and book income	-	(18)	(18)
Other income	264,298	-	264,298
Contributions	-	12,000	12,000
Net assets released from restrictions	<u>2,045,509</u>	<u>(2,045,509)</u>	<u>-</u>
	<u>7,203,625</u>	<u>(275,822)</u>	<u>6,927,803</u>
Gains (losses):			
Gain (loss) from sale of investments	(120,177)	(487,108)	(607,285)
Unrealized gain (loss) on investments	<u>(66,492)</u>	<u>(378,766)</u>	<u>(445,258)</u>
	<u>(186,669)</u>	<u>(865,874)</u>	<u>(1,052,543)</u>
Total revenues, other support and gains (losses)	<u>7,016,956</u>	<u>(1,141,696)</u>	<u>5,875,260</u>
Program expenses:			
Field operations	5,927,063	-	5,927,063
Supporting services:			
US operations	975,837	-	975,837
Fund raising	<u>140,188</u>	<u>-</u>	<u>140,188</u>
Total expenses	<u>7,043,088</u>	<u>-</u>	<u>7,043,088</u>
Change in net assets	(26,132)	(1,141,696)	(1,167,828)
Net assets at beginning of year	<u>2,665,694</u>	<u>11,533,278</u>	<u>14,198,972</u>
Net assets at end of year	<u>\$ 2,639,562</u>	<u>\$ 10,391,582</u>	<u>\$ 13,031,144</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, 2022

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Partner and home staff support	\$ 4,182,846	\$ 279,851	\$ 4,462,697
Contributions to special fields	-	1,228,363	1,228,363
General ministries and board gifts	442,940	-	442,940
Outfitting	(13,778)	14,921	1,143
Interest and dividend income	26,822	199,145	225,967
Commentary and book income	-	79	79
PPP loan forgiveness	566,400	-	566,400
Other income	127,320	-	127,320
Contributions	-	4,000	4,000
Net assets released from restrictions	<u>1,868,937</u>	<u>(1,868,937)</u>	<u>-</u>
	<u>7,201,487</u>	<u>(142,578)</u>	<u>7,058,909</u>
Gains (losses):			
Gain (loss) from sale of investments	73,854	391,059	464,913
Unrealized gain (loss) on investments	<u>109,441</u>	<u>592,477</u>	<u>701,918</u>
	<u>183,295</u>	<u>983,536</u>	<u>1,166,831</u>
Total revenues, other support and gains (losses)	<u>7,384,782</u>	<u>840,958</u>	<u>8,225,740</u>
Program expenses:			
Field operations	5,603,965	-	5,603,965
Supporting services:			
US operations	995,762	-	995,762
Fund raising	<u>134,597</u>	<u>-</u>	<u>134,597</u>
Total expenses	<u>6,734,324</u>	<u>-</u>	<u>6,734,324</u>
Change in net assets	650,458	840,958	1,491,416
Net assets at beginning of year	<u>2,015,236</u>	<u>10,692,320</u>	<u>12,707,556</u>
Net assets at end of year	<u>\$ 2,665,694</u>	<u>\$ 11,533,278</u>	<u>\$ 14,198,972</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, 2023

	<u>Field</u> <u>Operations</u>	<u>US</u> <u>Operations</u>	<u>Fund</u> <u>Raising</u>	<u>Totals</u>
Pension and supplemental payments	\$ 234,075	\$ -	\$ -	\$ 234,075
Furlough fund	63,488	-	-	63,488
Interserve administration	454,911	(454,911)	-	-
Retiree pension fund	104,164	-	-	104,164
Field expense	1,940,073	-	-	1,940,073
Home allowance and medical	1,457,280	-	-	1,457,280
Deputation	-	-	46,374	46,374
Short term expense	23,433	-	-	23,433
Candidate school expense	-	9,227	-	9,227
Outfitting	95,491	-	-	95,491
Mission house	-	16,961	-	16,961
U.S. director	102,349	-	33,818	136,167
Communication	-	42,588	17,264	59,852
Development	-	-	18,369	18,369
Personnel	-	224,931	-	224,931
U.S. office	-	909,700	24,363	934,063
Payments of special funds	874,804	-	-	874,804
Payment to other councils	471,369	-	-	471,369
J A Coles/ Hoyt expense	46,000	-	-	46,000
Legacy	59,626	-	-	59,626
Annuity interest payments	-	7,399	-	7,399
Area coordinator	-	219,942	-	219,942
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 5,927,063</u>	<u>\$ 975,837</u>	<u>\$ 140,188</u>	<u>\$ 7,043,088</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, 2022

	<u>Field</u> <u>Operations</u>	<u>US</u> <u>Operations</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u>
Pension and supplemental payments	\$ 245,075	\$ -	\$ -	\$ 245,075
Furlough fund	105,398	-	-	105,398
Interserve administration	449,315	(449,315)	-	-
Retiree pension fund	134,808	-	-	134,808
Field expense	1,714,838	-	-	1,714,838
Home allowance and medical	1,533,569	-	-	1,533,569
Deputation	-	-	50,259	50,259
Short term expense	21,026	-	-	21,026
Candidate school expense	-	30,056	-	30,056
Outfitting	25,646	-	-	25,646
Mission house	-	24,704	-	24,704
U.S. director	70,927	-	33,376	104,303
Communication	-	91,315	21,085	112,400
Development	-	-	17,050	17,050
Personnel	-	224,392	-	224,392
U.S. Office	-	849,248	12,827	862,075
Payments of special funds	791,069	-	-	791,069
Payment to other councils	378,453	-	-	378,453
J A Coles/ Hoyt expense	133,841	-	-	133,841
Annuity interest payments	-	9,683	-	9,683
Area coordinator	-	215,679	-	215,679
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 5,603,965</u>	<u>\$ 995,762</u>	<u>\$ 134,597</u>	<u>\$ 6,734,324</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,167,828)	\$ 1,491,416
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	23,974	24,060
Realized (gain) loss on sales of investments	607,285	(464,913)
Unrealized (gain) loss on investments held	445,258	(701,918)
PPP loan forgiveness	-	(566,400)
(Increase) decrease in due from other funds	(24,098)	42,356
(Increase) decrease in accounts receivable	(3,055)	-
(Increase) decrease in due from International Council	15,082	(102,429)
(Increase) decrease in prepaid expenses	(9,721)	(4,132)
(Increase) decrease in advances to field personnel	9,408	(82,799)
(Increase) decrease in inventory	(339)	1,730
Increase (decrease) in accounts payable	1,728	(65,290)
Increase (decrease) in accrued payroll and taxes	18,255	14,232
Increase (decrease) in accrued retirement	(21,748)	(13,899)
Increase (decrease) in accrued education benefits	14,476	(6,059)
Increase (decrease) in annuity obligations	4,037	(14,832)
Contributions restricted for long-term purposes:		
Contributions to endowment	<u>(12,000)</u>	<u>(4,000)</u>
Net cash provided (used) by operating activities	<u>(99,286)</u>	<u>(452,877)</u>
Cash flows from investing activities:		
Purchase of equipment	-	(4,652)
Purchase of investments	(5,884,005)	(12,570,698)
Proceeds from sale of investments	<u>6,048,342</u>	<u>12,933,943</u>
Net cash provided (used) by investing activities	<u>164,337</u>	<u>358,593</u>
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes:		
Endowment	<u>12,000</u>	<u>4,000</u>
Net cash provided (used) by financing activities	<u>12,000</u>	<u>4,000</u>
Net increase (decrease) in cash and cash equivalents	77,051	(90,284)
Cash and cash equivalents, beginning of year	<u>590,696</u>	<u>680,980</u>
Cash and cash equivalents, end of year	<u>\$ 667,747</u>	<u>\$ 590,696</u>
Supplemental information:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

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

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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:

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.

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

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the year ended March 31, 2023, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2020-07. This update requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, separately from contributions of cash and other financial assets. It also expands the related disclosure requirements, but with no change in recognition and measurement requirements. There is no effect on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization elected to adopt these ASUs effective April 1, 2022 and utilized all of the available practical expedients. However, the Organization does not have any leases with a term of more than 12 months, therefore was no effect on the financial.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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. 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).

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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.

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, 2023 AND 2022

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.

2. CASH AND CASH EQUIVALENTS

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

	<u>2023</u>	<u>2022</u>
Cash in bank	\$ 667,422	\$ 590,371
Petty cash	<u>325</u>	<u>325</u>
	<u>\$ 667,747</u>	<u>\$ 590,696</u>

3. INVESTMENTS

The basis of the reported assets is current market value.

	<u>2023</u>	<u>2022</u>
General fund	\$ 333,670	\$ 309,541
U.F.C.S. International Council	2	157,840
Furlough	686,657	720,714
Executive director discretionary fund	639,706	564,501
College fund	1,123,802	1,180,969
Annuity fund	<u>412,341</u>	<u>439,303</u>
	<u>3,196,178</u>	<u>3,372,868</u>
<u>Endowment:</u>		
Dilworth fund	1,086,851	1,154,629
Girardeau fund	356,372	380,418
General Ministries	21,792	21,227
Hoyt (Jhansi)	806,375	881,725
J. Ackerman Coles	1,750,370	1,999,749
Partnerseed fund	<u>5,503,641</u>	<u>6,127,843</u>
	<u>9,525,401</u>	<u>10,565,591</u>
	12,721,579	13,938,459
Non-qualified pension benefits	<u>4,760,602</u>	<u>5,338,151</u>
Totals	<u>\$ 17,482,181</u>	<u>\$ 19,276,610</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

3. **INVESTMENTS (continued)**

Investments are composed of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,116,856	\$ 3,244,035
Equities:		
Energy	774,560	564,208
Materials	384,032	10,484
Industrials	1,011,689	1,405,861
Consumer discretionary	1,112,016	1,479,078
Consumer staples	474,490	424,323
Health care	1,683,551	2,091,358
Financials	1,856,314	1,253,980
Information technology	2,966,869	3,110,903
Communication services	733,342	928,596
Utilities	662,825	689,992
Real estate	119,014	242,585
Mutual funds:		
Mid cap equity	52,848	60,307
Small cap equity	51,368	62,269
International large cap	117,901	123,721
Federal money market	601,988	485,826
Fixed income	231,694	355,319
International equity ETF	66,307	73,002
Fixed income:		
Corporate bonds	2,106,815	1,973,315
US Government bonds	<u>357,702</u>	<u>697,448</u>
Total investments	<u>\$ 17,482,181</u>	<u>\$ 19,276,610</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

3. INVESTMENTS (continued)

The Organization measures its investments on a recurring basis at fair value. These items were measured as of March 31, 2023 and 2022 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>
<u>2023</u>			
Assets:			
Money market	\$ 2,116,856	\$ -	\$ -
Marketable equity securities	11,778,703	-	-
Marketable debt instruments	-	2,464,517	-
Mutual funds	<u>1,122,105</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,017,664</u>	<u>\$ 2,464,517</u>	<u>\$ -</u>
	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
<u>2022</u>			
Assets:			
Money market	\$ 3,244,035	\$ -	\$ -
Marketable equity securities	12,201,368	-	-
Marketable debt instruments	-	2,670,763	-
Mutual funds	<u>1,160,444</u>	<u>-</u>	<u>-</u>
	<u>\$ 16,605,847</u>	<u>\$ 2,670,763</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, 2023 and 2022.

Organization did not have any Level 3 assets during the years ended March 31, 2023 and 2022.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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>2023</u>	<u>2022</u>
Real estate taxes and sewer	\$ 6,706	\$ 6,706
Airfare and conferences	<u>17,423</u>	<u>7,702</u>
Total prepaid expenses	<u>\$ 24,129</u>	<u>\$ 14,408</u>

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>2023</u>	<u>2022</u>
Land	\$ 12,000	\$ 12,000
Office - 7000 Ludlow Street, Upper Darby, PA	515,231	515,231
House - 326 Wayne Avenue, Upper Darby, PA	145,979	145,979
Computers	120,643	120,643
Furniture and equipment	<u>50,861</u>	<u>50,861</u>
Sub-total	844,714	844,714
Less: accumulated depreciation	<u>657,240</u>	<u>633,266</u>
Land, buildings and equipment, net	<u>\$ 187,474</u>	<u>\$ 211,448</u>

Depreciation expense for the years ended March 31, 2023 and 2022 was \$23,974 and \$24,060, respectively.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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 2023 and 2022 was \$454,911 and \$449,315, respectively as reflected in the statement of functional expenses.

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, 2023. 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, 2023 and 2022, the Organization met this requirement by having \$412,341 and \$439,303, respectively set aside in the investment account.

As of January 1, 2018, for any new annuities received, International Service Fellowship (USA) uses 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.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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>2023</u>	<u>2022</u>
Retiree supplemental	\$ 82,416	\$ 108,802
Short term	5,278	20,420
Appointee	123,437	25,425
Outfitting	1,182	9,254
Payments of Other Councils	471,369	378,453
Other Ministries	69,177	18,158
Payments of special funds	<u>838,538</u>	<u>781,568</u>
	<u>1,591,397</u>	<u>1,342,080</u>
Dilworth fund	49,184	57,736
Girardeau fund	8,554	7,242
General Ministries	565	3
Hoyt	60,163	71,007
J.A. Coles distribution	90,016	111,090
Partnerseed fund	<u>245,630</u>	<u>279,779</u>
	<u>454,112</u>	<u>526,857</u>
Total net assets released	<u>\$ 2,045,509</u>	<u>\$ 1,868,937</u>

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.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2023 AND 2022

16. ACCRUED RETIREMENT

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

For the year ended March 31, 2023, the Organization did not have an actuarial study performed on its defined benefit retirement plan. The effects of which were the net periodic pension cost, accumulated benefit obligation and accrued pension cost were not updated for the year.

Also, disclosures required in accordance with ASC 715 relating to the plan were not presented for the year ended March 31, 2023.

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

	<u>2022</u>
Net pension cost included the following components:	
Service cost - benefits earned during the period	\$ -
Interest cost on projected benefit obligation	9,741
Actual return on plan assets	-
Net amortization and deferral	<u>(4,371)</u>
Net periodic pension cost	<u>\$ 5,370</u>
Actuarial present value of benefit obligations:	
Accumulated benefit obligation	<u>\$ 167,245</u>
Reconciliation of funded status of plan with balance sheet accounts:	
Projected benefit obligation for service rendered to date	\$ (167,245)
Plan assets at fair value	<u>-</u>
Plan assets in deficit of projected benefit obligation	(167,245)
Unrecognized net (gain) or loss due to actuarial experience	(73,272)
Unrecognized net transition obligation or (asset)	-
Adjustments required to recognize minimum liability	<u>-</u>
(Accrued) or prepaid pension cost	<u>\$ (240,517)</u>

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 6.25 percent in 2022.

Benefits paid during the year are funded from the general operating fund.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

16. ACCRUED RETIREMENT, continued

The measurement date used to determine the periodic pension cost was March 31, 2022, while the measurement date used to determine the accumulated benefit obligation was March 31, 2022. Total benefits paid to participants for each year during 2023 and 2022 was \$21,748 and \$21,192.

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, 2023, 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, 2023 and March 31, 2022, reported investment assets of \$4,760,602 and \$5,338,151, 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 \$234,075 and \$245,075 for the years ended March 31, 2023 and 2022, respectively.

19. FUNCTIONAL EXPENSES

The following is a summary of the Organization's operating functional expenses for the year ended March 31, 2023 and 2022:

	<u>Program</u>	<u>Management</u>	<u>Fund Raising</u>	<u>2023</u>
Payroll and allowances	\$ 1,815,394	\$ 630,470	\$ 69,482	\$ 2,515,346
Pension	234,075	30,375	-	264,450
Medical, taxes and benefits	1,025,723	159,864	-	1,185,587
Travel and conferences	117,897	84,298	46,374	248,569
Project expenses	1,392,173	-	-	1,392,173
Depreciation	-	23,974	-	23,974
Other	<u>1,341,801</u>	<u>46,856</u>	<u>24,332</u>	<u>1,412,989</u>
Totals	<u>\$ 5,927,063</u>	<u>\$ 975,837</u>	<u>\$ 140,188</u>	<u>\$ 7,043,088</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2023 AND 2022

19. FUNCTIONAL EXPENSES (continued)

	<u>Program</u>	<u>Management</u>	<u>Fund Raising</u>	<u>2022</u>
Payroll and allowances	\$ 1,730,108	\$ 641,176	\$ 54,460	\$ 2,425,744
Pension	245,075	32,625	-	277,700
Medical, taxes and benefits	1,052,081	143,902	-	1,195,983
Travel and conferences	111,002	69,928	50,259	231,189
Project expenses	1,303,362	-	-	1,303,362
Depreciation	-	24,060	-	24,060
Other	<u>1,162,337</u>	<u>84,071</u>	<u>29,878</u>	<u>1,276,286</u>
Totals	<u>\$ 5,603,965</u>	<u>\$ 995,762</u>	<u>\$ 134,597</u>	<u>\$ 6,734,324</u>

20. NET ASSETS END OF YEAR

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

	<u>2023</u>	<u>2022</u>
Building and equipment	\$ 187,474	\$ 211,448
Board designated funds:		
Furlough fund	<u>\$248,174</u>	<u>\$314,885</u>
U.F.C.S. International	<u>114,100</u>	<u>114,113</u>
	362,274	428,998
Unrestricted	<u>2,089,814</u>	<u>2,025,248</u>
Total net assets without donor restrictions	<u>2,639,562</u>	<u>2,665,694</u>

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

Legacies	59,596	-
Other Councils	115,012	119,230
Special Projects	573,161	664,487
Other	<u>402,066</u>	<u>423,145</u>
	<u>1,149,835</u>	<u>1,206,862</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	1,006,097	1,113,133
Hoyt fund	783,731	859,080
Girardeau fund	354,263	384,995
General Ministries fund	22,607	22,607
J. Ackerman Coles fund	1,615,349	1,866,136
Partnerseed fund	<u>5,459,700</u>	<u>6,080,465</u>
	<u>9,241,747</u>	<u>10,326,416</u>
Total net assets with donor restrictions	<u>10,391,582</u>	<u>11,533,278</u>
Total net assets	<u>\$ 13,031,144</u>	<u>\$ 14,198,972</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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, 2023 and 2022, the endowment assets were composed of the following:

	<u>2023</u>	<u>2022</u>
Investments	\$ <u>9,525,401</u>	\$ <u>10,565,591</u>

Changes in endowment net assets were as follows for the years ended March 31, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 10,326,416	\$ 9,719,634
Contributions	12,000	4,000
Investment income	(277,005)	559,939
Net appreciation (depreciation)	(365,552)	569,700
Amounts appropriated for expenditure	<u>(454,112)</u>	<u>(526,857)</u>
Ending balance	\$ <u>9,241,747</u>	\$ <u>10,326,416</u>

INTERNATIONAL SERVICE FELLOWSHIP (USA)
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2023 AND 2022

22. LINE OF CREDIT

The Organization has a working capital line of credit arrangement with Univest National Bank & Trust, with interest stated at 8.50% 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. The loan forgiveness is recorded as income in the statement of Activities for the year ended March 31, 2022.

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 667,747	\$ 590,696
Investments	<u>17,482,181</u>	<u>19,276,610</u>
	18,149,928	19,867,306
Less:		
Donor restricted monies	1,149,835	1,206,862
Annuity investments	412,341	439,303
Investments permanently endowed	9,241,747	10,326,416
Non-qualified contribution benefit assets	4,760,602	5,338,151
Board designated net assets	<u>362,276</u>	<u>428,898</u>
	<u>\$ 2,223,127</u>	<u>\$ 2,127,676</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.

INTERNATIONAL SERVICE FELLOWSHIP (USA)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

25. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through September 22, 2023 which is the date on which the financial statements were available to be issued.