

*Financial Statements*

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**KODAI FRIENDS INTERNATIONAL, INC.**

**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017  
AND  
INDEPENDENT AUDITORS' REPORT**

**KODAI FRIENDS INTERNATIONAL, INC.**

**JUNE 30, 2018 AND 2017**

**TABLE OF CONTENTS**

	<b><u>Page(s)</u></b>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 - 8
Notes to Financial Statements	9 - 16

To the Board of Directors of  
Kodai Friends International, Inc.  
St. Louis, Missouri

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of Kodai Friends International, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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.

### **Auditors' 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 Kodai Friends International, Inc. as of June 30, 2018 and 2017, 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.

*Leone McDowell & Roberts,  
Professional Association*

October 30, 2018  
Wolfeboro, New Hampshire

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENTS OF FINANCIAL POSITION**  
JUNE 30, 2018 AND 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 150,830	\$ 186,399
Contributions receivable	3,267	65
Prepaid expenses	-	2,921
Investments	2,827,502	2,610,151
Beneficial interest in charitable trust	76,394	79,139
Cash surrender value of life insurance	14,341	13,963
	<hr/>	<hr/>
Total assets	\$ 3,072,334	\$ 2,892,638
	<u>LIABILITIES AND NET ASSETS</u>	
<b>LIABILITIES</b>		
Accounts payable	\$ 155	\$ -
Accrued expenses	3,286	1,371
	<hr/>	<hr/>
Total liabilities	3,441	1,371
<b>NET ASSETS</b>		
Unrestricted	2,666,352	2,482,242
Unrestricted - board designated	1,825	1,825
Temporarily restricted	297,391	303,875
Permanently restricted	103,325	103,325
	<hr/>	<hr/>
Total net assets	3,068,893	2,891,267
Total liabilities and net assets	\$ 3,072,334	\$ 2,892,638

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUES, GAINS, (LOSSES) AND OTHER SUPPORT</b>				
Contributions	\$ 21,733	\$ 13,713	\$ -	\$ 35,446
Investment gain (loss)	270,465	(525)	-	269,940
(Loss) gain on beneficial interest in charitable trust	<u>(2,744)</u>	<u>378</u>	<u>-</u>	<u>(2,366)</u>
Total revenue	289,454	13,566	-	303,020
Net assets released from restrictions	<u>20,050</u>	<u>(20,050)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, (losses) and other support	<u>309,504</u>	<u>(6,484)</u>	<u>-</u>	<u>303,020</u>
<b>EXPENSES</b>				
Program	80,255	-	-	80,255
General and administrative	32,704	-	-	32,704
Fundraising	<u>12,435</u>	<u>-</u>	<u>-</u>	<u>12,435</u>
Total expenses	<u>125,394</u>	<u>-</u>	<u>-</u>	<u>125,394</u>
<b>CHANGES IN NET ASSETS</b>	184,110	(6,484)	-	177,626
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,484,067</u>	<u>303,875</u>	<u>103,325</u>	<u>2,891,267</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,668,177</u>	<u>\$ 297,391</u>	<u>\$ 103,325</u>	<u>\$ 3,068,893</u>

See Notes to Financial Statements

**KODAI FRIENDS INTERNATIONAL, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b><u>UNRESTRICTED</u></b>	<b><u>TEMPORARILY RESTRICTED</u></b>	<b><u>PERMANENTLY RESTRICTED</u></b>	<b><u>TOTAL</u></b>
<b>REVENUES, LOSSES AND OTHER SUPPORT</b>				
Contributions	\$ 33,148	\$ 197,075	\$ -	\$ 230,223
Investment gain	326,288	4,954	-	331,242
Gain on beneficial interest in charitable trust	<u>6,957</u>	<u>378</u>	<u>-</u>	<u>7,335</u>
Total revenue	366,393	202,407	-	568,800
Net assets released from restrictions	<u>46,649</u>	<u>(46,649)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>413,042</u>	<u>155,758</u>	<u>-</u>	<u>568,800</u>
<b>EXPENSES</b>				
Program	78,957	-	-	78,957
General and administrative	43,385	-	-	43,385
Fundraising	<u>15,980</u>	<u>-</u>	<u>-</u>	<u>15,980</u>
Total expenses	<u>138,322</u>	<u>-</u>	<u>-</u>	<u>138,322</u>
<b>CHANGES IN NET ASSETS</b>	274,720	155,758	-	430,478
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,209,347</u>	<u>148,117</u>	<u>103,325</u>	<u>2,460,789</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,484,067</u>	<u>\$ 303,875</u>	<u>\$ 103,325</u>	<u>\$ 2,891,267</u>

**See Notes to Financial Statements**

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 177,626	\$ 430,478
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Net realized and unrealized gain on investments	(223,701)	(296,323)
Donated life insurance policy	(378)	(378)
Change in beneficial interest in charitable trust	2,745	(6,957)
(Increase) decrease in assets:		
Contributions receivable	(3,202)	(65)
Prepaid expenses	2,921	(1,463)
(Decrease) increase in liabilities:		
Accounts payable	155	-
Accrued expenses	1,915	590
	<u>(41,919)</u>	<u>125,882</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(477,758)	(478,802)
Proceeds from sale of investments	484,108	493,928
	<u>6,350</u>	<u>15,126</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(35,569)	141,008
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>186,399</u>	<u>45,391</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 150,830</u>	<u>\$ 186,399</u>
<b>NONCASH INVESTING ACTIVITIES</b>		
Receipt of donated life insurance cash surrender value	<u>\$ 378</u>	<u>\$ 378</u>

**See Notes to Financial Statements**

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Grants paid	\$ 64,031	\$ -	\$ -	\$ 64,031
Salaries and wages	7,623	15,247	7,624	30,494
Professional fees	2,201	13,118	2,200	17,519
Printing	1,791	895	895	3,581
Travel and meetings	2,881	-	-	2,881
Office expense	487	975	475	1,937
Other	480	960	480	1,920
Postage	425	850	425	1,700
Insurance expense	186	372	186	744
Telephone	150	287	150	587
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total functional expenses	\$ <u>80,255</u>	\$ <u>32,704</u>	\$ <u>12,435</u>	\$ <u>125,394</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Grants paid	\$ 59,118	\$ -	\$ -	\$ 59,118
Salaries and wages	13,668	27,336	13,668	54,672
Professional fees	750	13,457	750	14,957
Printing	1,067	534	534	2,135
Travel and meetings	3,325	-	-	3,325
Office expense	379	759	379	1,517
Other	18	37	18	73
Postage	225	450	225	900
Insurance expense	190	380	190	760
Telephone	217	432	216	865
	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	\$ <u>78,957</u>	\$ <u>43,385</u>	\$ <u>15,980</u>	\$ <u>138,322</u>

**See Notes to Financial Statements**

**KODAI FRIENDS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Kodai Friends International, Inc. (the "Organization") is a nonprofit Delaware corporation that receives donations from alumni and friends of Kodaikanal International School ("KIS") in India, and makes grants to fund scholarships and a variety of projects at KIS. The Organization is one of two successor organizations of Kodaikanal Woodstock International, Inc. ("KWI"). KWI was organized on May 15, 1972, to provide financial and administrative aid and support for two schools in India, KIS and Woodstock School. In mid-June 2005, the KWI Council of Members approved the motion to split KWI into two separate 501(c)(3) organizations. On July 1, 2006, KWI changed its name to Friends of Woodstock School, Inc. ("FWS"). Funds that had been held by KWI on behalf of both schools were divided between FWS and the Organization. The Organization was created to receive the net asset balances raised on behalf of KIS by KWI and to continue supporting KIS. The Organization is primarily funded by donations received from KIS alumni and the return on its investments.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

**Contributions Receivable**

Receivables are valued at management's estimate of the amount that will ultimately be collected. Management's policy is to establish an allowance for doubtful accounts based on the specific identification of uncollectible accounts and the Organization's historical collection experience. All receivables are considered fully collectible at June 30, 2018 and 2017, and no allowance for doubtful accounts has been provided.

### **Restricted and Unrestricted Support**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor, as well as any related investment income, is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

### **Investments**

The Organization carries investments in marketable securities with readily determinable fair values at fair value based on quoted prices in active markets.

### **Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

### **Grants Payable**

The Organization records a liability for grants when they have been approved by the Board of Directors. Grants payable within one year are recorded at the fair value at the date of approval. Grants payable in more than one year are recorded at the present value of their cash outflows using a risk-free rate of return.

### **In-Kind Contributions**

The Organization recognizes donated services, if any, that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been recorded for contributed services for the years ended June 30, 2018 and 2017.

The Organization records the value of contributed goods when there is an objective basis available to measure their value. Contributed materials and equipment are recorded at their estimated values at the date of receipt. No amounts have been recorded for contributed materials and equipment for the years ended June 30, 2018 and 2017.

### **Expense Allocations**

Directly identifiable expenses are charged to programs and supporting services as incurred. Expenses related to more than one function are charged to programs and supporting services on the basis of expense analysis. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

## 2. **FAIR VALUE MEASUREMENTS**

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments carried at fair value:

	<u>June 30, 2018</u>		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
U.S. common stocks:			
Energy	\$ 93,262	\$ -	\$ 93,262
Materials	43,973	-	43,973
Industrials	127,088	-	127,088
Consumer discretionary and staples	273,806	-	273,806
Healthcare	180,380	-	180,380
Financial services	173,537	-	173,537
Information technology and telecommunication companies	405,928	-	405,928
Utilities	27,571	-	27,571
Real estate	21,481	-	21,481
ETFs and closed-end funds:	8,572	-	8,572
Mutual funds:			
Equity	742,238	-	742,238
Fixed income	729,666	-	729,666
Total investments at fair value	2,827,502	-	2,827,502
Beneficial interest in charitable trust	-	76,394	76,394
Total assets at fair value	<u>\$ 2,827,502</u>	<u>\$ 76,394</u>	<u>\$ 2,903,896</u>

**June 30, 2017**

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
U.S. common stocks:			
Energy	\$ 84,270	\$ -	\$ 84,270
Materials	39,801	-	39,801
Industrials	124,640	-	124,640
Consumer discretionary and staples	252,473	-	252,473
Healthcare	165,392	-	165,392
Financial services	167,710	-	167,710
Information technology and telecommunication companies	297,091	-	297,091
Utilities	21,144	-	21,144
Real estate	12,036	-	12,036
Mutual funds:			
Equity	680,130	-	680,130
Fixed income	<u>765,464</u>	<u>-</u>	<u>765,464</u>
Total investments at fair value	2,610,151	-	2,610,151
Beneficial interest in charitable trust	<u>-</u>	<u>79,139</u>	<u>79,139</u>
Total assets at fair value	<u>\$ 2,610,151</u>	<u>\$ 79,139</u>	<u>\$ 2,689,290</u>

The following table summarizes the changes in the fair value of the Organization's Level 3 financial instruments for the years ended June 30, 2018 and 2017:

	<b><u>Beneficial Interest in Charitable Trust</u></b>
Balance, beginning of year July 1, 2016	\$ 72,182
Gain on beneficial interest in charitable trust	6,842
Purchases	3,265
Sales	<u>(3,150)</u>
Balance, end of year, June 30, 2017	79,139
Gain on beneficial interest in charitable trust	2,960
Purchases	2,538
Sales	<u>(8,243)</u>
Balance, end of year June 30, 2018	<u>\$ 76,394</u>

Beneficial interest in charitable trust consists of the Muysken Family Endowment Fund established by the donor in an account held and managed by the Presbyterian Church Foundation (the "Foundation").

The Organization's investment in the Muysken Family Endowment represents an interest in the investment pool held by the Foundation. The fair value of the beneficial interest in the Muysken family endowment is based on the value of the underlying assets owned, minus its liabilities, and then divided by the number of shares outstanding. Quantitative information about significant unobservable inputs is not readily available.

### 3. INVESTMENTS

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. common stocks	\$ 931,479	\$ 1,347,026	\$ 1,141,336	\$ 1,164,557
ETFs and closed-end funds	7,566	8,572		
Mutual funds:				
Equity	648,650	742,238	323,617	680,130
Fixed income	<u>800,689</u>	<u>729,666</u>	<u>812,188</u>	<u>765,464</u>
Total investments	<u>\$ 2,388,384</u>	<u>\$ 2,827,502</u>	<u>\$ 2,277,141</u>	<u>\$ 2,610,151</u>

Temporary investments consist of proceeds received from the sale of investments which are anticipated to be used for the purchase of other investments.

The following summarizes the components of the investment gain:

	<u>For the years ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 46,239	\$ 34,919
Net unrealized gain	93,843	189,638
Net realized gain	<u>129,858</u>	<u>106,685</u>
Total investment gain	<u>\$ 269,940</u>	<u>\$ 331,242</u>

Investment gain is reported net of \$18,416 and \$15,725 of investment expenses for the years ended June 30, 2018 and 2017, respectively.

### 4. CASH SURRENDER VALUE OF LIFE INSURANCE

The Organization is the beneficiary of a donated life insurance policy. The cash surrender value of the policy is recognized in the statements of financial position.

5. **BOARD DESIGNATED**

The Organization has designated amounts for a memorial project. These amounts are not restricted by a donor and have been voted on by the board of directors to be used for the Poondi memorial project. At both June 30, 2018 and 2017, the amount designated for this project was \$1,825.

6. **RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes and amounts:

	2018	2017
Understanding through diversity project	\$ 158,255	\$ 157,130
Scholarships	99,186	102,583
Donated life insurance policy (time restriction)	14,341	13,963
KIS environment	1,607	13,007
Fitness center	7,327	5,677
Matching project	10,572	5,515
Archival project	4,175	4,175
Poondi memorial project	<u>1,928</u>	<u>1,825</u>
Total temporarily restricted net assets	<u>\$ 297,391</u>	<u>\$ 303,875</u>

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity and the income will be available to support the operations of the Organization. Permanently restricted net assets consist of the Muysken Endowment of \$103,325 at June 30, 2018 and 2017.

7. **ENDOWMENT FUND**

Accounting standards for the classification and disclosure of endowments of not-for-profit organizations provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and require additional disclosures about an organization's endowment funds. The state of Delaware has adopted UPMIFA. The following disclosures are made as required by accounting standards:

- The endowment of Kodai Friends International, Inc. consists of five funds established in an account with the Presbyterian Church Foundation (the "Foundation") by the Muysken family. The Foundation will distribute annually, within the first quarter of each year, a payment equal to all increases in the market value of the fund which exceed the consumer price index percentage increase for the previous calendar year. However, if in any year there is no increase in the market value of this fund as detailed above, no payment will be made to the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

- The investment purpose of the endowment is to generate income to support the donor-imposed purpose. The Organization's spending policy of the distributions from the Foundation is primarily demand driven. The funds are invested at the sole discretion of the Foundation, as required by the donor, in a fund which seeks long term growth of capital.

Endowment net assets composition by type of fund as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted funds	\$ (26,931)	\$ -	\$ 103,325	\$ 76,394
Total funds	<u>\$ (26,931)</u>	<u>\$ -</u>	<u>\$ 103,325</u>	<u>\$ 76,394</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (24,186)	\$ -	\$ 103,325	\$ 79,139
Net unrealized and realized gains	<u>(2,745)</u>	<u>-</u>	<u>-</u>	<u>(2,745)</u>
Endowment net assets, end of year	<u>\$ (26,931)</u>	<u>\$ -</u>	<u>\$ 103,325</u>	<u>\$ 76,394</u>

Endowment net assets composition by type of fund as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (24,186)	\$ -	\$ 103,325	\$ 79,139
Total funds	<u>\$ (24,186)</u>	<u>\$ -</u>	<u>\$ 103,325</u>	<u>\$ 79,139</u>

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (31,143)	\$ -	\$ 103,325	\$ 72,182
Net unrealized and realized gains	<u>6,957</u>	<u>-</u>	<u>-</u>	<u>6,957</u>
Endowment net assets, end of year	<u>\$ (24,186)</u>	<u>\$ -</u>	<u>\$ 103,325</u>	<u>\$ 79,139</u>

#### **Funds with Deficiencies**

At times, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires the Organization to retain as a fund of perpetual duration. In accordance with United States generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$26,931 and \$24,186 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed appropriate by the Board of Directors.

#### **8. TAX STATUS**

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Tax filings for 2015 through 2018 are subject to examination, generally for three years after they were filed.

#### **9. RETIREMENT PLAN**

The Organization opened a SIMPLE IRA during the fiscal year ending June 30, 2016. The plan covers all full-time employees. The employee may elect to defer up to \$12,500 of their earned income. Employees over the age of 50, may defer an additional amount of \$3,000. The Organization must match the employees' deferrals dollar for dollar up to 3% of employee compensation for the years ended June 30, 2018 and 2017. Organization contributions to the plan aggregated \$1,402 and \$1,470 for the years ended June 30, 2018 and 2017.

#### **10. SUBSEQUENT EVENTS**

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through October 30, 2018, the date the financial statements were available to be issued.

To the Board of Directors  
Kodai Friends International, Inc.  
St. Louis, Missouri

We have audited the financial statements of Kodai Friends International, Inc. for the year ended June 30, 2018, and have issued our report thereon dated October 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 24, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kodai Friends International, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 30, 2018.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Kodai Friends International, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

*Leone McDonnell & Roberts,  
Professional Association*

October 30, 2018  
Wolfeboro, New Hampshire

To the Board of Directors  
Kodai Friends International, Inc.  
St. Louis, Missouri

In planning and performing our audit of the financial statements of Kodai Friends International, Inc. as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Kodai Friends International, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Leone, McDonnell & Roberts  
Professional Association*

October 30, 2018  
Wolfeboro, New Hampshire