

*Financial Statements*

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**KODAI FRIENDS INTERNATIONAL, INC.**

**FOR THE YEARS ENDED  
JUNE 30, 2019 AND 2018  
AND  
INDEPENDENT AUDITORS' REPORT**

**KODAI FRIENDS INTERNATIONAL, INC.**

**JUNE 30, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Leanne McDonnell & Roberts  
Professional Associates*

October 23, 2019  
Wolfeboro, New Hampshire

**KODAI FRIENDS INTERNATIONAL, INC.**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>ASSETS</u></b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 133,801	\$ 150,830
Accounts receivable	4,227	3,267
Investments	2,928,654	2,827,502
Beneficial interest in charitable trust	80,588	76,394
Cash surrender value of life insurance	<u>14,782</u>	<u>14,341</u>
Total assets	<u>\$ 3,162,052</u>	<u>\$ 3,072,334</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 370	\$ 155
Accrued expenses	<u>5,227</u>	<u>3,286</u>
Total liabilities	<u>5,597</u>	<u>3,441</u>
<b>NET ASSETS</b>		
Without donor restrictions	2,757,942	2,668,177
With donor restrictions	<u>398,513</u>	<u>400,716</u>
Total net assets	<u>3,156,455</u>	<u>3,068,893</u>
Total liabilities and net assets	<u>\$ 3,162,052</u>	<u>\$ 3,072,334</u>

**See Notes to Financial Statements**

**KODAI FRIENDS INTERNATIONAL, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Contributions	\$ 26,328	\$ 58,264	\$ 84,592
Investment gain	160,111	-	160,111
Gain on beneficial interest in charitable trust	<u>4,194</u>	<u>441</u>	<u>4,635</u>
Total revenue	190,633	58,705	249,338
Net assets released from restrictions	<u>60,908</u>	<u>(60,908)</u>	<u>-</u>
Total revenues, gains, and other support	<u>251,541</u>	<u>(2,203)</u>	<u>249,338</u>
<b>EXPENSES</b>			
Program	105,997	-	105,997
General and administrative	44,798	-	44,798
Fundraising	<u>10,981</u>	<u>-</u>	<u>10,981</u>
Total expenses	<u>161,776</u>	<u>-</u>	<u>161,776</u>
<b>CHANGES IN NET ASSETS</b>	89,765	(2,203)	87,562
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,668,177</u>	<u>400,716</u>	<u>3,068,893</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,757,942</u>	<u>\$ 398,513</u>	<u>\$ 3,156,455</u>

See Notes to Financial Statements

**KODAI FRIENDS INTERNATIONAL, INC.**

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

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<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>(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>
Total revenues, gains, (losses) and other support	<u>309,504</u>	<u>(6,484)</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>12,435</u>
Total expenses	<u>125,394</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>407,200</u>	<u>2,891,267</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,668,177</u>	<u>\$ 400,716</u>	<u>\$ 3,068,893</u>

See Notes to Financial Statements

**KODAI FRIENDS INTERNATIONAL, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 87,562	\$ 177,626
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Net realized and unrealized gain on investments	(117,510)	(223,701)
Donated life insurance policy	(441)	(378)
Change in beneficial interest in charitable trust	(4,194)	2,745
(Increase) decrease in assets:		
Accounts receivable	(960)	(3,202)
Prepaid expenses	-	2,921
(Decrease) increase in liabilities		
Accounts payable	215	155
Accrued expenses	1,941	1,915
	<u>(33,387)</u>	<u>(41,919)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(847,327)	(477,758)
Proceeds from sale of investments	863,685	484,108
	<u>16,358</u>	<u>6,350</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(17,029)	(35,569)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>150,830</u>	<u>186,399</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 133,801</u>	<u>\$ 150,830</u>
<b>NONCASH INVESTING ACTIVITIES</b>		
Receipt of donated life insurance cash surrender value	<u>\$ 441</u>	<u>\$ 378</u>

See Notes to Financial Statements



**KODAI FRIENDS INTERNATIONAL, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Grants paid	\$ 92,526	\$ -	\$ -	\$ 92,526
Salaries and wages	8,492	16,985	8,493	33,970
Professional fees	1,137	19,272	1,137	21,546
Printing	-	5,841	-	5,841
Travel and meetings	2,496	-	-	2,496
Postage	360	715	360	1,435
Office expense	306	613	306	1,225
Employee benefits	206	412	206	824
Insurance expense	186	372	186	744
Telephone	3	7	3	13
Other	<u>285</u>	<u>581</u>	<u>290</u>	<u>1,156</u>
Total functional expenses	<u>\$ 105,997</u>	<u>\$ 44,798</u>	<u>\$ 10,981</u>	<u>\$ 161,776</u>

**See Notes to Financial Statements**

**KODAI FRIENDS INTERNATIONAL, INC.**

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

	<b><u>PROGRAM</u></b>	<b><u>GENERAL AND ADMINISTRATIVE</u></b>	<b><u>FUNDRAISING</u></b>	<b><u>TOTAL</u></b>
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
Postage	425	850	425	1,700
Insurance expense	186	372	186	744
Telephone	150	287	150	587
Other	480	960	480	1,920
	<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.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**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 financial statements of the Organization have been prepared in accordance with U.S. Generally Accepted Accounting Principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. The Organization records donor restricted contributions whose restrictions are met in the same reporting period as net assets without donor restrictions.

### **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.

### **Accounts 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, 2019 and 2018, and no allowance for doubtful accounts has been provided.

### **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, 2019 and 2018.

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, 2019 and 2018.

**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.

**New Accounting Pronouncement**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**2. AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 133,801	\$ 150,830
Accounts receivable	4,227	3,267
Investments	<u>2,928,654</u>	<u>2,827,502</u>
Total financial assets	<u>\$ 3,066,682</u>	<u>\$ 2,981,599</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 398,513	\$ 400,716
Less net assets with purpose and time restrictions to be met in less than a year	<u>(20,176)</u>	<u>(60,908)</u>
Amounts not available within one year	<u>378,337</u>	<u>339,808</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,688,345</u>	<u>\$ 2,641,791</u>

### 3. **FAIR VALUE MEASUREMENTS**

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

<b>June 30, 2019</b>			
	<b><u>Level 1</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
U.S. common stocks:			
Energy	\$ 71,271	\$ -	\$ 71,271
Materials	31,493	-	31,493
Industrials	147,687	-	147,687
Consumer discretionary and staples	244,949	-	244,949
Healthcare	188,854	-	188,854
Financial services	175,078	-	175,078
Information technology and telecommunication companies	478,661	-	478,661
Utilities	38,564	-	38,564
Real estate	25,352	-	25,352
ETFs and closed-end funds	8,227	-	8,227
Mutual funds:			
Equity	758,144	-	758,144
Fixed income	<u>760,374</u>	<u>-</u>	<u>760,374</u>
Total investments at fair value	2,928,654	-	2,928,654
Beneficial interest in charitable trust	<u>-</u>	<u>80,588</u>	<u>80,588</u>
Total assets at fair value	<u>\$ 2,928,654</u>	<u>\$ 80,588</u>	<u>\$ 3,009,242</u>

<b>June 30, 2018</b>			
	<b><u>Level 1</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
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	<u>729,666</u>	<u>-</u>	<u>729,666</u>
Total investments at fair value	2,827,502	-	2,827,502
Beneficial interest in charitable trust	<u>-</u>	<u>76,394</u>	<u>76,394</u>
Total assets at fair value	<u>\$ 2,827,502</u>	<u>\$ 76,394</u>	<u>\$ 2,903,896</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, 2019 and 2018:

	<b><u>Beneficial Interest in Charitable Trust</u></b>
Balance, beginning of year July 1, 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	76,394
Gain on beneficial interest in charitable trust	1,051
Purchases	<u>3,143</u>
Balance, end of year, June 30, 2019	<u>\$ 80,588</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.

#### 4. **INVESTMENTS**

	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. common stocks	\$ 1,040,769	\$ 1,401,909	\$ 931,479	\$ 1,347,026
ETFs and closed-end funds	7,566	8,227	7,566	8,572
Mutual funds:				
Equity	697,622	758,144	648,650	742,238
Fixed income	<u>800,761</u>	<u>760,374</u>	<u>800,689</u>	<u>729,666</u>
Total investments	<u>\$ 2,546,718</u>	<u>\$ 2,928,654</u>	<u>\$ 2,388,384</u>	<u>\$ 2,827,502</u>

The following summarizes the components of the investment gain for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 40,360	\$ 46,239
Net unrealized (loss) gain	(55,602)	93,843
Net realized gain	<u>175,353</u>	<u>129,858</u>
Total investment gain	<u>\$ 160,111</u>	<u>\$ 269,940</u>

Investment gain is reported net of \$17,530 and \$18,416 of investment expenses for the years ended June 30, 2019 and 2018, respectively.

5. **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.

6. **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, 2019 is as follows:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Donor restricted funds	\$ (22,737)	\$ 103,325	\$ 80,588
Total funds	\$ (22,737)	\$ 103,325	\$ 80,588

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$ (26,931)	\$ 103,325	\$ 76,394
Net unrealized and realized gains	4,194	-	4,194
Endowment net assets, end of year	\$ (22,737)	\$ 103,325	\$ 80,588



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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted funds	\$ (26,931)	\$ 103,325	\$ 76,394
Total funds	<u>\$ (26,931)</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>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (24,186)	\$ 103,325	\$ 79,139
Net unrealized and realized gains	(2,745)	-	(2,745)
Endowment net assets, end of year	<u>\$ (26,931)</u>	<u>\$ 103,325</u>	<u>\$ 76,394</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 net assets without donor restrictions were \$22,737 and \$26,931 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions with donor restrictions and continued appropriation for certain programs that was deemed appropriate by the Board of Directors.

**7. TAX STATUS**

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Tax filings for 2016 through 2019 are subject to examination, generally for three years after they were filed.

**8. 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, 2019 and 2018. Organization contributions to the plan aggregated \$1,402 for the years ended June 30, 2018.

9. **NET ASSETS**

Net assets without donor restrictions and net assets with donor restrictions were as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total net assets without donor restriction	\$ 2,757,942	\$ 2,668,177
Total net assets with donor restriction	<u>398,513</u>	<u>400,716</u>
Total net assets	<u>\$ 3,156,455</u>	<u>\$ 3,068,893</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purchase restriction	<u>\$ 60,908</u>	<u>\$ 20,050</u>

Net assets released from net assets with donor restrictions are as follows:

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 June 30, 2018 the amount designated for this project was \$1,825. During the year ended June 30, 2019, the board designated an additional \$1,793 for this project. As of June 30, 2019, the entire amount of \$3,618 was granted to KIS for this project, leaving no board designated funds remaining.

10. **RELATED PARTY TRANSACTIONS**

At the June 9, 2018 Kodai Friends International, Inc. board meeting, the Organization approved a grant request from Kodaikanal International School for \$67,000 for a development office at the school. In January of 2019, \$17,000 was wired to the school for office start-up purposes. The remaining \$50,000 will not be paid until a development officer is hired, which does not appear likely in the near future.

11. **SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are available to be issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the statement of financial position date, but arose after that date. Management has evaluated subsequent events through October 23, 2019, the date the June 30, 2019 financial statements were available for issuance.