

Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020
AND
INDEPENDENT AUDITORS' REPORT

KODAI FRIENDS INTERNATIONAL, INC.

JUNE 30, 2021 AND 2020

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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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 auditors' 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

October 8, 2021
Wolfeboro, New Hampshire

KODAI FRIENDS INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 137,924	\$ 240,784
Accounts receivable	<u>3,088</u>	<u>1,586</u>
Total current assets	<u>141,012</u>	<u>242,370</u>
NONCURRENT ASSETS		
Investments	3,711,232	2,989,099
Beneficial interest in charitable trust	95,587	67,751
Cash surrender value of life insurance	<u>15,644</u>	<u>14,782</u>
Total noncurrent assets	<u>3,822,463</u>	<u>3,071,632</u>
Total assets	<u>\$ 3,963,475</u>	<u>\$ 3,314,002</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 180	\$ -
Related party grants payable	13,337	201,361
Accrued expenses	<u>6,735</u>	<u>3,563</u>
Total liabilities	<u>20,252</u>	<u>204,924</u>
NET ASSETS		
Without donor restrictions	3,768,798	2,687,058
Without donor restrictions - board designated	4,402	6,382
With donor restrictions	<u>170,023</u>	<u>415,638</u>
Total net assets	<u>3,943,223</u>	<u>3,109,078</u>
Total liabilities and net assets	<u>\$ 3,963,475</u>	<u>\$ 3,314,002</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 19,750	\$ 148,830	\$ 168,580
Investment gain	933,759	-	933,759
Gain on beneficial interest in charitable trust	<u>28,698</u>	<u>-</u>	<u>28,698</u>
Total revenue	982,207	148,830	1,131,037
Net assets released from restrictions	<u>394,445</u>	<u>(394,445)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,376,652</u>	<u>(245,615)</u>	<u>1,131,037</u>
EXPENSES			
Program	239,038	-	239,038
General and administrative	43,501	-	43,501
Fundraising	<u>14,353</u>	<u>-</u>	<u>14,353</u>
Total expenses	<u>296,892</u>	<u>-</u>	<u>296,892</u>
CHANGES IN NET ASSETS	1,079,760	(245,615)	834,145
NET ASSETS, BEGINNING OF YEAR	<u>2,693,440</u>	<u>415,638</u>	<u>3,109,078</u>
NET ASSETS, END OF YEAR	<u>\$ 3,773,200</u>	<u>\$ 170,023</u>	<u>\$ 3,943,223</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 34,408	\$ 44,598	\$ 79,006
Investment gain	168,777	-	168,777
Loss on beneficial interest in charitable trust	<u>(12,838)</u>	<u>-</u>	<u>(12,838)</u>
Total revenue	190,347	44,598	234,945
Net assets released from restrictions	<u>27,473</u>	<u>(27,473)</u>	<u>-</u>
Total revenues, gains, and other support	<u>217,820</u>	<u>17,125</u>	<u>234,945</u>
EXPENSES			
Program	232,708	-	232,708
General and administrative	39,057	-	39,057
Fundraising	<u>10,557</u>	<u>-</u>	<u>10,557</u>
Total expenses	<u>282,322</u>	<u>-</u>	<u>282,322</u>
CHANGES IN NET ASSETS	(64,502)	17,125	(47,377)
NET ASSETS, BEGINNING OF YEAR	<u>2,757,942</u>	<u>398,513</u>	<u>3,156,455</u>
NET ASSETS, END OF YEAR	<u>\$ 2,693,440</u>	<u>\$ 415,638</u>	<u>\$ 3,109,078</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Grants paid	\$ 224,688	\$ -	\$ -	\$ 224,688
Salaries and wages	11,194	22,390	11,195	44,779
Professional fees	1,631	16,692	1,631	19,954
Other	902	1,803	903	3,608
Printing	-	1,369	-	1,369
Postage	255	509	255	1,019
Office expense	235	471	236	942
Virtual communications	<u>133</u>	<u>267</u>	<u>133</u>	<u>533</u>
Total functional expenses	<u>\$ 239,038</u>	<u>\$ 43,501</u>	<u>\$ 14,353</u>	<u>\$ 296,892</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Grants paid	\$ 221,133	\$ -	\$ -	\$ 221,133
Salaries and wages	8,220	16,444	8,222	32,886
Professional fees	833	17,730	833	19,396
Other	1,061	2,121	1,060	4,242
Printing	-	1,877	-	1,877
Travel and meetings	1,019	-	-	1,019
Office expense	247	495	247	989
Postage	191	382	191	764
Virtual communications	<u>4</u>	<u>8</u>	<u>4</u>	<u>16</u>
Total functional expenses	<u>\$ 232,708</u>	<u>\$ 39,057</u>	<u>\$ 10,557</u>	<u>\$ 282,322</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		.
Changes in net assets	\$ 834,145	\$ (47,377)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Net realized and unrealized gain on investments	(900,470)	(127,114)
Dividends received	-	257
Change in donated life insurance policy	(862)	-
Change in beneficial interest in charitable trust	(27,836)	12,837
(Increase) decrease in assets:		
Accounts receivable	(1,502)	2,641
(Decrease) increase in liabilities:		
Accounts payable	180	(370)
Related party grants payable	(188,024)	201,361
Accrued expenses	<u>3,172</u>	<u>(1,664)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(281,197)</u>	<u>40,571</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(825,006)	(810,627)
Proceeds from sale of investments	<u>1,003,343</u>	<u>877,039</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>178,337</u>	<u>66,412</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(102,860)	106,983
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>240,784</u>	<u>133,801</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 137,924</u>	<u>\$ 240,784</u>
NONCASH INVESTING ACTIVITIES		
Receipt of donated life insurance cash surrender value	<u>\$ 862</u>	<u>\$ -</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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.

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.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020, and no allowance for doubtful accounts has been provided.

Investments

Investments are initially reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair Value Measurements

United States GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own estimates about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy):

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

At June 30, 2021 and 2020, the Organization's investments were classified as Level 1 and Level 3. For the years 2021 and 2020, the Organization classified \$3,711,232 and \$2,989,099 as Level 1, respectively. For the years 2021 and 2020, the Organization classified \$95,587 and \$67,751 as Level 3, respectively.

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.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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, 2021 and 2020.

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, 2021 and 2020.

Functional Allocation of Expenses

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 Pronouncements

On September 17, 2020 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU), 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is intended to increase transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 137,924	\$ 240,784
Accounts receivable	3,088	1,586
Investments	3,711,232	2,989,099
Beneficial interest in charitable trust	<u>95,587</u>	<u>67,751</u>
Total financial assets	<u>\$ 3,947,831</u>	<u>\$ 3,299,220</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 170,023	\$ 415,638
Beneficial interest in charitable trust	95,587	67,751
Less net assets with purpose and time restrictions to be met in less than a year	<u>(11,357)</u>	<u>(394,445)</u>
Amounts not available within one year	<u>254,253</u>	<u>88,944</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,693,578</u>	<u>\$ 3,210,276</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:

	<u>June 30, 2021</u>		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
U.S. common stocks:			
Energy	\$ 57,697	\$ -	\$ 57,697
Materials	47,936	-	47,936
Industrials	155,678	-	155,678
Consumer discretionary and staples	254,075	-	254,075
Healthcare	219,578	-	219,578
Financial services	191,018	-	191,018
Information technology and telecommunication companies	700,889	-	700,889
Utilities	30,253	-	30,253
Real estate	35,114	-	35,114
Mutual funds:			
Balanced	29,711	-	29,711
Equity	954,660	-	954,660
Fixed income	<u>1,034,623</u>	<u>-</u>	<u>1,034,623</u>
Total investments at fair value	3,711,232	-	3,711,232
Beneficial interest in charitable trust	<u>-</u>	<u>95,587</u>	<u>95,587</u>
Total assets at fair value	<u>\$ 3,711,232</u>	<u>\$ 95,587</u>	<u>\$ 3,806,819</u>

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

3. FAIR VALUE MEASUREMENTS (CONTINUED)

	June 30, 2020		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
U.S. common stocks:			
Energy	\$ 41,589	\$ -	\$ 41,589
Materials	28,061	-	28,061
Industrials	127,893	-	127,893
Consumer discretionary and staples	261,858	-	261,858
Healthcare	216,814	-	216,814
Financial services	154,454	-	154,454
Information technology and telecommunication companies	641,316	-	641,316
Utilities	36,837	-	36,837
Real estate	34,143	-	34,143
Mutual funds:			
Balanced	22,707	-	22,707
Equity	718,176	-	718,176
Fixed income	<u>705,251</u>	<u>-</u>	<u>705,251</u>
Total investments at fair value	2,989,099	-	2,989,099
Beneficial interest in charitable trust	<u>-</u>	<u>67,751</u>	<u>67,751</u>
Total assets at fair value	<u>\$ 2,989,099</u>	<u>\$ 67,751</u>	<u>\$ 3,056,850</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, 2021 and 2020:

	<u>Beneficial Interest in Charitable Trust</u>
Balance, beginning of year July 1, 2019	\$ 80,588
Gain on beneficial interest in charitable trust	3,181
Purchases	2,461
Sales	(11,180)
Other disbursements of cash	<u>(7,299)</u>
Balance, end of year, June 30, 2020	67,751
Gain on beneficial interest in charitable trust	3,003
Purchases	12,219
Sales	(14,527)
Other disbursements of cash	(5,257)
Unrealized gain	<u>32,398</u>
Balance, end of year, June 30, 2021	<u>\$ 95,587</u>

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

3. FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2021</u>		<u>June 30, 2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. common stocks	\$ 1,124,321	\$ 1,692,238	\$ 1,124,321	\$ 1,542,965
Mutual funds:				
Balanced	22,511	29,711	22,511	22,707
Equity	727,562	954,660	727,562	718,176
Fixed income	<u>708,449</u>	<u>1,034,623</u>	<u>708,449</u>	<u>705,251</u>
Total investments	<u>\$ 2,582,843</u>	<u>\$ 3,711,232</u>	<u>\$ 2,582,843</u>	<u>\$ 2,989,099</u>

The following summarizes the components of the investment gain for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 56,082	\$ 61,433
Net unrealized gain	525,818	13,901
Net realized gain	374,652	113,213
Investment expenses	<u>(22,793)</u>	<u>(19,770)</u>
Total investment gain	<u>\$ 933,759</u>	<u>\$ 168,777</u>

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:

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

6. ENDOWMENT FUND (CONTINUED)

- 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, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted funds	\$ (7,738)	\$ 103,325	\$ 95,587

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (35,574)	\$ 103,325	\$ 67,751
Gain on beneficial interest in charitable trust	3,003	-	3,003
Purchases	12,219	-	12,219
Sales	(14,527)	-	(14,527)
Other disbursements of cash	(5,257)	-	(5,257)
Unrealized gain	<u>32,398</u>	<u>-</u>	<u>32,398</u>
Endowment net assets, end of year	\$ <u>(7,738)</u>	\$ <u>103,325</u>	\$ <u>95,587</u>

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

6. ENDOWMENT FUND (CONTINUED)

Endowment net assets composition by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted funds	\$ (35,574)	\$ 103,325	\$ 67,751

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (22,737)	\$ 103,325	\$ 80,588
Gain on beneficial interest in charitable trust	3,181	-	3,181
Purchases	2,461	-	2,461
Sales	(11,180)	-	(11,180)
Other disbursements of cash	(7,299)	-	(7,299)
Endowment net assets, end of year	<u>\$ (35,574)</u>	<u>\$ 103,325</u>	<u>\$ 67,751</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 \$7,738 and \$35,574 as of June 30, 2021 and 2020, 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.

Management has evaluated the Organization's tax positions, in accordance with FASB ASC 740 "Accounting for Uncertainty in Income Taxes", and concluded that the Organization has maintained its tax-exempt status and has taken no uncertain tax positions that would require adjustment to the financial statements. With few exceptions, the Organization is subject for three years to income tax examinations by the United States Federal or State tax authorities.

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8. NET ASSETS

Net assets without donor restrictions and net assets with donor restrictions were as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Total net assets without donor restriction	\$ 3,768,798	\$ 2,687,058
Total net assets without donor restriction – board designated	4,402	6,382
Total net assets with donor restriction	<u>170,023</u>	<u>415,638</u>
 Total net assets	 <u>\$ 3,943,223</u>	 <u>\$ 3,109,078</u>

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restriction	<u>\$ 394,445</u>	<u>\$ 27,473</u>

9. 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 June 30, 2021 and 2020, the amount designated for this project was \$4,402 and \$6,382, respectively.

10. RELATED PARTY TRANSACTIONS

At the June 2020 Kodai Friends International Inc. board meeting, the Organization approved a grant request from KIS for \$50,000 from their COVID-19 Relief Fund. As of June 30, 2020, the Organization had paid \$6,894 of the promised amount, leaving \$43,106 outstanding. The Organization also approved a grant request at this meeting for \$158,255 funded by their Wilder Fund for Understanding Through Diversity. As of June 30, 2020, the full amount was outstanding. Related party grants payable as of June 30, 2020 was \$201,361. During the year ended June 30, 2021, the amounts outstanding in the previous year were paid in full. At the June 2021 Kodai Friends International Inc. board meeting, the Organization approved pledges of \$13,337 to benefit the Class of 1974 Legacy Fund, The Community Relief Project, and KIS Scholarships. As of June 30, 2021, the full amount was outstanding. Related party grants payable as of June 30, 2021 was \$13,337.

11. RECLASSIFICATION

Certain amounts from the June 30, 2020 financial statements have been reclassified for comparative purposes to conform with the June 30, 2021 financial statements.

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12. OTHER EVENTS

We expect the impact of the novel coronavirus (“COVID-19”) and measures to prevent its spread to affect the Organization’s business. The significance of the impact of these disruptions, including the extent of their adverse impact on the Organization’s financial and operational results, will be dictated by the length of time that such disruptions continue and, in turn, will depend on the currently unknowable duration of the COVID-19 pandemic and the impact of governmental regulations that might be imposed in response to the pandemic. The Organization’s business could also be impacted should the disruptions from COVID-19 lead to changes in consumer behavior. There are certain limitations on the Organization’s ability to mitigate the adverse financial impact of these items. COVID-19 also makes it more challenging for management to estimate future performance of the Organization, particularly over the near to medium term.

13. 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 8, 2021, the date the June 30, 2021 financial statements were available for issuance.