

Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021
AND
INDEPENDENT AUDITORS' REPORT

KODAI FRIENDS INTERNATIONAL, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kodai Friends International, Inc.

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kodai Friends International, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kodai Friends International, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kodai Friends International, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Leone McDowell's Roberts
Professional Associate

Dover, New Hampshire
December 6, 2022

KODAI FRIENDS INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 122,207	\$ 137,924
Accounts receivable	<u>3,065</u>	<u>3,088</u>
Total current assets	<u>125,272</u>	<u>141,012</u>
NONCURRENT ASSETS		
Investments	3,109,765	3,711,232
Beneficial interest in charitable trust	77,883	95,587
Cash surrender value of life insurance	<u>16,036</u>	<u>15,644</u>
Total noncurrent assets	<u>3,203,684</u>	<u>3,822,463</u>
Total assets	<u>\$ 3,328,956</u>	<u>\$ 3,963,475</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 563	\$ 180
Related party grants payable	50,275	13,337
Accrued expenses	<u>5,178</u>	<u>6,735</u>
Total liabilities	<u>56,016</u>	<u>20,252</u>
NET ASSETS		
Without donor restrictions	3,083,756	3,768,798
Without donor restrictions - board designated	-	4,402
With donor restrictions	<u>189,184</u>	<u>170,023</u>
Total net assets	<u>3,272,940</u>	<u>3,943,223</u>
Total liabilities and net assets	<u>\$ 3,328,956</u>	<u>\$ 3,963,475</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Contributions	\$ 17,078	\$ 77,415	\$ 94,493
Total revenues	17,078	77,415	94,493
NET ASSETS RELEASED FROM RESTRICTIONS	<u>58,254</u>	<u>(58,254)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>75,332</u>	<u>19,161</u>	<u>94,493</u>
EXPENSES			
Program	123,266	-	123,266
General and administrative	42,670	-	42,670
Fundraising	<u>12,630</u>	<u>-</u>	<u>12,630</u>
Total expenses	<u>178,566</u>	<u>-</u>	<u>178,566</u>
CHANGES IN NET ASSETS FROM OPERATIONS	<u>(103,234)</u>	<u>19,161</u>	<u>(84,073)</u>
OTHER INCOME (LOSS)			
Investment loss	(568,898)	-	(568,898)
Loss on beneficial interest in charitable trust	<u>(17,312)</u>	<u>-</u>	<u>(17,312)</u>
Total other income (loss)	<u>(586,210)</u>	<u>-</u>	<u>(586,210)</u>
CHANGES IN NET ASSETS	(689,444)	19,161	(670,283)
NET ASSETS, BEGINNING OF YEAR	<u>3,773,200</u>	<u>170,023</u>	<u>3,943,223</u>
NET ASSETS, END OF YEAR	<u>\$ 3,083,756</u>	<u>\$ 189,184</u>	<u>\$ 3,272,940</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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Grants paid	\$ 110,635	\$ -	\$ -	\$ 110,635
Salaries and wages	9,635	19,270	9,635	38,540
Professional fees	1,054	18,503	1,053	20,610
Other	1,312	2,624	1,312	5,248
Office expense	406	813	407	1,626
Printing	-	1,013	-	1,013
Postage	186	372	186	744
Virtual communications	<u>38</u>	<u>75</u>	<u>37</u>	<u>150</u>
Total functional expenses	<u>\$ 123,266</u>	<u>\$ 42,670</u>	<u>\$ 12,630</u>	<u>\$ 178,566</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
Office expense	255	509	255	1,019
Postage	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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (670,283)	\$ 834,145
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Net realized and unrealized gain on investments	605,991	(900,470)
Change in donated life insurance policy	(392)	(862)
Change in beneficial interest in charitable trust	17,704	(27,836)
(Increase) decrease in assets:		
Accounts receivable	23	(1,502)
Increase (decrease) in liabilities:		
Accounts payable	383	180
Related party grants payable	36,938	(188,024)
Accrued expenses	<u>(1,557)</u>	<u>3,172</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(11,193)</u>	<u>(281,197)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(821,470)	(825,006)
Proceeds from sale of investments	<u>816,946</u>	<u>1,003,343</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(4,524)</u>	<u>178,337</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,717)	(102,860)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>137,924</u>	<u>240,784</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 122,207</u>	<u>\$ 137,924</u>
NONCASH INVESTING ACTIVITIES		
Receipt of donated life insurance cash surrender value	<u>\$ 392</u>	<u>\$ 862</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 in accordance with accounting principles generally accepted in the United States of America.

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 these restrictions expire, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. See **Note 6**.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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.

Fair Value of Financial Instruments

Cash, accounts receivable, accounts payable, accrued expenses and other liabilities are carried in the financial statements at amounts which approximate fair value. The fair values determined for financial instruments are estimates, which for certain accounts may differ significantly from the amounts that could be realized upon immediate liquidations. See **Note 3** regarding fair value of investments.

Cash and Cash Equivalents

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, 2022 and 2021, and no allowance for doubtful accounts has been provided.

Revenue Recognition Policy

Contributions without donor restrictions are recorded when unconditionally pledged by the donors or upon receipt. Grants and contributions with donor restrictions (donations with time or purpose restrictions) are recognized as revenues and net assets with donor restrictions when received or unconditionally pledged. When a stipulated time restriction ends or a purpose restriction is accomplished, the amounts are shown as net assets released from restrictions in the accompanying statements of activities. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Conditional contributions are recognized when the conditions are substantially met.

Performance Obligations and Contract Assets and Liabilities

All the performance obligations of contracts for the Organization are satisfied at a point in time. Revenue from performance obligations satisfied at a point in time consist of certain grants. There were no contract assets and liabilities for the years ended June 30, 2022 and 2021.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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

FASB ASC 820, "Fair Value Measurements and Disclosures" establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described as follows:

- 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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Corporate common stocks - Valued at the closing market price on the stock exchange where they are traded (primarily the New York Stock Exchange).

Mutual Funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

At June 30, 2022 and 2021, the Organization's investments were classified as Level 1 and Level 3. For the years 2022 and 2021, the Organization classified \$3,109,765 and \$3,711,232 as Level 1, respectively. For the years 2022 and 2021, the Organization classified \$77,883 and \$95,587 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.

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, 2022 and 2021.

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, 2022 and 2021.

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.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

New Accounting Pronouncement

In May 2014, FASB issued ASU 2014-09 (Topic 606) – Revenue from Contracts with Customers. The ASU and all subsequently issued clarifying ASUs replaced the most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue from cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2021, the first day of the Organization’s fiscal year using the modified retrospective approach. The adoption did not result in a change to the accounting for any of the applicable revenue streams; as such, no cumulative effect adjustment was recorded. See revenue recognition policy to follow.

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. Examples of contributed nonfinancial assets include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food or clothing; intangible assets; and recognized contributed services. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires certain disclosures for each category of contributed nonfinancial assets recognized. The Organization adopted the new standard effective July 1, 2021.

Recently Issued Accounting Standards to be Adopted in the Future

The following accounting pronouncements were recently issued by the FASB:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee’s right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. 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, 2022 AND 2021

2. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 122,207	\$ 137,924
Accounts receivable	3,065	3,088
Investments	3,109,765	3,711,232
Beneficial interest in charitable trust	77,883	95,587
Cash surrender value of life insurance	<u>16,036</u>	<u>15,644</u>
Total financial assets	<u>\$ 3,328,956</u>	<u>\$ 3,963,475</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 189,184	\$ 170,023
Beneficial interest in charitable trust	77,883	95,587
Less net assets with purpose and time restrictions to be met in less than a year	<u>(23,736)</u>	<u>(11,357)</u>
Amounts not available within one year	<u>243,331</u>	<u>254,253</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,085,625</u>	<u>\$ 3,709,222</u>

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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:

	June 30, 2022		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
U.S. common stocks:			
Energy	\$ 95,243	\$ -	\$ 95,243
Materials	30,981	-	30,981
Industrials	137,158	-	137,158
Consumer discretionary and staples	202,756	-	202,756
Healthcare	245,855	-	245,855
Financial Services	157,194	-	157,194
Information technology and telecommunication companies	462,201	-	462,201
Utilities	52,353	-	52,353
Real estate	34,428	-	34,428
Mutual funds:			
Balanced	24,701	-	24,701
Equity	772,839	-	772,839
Fixed income	<u>894,056</u>	<u>-</u>	<u>894,056</u>
Total investments at fair value	3,109,765	-	3,109,765
Beneficial interest in charitable trust	-	77,883	77,883
Cash surrender value of life insurance	<u>-</u>	<u>16,036</u>	<u>16,036</u>
Total assets at fair value	<u>\$ 3,109,765</u>	<u>\$ 93,919</u>	<u>\$ 3,203,684</u>

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	June 30, 2021		
	<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	-	95,587	95,587
Cash surrender value of life insurance	<u>-</u>	<u>15,644</u>	<u>15,644</u>
Total assets at fair value	<u>\$ 3,711,232</u>	<u>\$ 111,231</u>	<u>\$ 3,822,463</u>

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

The following table summarizes the changes in the fair value of the Organization's Level 3 financial instruments for the years ended June 30, 2022 and 2021:

	<u>Beneficial Interest in Charitable Trust</u>
Balance, beginning of year July 1, 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	95,587
Gain on beneficial interest in charitable trust	3,044
Purchases	2,324
Sales	(10,219)
Other disbursements of cash	(10,938)
Unrealized loss	<u>(1,915)</u>
Balance, end of year, June 30, 2022	<u>\$ 77,883</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.

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4. INVESTMENTS

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. common stocks	\$ 1,116,118	\$ 1,418,169	\$ 1,124,321	\$ 1,692,238
Mutual funds	<u>1,877,802</u>	<u>1,691,596</u>	<u>1,458,522</u>	<u>2,018,994</u>
Total investments	<u>\$ 2,993,920</u>	<u>\$ 3,109,765</u>	<u>\$ 2,582,843</u>	<u>\$ 3,711,232</u>

The following summarizes the components of the investment gain for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 60,296	\$ 56,082
Net unrealized gain (loss)	(816,442)	525,818
Net realized gain	210,451	374,652
Investment expenses	<u>(23,203)</u>	<u>(22,793)</u>
Total investment gain (loss)	<u>\$ (568,898)</u>	<u>\$ 933,759</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:

- 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.

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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, 2022 is as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Donor restricted funds	\$ <u>(25,442)</u>	\$ <u>103,325</u>	\$ <u>77,883</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (7,738)	\$ 103,325	\$ 95,587
Gain on beneficial interest in charitable trust	3,044	-	3,044
Purchases	2,324	-	2,324
Sales	(10,219)	-	(10,219)
Other disbursements of cash	(10,938)	-	(10,938)
Unrealized loss	<u>(1,915)</u>	<u>-</u>	<u>(1,915)</u>
Endowment net assets, end of year	<u>\$ (25,442)</u>	<u>\$ 103,325</u>	<u>\$ 77,883</u>

Endowment net assets composition by type of fund as of June 30, 2021 is as follows:

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

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

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>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>

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 \$25,442 and \$7,738 as of June 30, 2022 and 2021, 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. INCOME TAXES

The Organization is exempt from income taxes under code section 501 (c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Accounting Standard Codification No. 740, "Accounting for Income Taxes," established the minimum threshold for recognizing, and a system for measuring, the benefits of tax return positions in financial statements. The Organization has analyzed its tax position taken on its exempt purpose information returns for the previous three years and has concluded that no provision for income taxes is necessary in the Organization's financial statements.

8. 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, 2022 and 2021, the amount designated for this project was \$0 and \$4,402, respectively.

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9. RELATED PARTY TRANSACTIONS

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. During the year ended June 2022, all amounts outstanding in the previous year were paid. At the June 2022 Board meeting, a pledge in the amount of \$12,275 was approved for the KIS Center for Environment and Humanity as well as a \$38,000 pledge from the General Fund for Fund a Need – Development Grant for a total outstanding at June 30, 2022 of \$50,275.

10. RECLASSIFICATION

Certain amounts and accounts from the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation.

11. OTHER EVENTS

The impact of the novel coronavirus (COVID-19) and measures to prevent its spread are affecting the Organization's business. The significance of the impact on the Organization's financial operational results will be dictated by the length of time that such disruptions continue.

12. SUBSEQUENT EVENTS

The Organization has evaluated events through December 6, 2022, which is the date that the financial statements were available to be issued.