

KODAI FRIENDS INTERNATIONAL, INC.

**FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022
AND
INDEPENDENT AUDITORS' REPORT**

*Leone,
McDonnell
& Roberts*
PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

KODAI FRIENDS INTERNATIONAL, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kodai Friends International, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 McDonnell & Roberts,
Professional Association*

Dover, New Hampshire
September 19, 2023

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 187,082	\$ 122,207
Accounts receivable	<u>3,537</u>	<u>3,065</u>
Total current assets	<u>190,619</u>	<u>125,272</u>
NONCURRENT ASSETS		
Investments	3,327,236	3,109,765
Beneficial interest in charitable trust	81,251	77,883
Cash surrender value of life insurance	<u>16,393</u>	<u>16,036</u>
Total noncurrent assets	<u>3,424,880</u>	<u>3,203,684</u>
Total assets	<u>\$ 3,615,499</u>	<u>\$ 3,328,956</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 304	\$ 563
Related party grants payable	126,137	50,275
Accrued expenses	<u>2,897</u>	<u>5,178</u>
Total liabilities	<u>129,338</u>	<u>56,016</u>
NET ASSETS		
Without donor restrictions	3,221,084	3,083,756
With donor restrictions	<u>265,077</u>	<u>189,184</u>
Total net assets	<u>3,486,161</u>	<u>3,272,940</u>
Total liabilities and net assets	<u>\$ 3,615,499</u>	<u>\$ 3,328,956</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER PUBLIC SUPPORT			
Contributions	\$ 65,336	\$ 108,918	\$ 174,254
Investment income	273,260	-	273,260
Gain on beneficial interest in charitable trust	3,368	-	3,368
Gain on donated life insurance policy	<u>357</u>	<u>-</u>	<u>357</u>
Total revenue	342,321	108,918	451,239
Net assets released from restrictions	<u>33,025</u>	<u>(33,025)</u>	<u>-</u>
Total revenues, gains, other support, and net assets released from restrictions	<u>375,346</u>	<u>75,893</u>	<u>451,239</u>
EXPENSES			
Program	181,591	-	181,591
General and administrative	45,315	-	45,315
Fundraising	<u>11,112</u>	<u>-</u>	<u>11,112</u>
Total expenses	<u>238,018</u>	<u>-</u>	<u>238,018</u>
CHANGES IN NET ASSETS	<u>137,328</u>	<u>75,893</u>	<u>213,221</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,083,756</u>	<u>189,184</u>	<u>3,272,940</u>
NET ASSETS, END OF YEAR	<u>\$ 3,221,084</u>	<u>\$ 265,077</u>	<u>\$ 3,486,161</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 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 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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Grants paid	\$ 170,478	\$ -	\$ -	\$ 170,478
Salaries and wages	8,485	16,969	8,485	33,939
Professional fees	287	22,713	287	23,287
Printing and postage	10	970	10	990
Office expense	111	223	111	445
Other	<u>2,220</u>	<u>4,440</u>	<u>2,219</u>	<u>8,879</u>
Total functional expenses	<u>\$ 181,591</u>	<u>\$ 45,315</u>	<u>\$ 11,112</u>	<u>\$ 238,018</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
Printing and postage	186	1,385	186	1,757
Office expense	406	813	407	1,626
Other	<u>1,350</u>	<u>2,699</u>	<u>1,349</u>	<u>5,398</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.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 213,221	\$ (670,283)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Net realized and unrealized (gain) loss on investments	(221,300)	605,991
Change in beneficial interest in charitable trust	(3,368)	17,704
Change in donated life insurance policy	(357)	(392)
(Increase) decrease in assets:		
Accounts receivable	(472)	23
Increase (decrease) in liabilities:		
Accounts payable	(259)	383
Related party grants payable	75,862	36,938
Accrued expenses	<u>(2,281)</u>	<u>(1,557)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>61,046</u>	<u>(11,193)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,215,051)	(821,470)
Proceeds from sale of investments	<u>1,218,880</u>	<u>816,946</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>3,829</u>	<u>(4,524)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,875	(15,717)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>122,207</u>	<u>137,924</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 187,082</u>	<u>\$ 122,207</u>
NONCASH INVESTING ACTIVITIES		
Receipt of donated life insurance cash surrender value	<u>\$ 357</u>	<u>\$ 392</u>

See Notes to Financial Statements

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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 8**.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 AND 2022

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, 2023 and 2022.

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, 2023 and 2022, the Organization's investments were classified as Level 1 and Level 3. For the years 2023 and 2022, the Organization classified \$3,327,236 and \$3,109,765 as Level 1, respectively. For the years 2023 and 2022, the Organization classified \$81,251 and \$77,883 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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 AND 2022

2. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 187,082	\$ 122,207
Accounts receivable	3,537	3,065
Investments	3,327,236	3,109,765
Beneficial interest in charitable trust	81,251	77,883
Cash surrender value of life insurance	<u>16,393</u>	<u>16,036</u>
Total financial assets	<u>\$ 3,615,499</u>	<u>\$ 3,328,956</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 265,077	\$ 189,184
Beneficial interest in charitable trust	81,251	77,883
Less net assets with purpose and time restrictions to be met in less than a year	<u>(76,200)</u>	<u>(23,736)</u>
Amounts not available within one year	<u>270,128</u>	<u>243,331</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,345,371</u>	<u>\$ 3,085,625</u>

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
U.S. common stocks:			
Energy	\$ 104,083	\$ -	\$ 104,083
Materials	39,947	-	39,947
Industrials	144,473	-	144,473
Consumer discretionary and staples	205,417	-	205,417
Healthcare	233,142	-	233,142
Financial services	244,878	-	244,878
Information technology and telecommunication companies	550,301	-	550,301
Utilities	40,191	-	40,191
Mutual funds:			
Balanced	27,105	-	27,105
Equity	881,549	-	881,549
Fixed income	856,150	-	856,150
Total investments at fair value	3,327,236	-	3,327,236
Beneficial interest in charitable trust	-	81,251	81,251
Cash surrender value of life insurance	-	16,393	16,393
Total assets at fair value	<u>\$ 3,327,236</u>	<u>\$ 97,644</u>	<u>\$ 3,424,880</u>

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	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, 2023 AND 2022

The following table summarizes the changes in the fair value of the Organization's Level 3 financial instruments for the years ended June 30, 2023 and 2022:

	<u>Beneficial Interest in Charitable Trust</u>
Balance, beginning of year July 1, 2021	\$ 95,587
Interest and dividends	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	77,883
Interest and dividends	2,974
Purchases	2,905
Other disbursements of cash	(25)
Unrealized loss	<u>(2,486)</u>
Balance, end of year, June 30, 2023	<u>\$ 81,251</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.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

4. INVESTMENTS

	June 30, 2023		June 30, 2022	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. common stocks	\$ 1,184,045	\$ 1,562,432	\$ 1,116,118	\$ 1,418,169
Mutual funds	<u>1,862,412</u>	<u>1,764,804</u>	<u>1,877,802</u>	<u>1,691,596</u>
Total investments	<u>\$ 3,046,457</u>	<u>\$ 3,327,236</u>	<u>\$ 2,993,920</u>	<u>\$ 3,109,765</u>

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

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 72,227	\$ 60,296
Net unrealized gain (loss)	164,947	(816,442)
Net realized gain	56,353	210,451
Investment expenses	<u>(20,267)</u>	<u>(23,203)</u>
Total investment gain (loss)	<u>\$ 273,260</u>	<u>\$ (568,898)</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.

KODAI FRIENDS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
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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, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted funds	\$ (22,074)	\$ 103,325	\$ 81,251

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (25,442)	\$ 103,325	\$ 77,883
Gain on beneficial interest in charitable trust	2,974	-	2,974
Purchases	2,905	-	2,905
Other disbursements of cash	(25)	-	(25)
Unrealized loss	<u>(2,486)</u>	<u>-</u>	<u>(2,486)</u>
Endowment net assets, end of year	<u>\$ (22,074)</u>	<u>\$ 103,325</u>	<u>\$ 81,251</u>

Endowment net assets composition by type of fund as of June 30, 2022 is as follows:

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

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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>

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 \$22,074 and \$25,442 as of June 30, 2023 and 2022, 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.

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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and amounts for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Scholarships	\$ 63,262	\$ 35,066
Social and environmental learning projects	50,935	17,002
Department projects	24,088	10,834
Other projects	23,467	22,957
Muysken Family Endowment Fund	<u>103,325</u>	<u>103,325</u>
 Total net assets with donor restrictions	 <u>\$ 265,077</u>	 <u>\$ 189,184</u>

9. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2022, the amounts outstanding in the previous year were paid in full. 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. During the year ended June 30, 2023, all amounts outstanding in the previous year were paid. At the June 2023 Board meeting, a pledge in the amount of \$10,000 was approved for the STEM Scholarship, \$37,637 for the KIS Center for Environment and Humanity, \$1,500 for the Smokeless Stove program, \$67,000 for the KIS Development Office, and \$10,000 for the Faculty Subject Awards, for a total outstanding at June 30, 2023 of \$126,137.

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. SUBSEQUENT EVENTS

The Organization has evaluated events through September 19, 2023, which is the date that the financial statements were available to be issued.