



INTERNATIONAL FELLOWSHIP OF
EVANGELICAL STUDENTS/USA, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2017 and 2016

**INTERNATIONAL FELLOWSHIP
OF EVANGELICAL STUDENTS/USA, INC.**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
International Fellowship of Evangelical Students/USA, Inc.
Platteville, Wisconsin

We have audited the accompanying financial statements of International Fellowship of Evangelical Students/USA, Inc. (IFES/USA) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to IFES/USA'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 IFES/USA'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.

Board of Directors
International Fellowship of Evangelical Students/USA, Inc.
Platteville, Wisconsin

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Fellowship of Evangelical Students/USA, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

International Fellowship of Evangelical Students/USA, Inc. has early adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the December 31, 2017 and 2016 financial statements.

Capin Crouse LLP

Colorado Springs, Colorado
February 6, 2018

**INTERNATIONAL FELLOWSHIP
OF EVANGELICAL STUDENTS/USA, INC.**

Statements of Financial Position

	December 31,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 1,978,417	\$ 1,516,531
Grants receivable	80,000	500,000
Prepaid expenses and other assets	300	2,299
Investments	1,072,591	983,857
Property and equipment–net	7,433	4,912
Total Assets	\$ 3,138,741	\$ 3,007,599
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 11,479	\$ 18,289
Funds held for affiliated organization	1,005,823	-
Contribution payable to affiliated organization	601,755	656,276
	1,619,057	674,565
Net assets:		
Without donor restrictions:		
Undesignated	491,773	693,516
Equity in property and equipment–net	7,433	4,912
	499,206	698,428
With donor restrictions	1,020,478	1,634,606
	1,519,684	2,333,034
Total Liabilities and Net Assets	\$ 3,138,741	\$ 3,007,599

See notes to financial statements

**INTERNATIONAL FELLOWSHIP
OF EVANGELICAL STUDENTS/USA, INC.**

Statements of Activities

	Year Ended December 31,					
	2017			2016		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions and grant income	\$ 78,930	\$ 4,528,447	\$ 4,607,377	\$ 70,650	\$ 5,377,877	\$ 5,448,527
Investment income-net	73,294	-	73,294	2,002	-	2,002
Other income	7,763	-	7,763	53,681	-	53,681
Total Support and Revenue	159,987	4,528,447	4,688,434	126,333	5,377,877	5,504,210
NET ASSETS RELEASED:						
Purpose restrictions	4,617,420	(4,617,420)	-	4,289,556	(4,289,556)	-
Administrative assessments	525,155	(525,155)	-	663,040	(663,040)	-
	<u>5,142,575</u>	<u>(5,142,575)</u>	<u>-</u>	<u>4,952,596</u>	<u>(4,952,596)</u>	<u>-</u>
EXPENSES:						
Ministry activities	4,548,082	-	4,548,082	4,253,913	-	4,253,913
Supporting activities:						
General and administrative	455,985	-	455,985	450,287	-	450,287
Fund-raising	497,717	-	497,717	329,016	-	329,016
	<u>953,702</u>	<u>-</u>	<u>953,702</u>	<u>779,303</u>	<u>-</u>	<u>779,303</u>
Total Expenses	5,501,784	-	5,501,784	5,033,216	-	5,033,216
Change in Net Assets	(199,222)	(614,128)	(813,350)	45,713	425,281	470,994
Net Assets, Beginning of Year	698,428	1,634,606	2,333,034	652,715	1,209,325	1,862,040
Net Assets, End of Year	<u>\$ 499,206</u>	<u>\$ 1,020,478</u>	<u>\$ 1,519,684</u>	<u>\$ 698,428</u>	<u>\$ 1,634,606</u>	<u>\$ 2,333,034</u>

See notes to financial statements

**INTERNATIONAL FELLOWSHIP
OF EVANGELICAL STUDENTS/USA, INC.**

Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (813,350)	\$ 470,994
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	2,398	4,253
Realized and unrealized gain on investments	(54,551)	(2,194)
Reinvested interest and dividends	(19,183)	(3,219)
Change in operating assets and liabilities:		
Grants receivable	420,000	(150,000)
Prepaid expenses and other assets	1,999	(51)
Accounts payable	(6,810)	2,056
Contribution payable to affiliated organization	(54,521)	(309,576)
Net Cash Provided (Used) by Operating Activities	(524,018)	12,263
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(65,000)	(978,444)
Proceeds from sale of investments	50,000	-
Purchases of property and equipment	(4,919)	(3,325)
Net Cash Used by Investing Activities	(19,919)	(981,769)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in funds held for affiliated organization	1,005,823	-
Net Cash Provided by Financing Activities	1,005,823	-
Net Change in Cash and Cash Equivalents	461,886	(969,506)
Cash and Cash Equivalents, Beginning of Year	1,516,531	2,486,037
Cash and Cash Equivalents, End of Year	\$ 1,978,417	\$ 1,516,531

See notes to financial statements

INTERNATIONAL FELLOWSHIP OF EVANGELICAL STUDENTS/USA, INC.

Notes to Financial Statements

December 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

International Fellowship of Evangelical Students/USA, Inc. (IFES/USA) exists to build students into communities of disciples, which are transformed by the Gospel. IFES/USA seeks to impact the university, the church, and society for the glory of Christ, introducing students to the Gospel of Christ, while engaging the broader higher education community in dialogue about the relevance of the Gospel message and the Christian life as a whole. IFES/USA also exists to support, encourage, and facilitate the spread and growth of the Christian faith throughout the world and to support other organizations, projects, and initiatives that are organized and operated for similar purposes. This includes granting funds to foreign organizations, projects and institutions with purposes similar to those of the IFES/USA for specific projects in furtherance of IFES/USA's Christian religious tax-exempt purposes.

IFES/USA works closely with a number of affiliated organizations, including InterVarsity Christian Fellowship/USA (InterVarsity), Union Internationale des Groupe Bibliques (IFES Switzerland), and International Fellowship of Evangelical Students, a UK charity (IFES/UK). These organizations are legally separate from IFES/USA, and each organization is governed by independent boards of directors. Therefore, the assets, liabilities, net assets, and results of their activities have not been included in this report.

IFES/USA is a nonprofit organization incorporated in the state of Wisconsin and is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law(s). However, IFES/USA is subject to federal income tax on any unrelated business taxable income. In addition IFES/USA is not classified as a private foundation under Section 509(a) of the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

IFES/USA maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, and interest-bearing money market accounts. IFES/USA maintains its cash in bank and other deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. IFES/USA has not experienced any losses in such accounts, and it believes it is not exposed to any significant credit risk on cash and cash equivalents.

INTERNATIONAL FELLOWSHIP OF EVANGELICAL STUDENTS/USA, INC.

Notes to Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments consist of mutual funds and certificates of deposit with an original maturity date greater than ninety days. Mutual funds are recorded at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the Fair Value Measurements topic of the FASB Codification. Certificates of deposits are recorded at cost plus accrued interest. Gains and losses are reported within investment return on the statements of activities. Investment return is reported net of external and direct internal expenses.

GRANTS RECEIVABLE

Grants receivable consists of grants awarded but not collected as of December 31, 2017 and 2016. Management has determine the grants to be fully collectible, so no allowance has been recorded. The prior year receivable was collected in full during the year ended December 31, 2016.

PROPERTY AND EQUIPMENT

Items capitalized as property and equipment are capitalized at cost. Donated items are recorded at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives (currently three years) of the related assets. IFES/USA capitalizes fixed asset purchases exceeding \$1,000 with lesser amounts expensed in the year purchased.

CONTRIBUTION PAYABLE TO AFFILIATED ORGANIZATION

Each year, the governing board of IFES/USA approves grants to IFES/UK, contingent that funds are available. The contribution payable to affiliated organization represents donations received in December designated for projects which IFES/UK administrates, as the board has already pre-approved the grant. Subsequent to year end the contribution payable was paid in full.

FUNDS HELD FOR AFFILIATED ORGANIZATION

During the year ended December 31, 2017, IFES/USA agreed to hold and invest funds on behalf of IFES/UK.

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets.

Net assets without donor restrictions include resources that are available for current operations under direction of the board, a six month operating reserve designated by the board, or resources invested in property and equipment.

Net assets with donor restrictions are comprised of donor-restricted contributions for specific operating purposes, support of projects and worldwide ministry training, or are time-restricted.

INTERNATIONAL FELLOWSHIP OF EVANGELICAL STUDENTS/USA, INC.

Notes to Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported with a donor restriction if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, 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. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

ADMINISTRATIVE ASSESSMENTS

In an effort to cover overhead costs, IFES/USA charges an administrative assessment of 10% for specific designations, and 25% for gifts for broader ministry activity.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. IFES/USA early adopted the provisions of this new standard during the year ended December 31, 2017. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 6), and disclosures related to functional allocation of expenses were expanded (Note 5).

3. INVESTMENTS:

Investments consist of:

	December 31,	
	2017	2016
Certificates of deposit	\$ 509,132	\$ 551,001
Mutual funds	563,459	432,856
	<u>\$ 1,072,591</u>	<u>\$ 983,857</u>

**INTERNATIONAL FELLOWSHIP
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Notes to Financial Statements

December 31, 2017 and 2016

3. INVESTMENTS, continued:

Investment income—net consists of:

	December 31,	
	2017	2016
Interest and dividends	\$ 19,183	\$ 3,219
Net realized and unrealized gains	54,551	2,194
	73,734	5,413
Less external and direct internal expenses	(440)	(3,411)
	\$ 73,294	\$ 2,002

4. PROPERTY AND EQUIPMENT-NET:

Property and equipment—net, consist of:

	December 31,	
	2017	2016
Leasehold improvements	\$ 10,000	\$ 10,000
Equipment	9,388	4,469
	19,388	14,469
Less accumulated depreciation	(11,955)	(9,557)
	\$ 7,433	\$ 4,912

**INTERNATIONAL FELLOWSHIP
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Notes to Financial Statements

December 31, 2017 and 2016

5. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various program services and supporting activities of IFES/USA have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. These expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and benefits, travel and meetings, publications and events, office supplies and other expenses. Salaries and benefits are allocated based on average estimates of time and effort by employees. Travel and meetings, publications and events, office supplies and other expenses are allocated based on estimates of department time and costs utilized. The following tables present the functional allocation of expenses for the years ended December 31, 2017 and 2016.

	For the year ended December 31, 2017			
	Program Services	General and Administrative	Fund-raising	Total
Grants	\$ 4,251,334	\$ -	\$ -	\$ 4,251,334
Salaries and benefits	49,498	336,105	367,740	753,343
Travel and meetings	115,277	19,985	42,489	177,751
Publications and events	43,518	8,052	78,804	130,374
Professional services	81,056	31,519	15	112,590
Office and other	7,399	60,324	8,669	76,392
	\$ 4,548,082	\$ 455,985	\$ 497,717	\$ 5,501,784
	For the year ended December 31, 2016			
	Program Services	General and Administrative	Fund-raising	Total
Grants	\$ 4,016,551	\$ -	\$ -	\$ 4,016,551
Salaries and benefits	36,244	322,582	241,030	599,856
Travel and meetings	114,534	21,396	37,523	173,453
Publications and events	27,530	9,919	40,817	78,266
Professional services	50,566	27,187	1,319	79,072
Office and other	8,488	69,203	8,327	86,018
	\$ 4,253,913	\$ 450,287	\$ 329,016	\$ 5,033,216

**INTERNATIONAL FELLOWSHIP
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Notes to Financial Statements

December 31, 2017 and 2016

6. LIQUIDITY:

The following table reflects the IFES/USA's financial assets as of December 31, 2017 and 2016, reduced by amounts not available for general use within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the governing board has set aside funds. IFES/USA's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

	December 31,	
	2017	2016
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,978,417	\$ 1,516,531
Investments	1,072,591	983,857
Grants receivable	80,000	500,000
	3,131,008	3,000,388
Less those unavailable for general expenditure within one year, due to:		
Cash and other financial assets held for affiliate	1,005,823	-
	1,005,823	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,125,185	\$ 3,000,388

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2017	2016
Worldwide ministry training and training events	\$ 771,517	\$ 857,125
Projects	168,961	277,481
Time restricted	80,000	500,000
	\$ 1,020,478	\$ 1,634,606

**INTERNATIONAL FELLOWSHIP
OF EVANGELICAL STUDENTS/USA, INC.**

Notes to Financial Statements

December 31, 2017 and 2016

8. FAIR VALUE MEASUREMENTS:

IFES/USA uses appropriate valuation techniques to determine fair value based on inputs available. All investments held at fair value as of December 31, 2017 and 2016 were measured using Level 1 inputs. The following table displays the fair values of assets measured on a recurring basis:

	December 31,	
	2017	2016
Investments held at fair value:		
Mutual funds:		
Blended funds	\$ 360,199	\$ 236,579
Fixed income funds	203,260	196,277
	563,459	432,856
Investments held at other than fair value:		
Certificates of deposit	509,132	551,001
	\$ 1,072,591	\$ 983,857

9. SUPPORT AND REVENUE CONCENTRATION:

During the years ended December 31, 2017 and 2016, IFES/USA received gifts from its top three donors that totaled approximately 34% and 26%, respectively, of total support and revenue.

10. RETIREMENT PLAN:

IFES/USA sponsors a 403(b) defined contribution plan for all employees. IFES/USA provides a direct contribution of 5% as well as a matching contribution of up to 5% of eligible salary for all employees who are over the age of 21 and have worked at least six months. Total employer contributions for the years ended December 31, 2017 and 2016 were \$56,382 and \$40,110, respectively.

INTERNATIONAL FELLOWSHIP OF EVANGELICAL STUDENTS/USA, INC.

Notes to Financial Statements

December 31, 2017 and 2016

11. AFFILIATE AGREEMENT:

During the years ended December 31, 2017 and 2016, the following financial activity occurred between IFES/USA and IFES/UK:

- IFES/USA granted IFES/UK \$4,251,334 and \$4,016,549, respectively
- IFES/USA reimbursed IFES/UK \$226,104 and \$194,275, for costs IFES/UK incurred on IFES/USA's behalf, respectively
- IFES/UK reimbursed IFES/USA \$19,257 and 7,950, for costs IFES/USA incurred on IFES/UK's behalf, respectively
- IFES/USA has recorded a \$601,755 and \$656,276 contribution payable to IFES/UK. See footnote 2 for more information.
- IFES/USA is holding \$1,005,823 on IFES/UK's behalf. See footnote 2 for more information.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 6, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.