

# Audit Report

**International Friendships, Inc.**

**Report on Audited Financial Statements**

For the Years Ended August 31, 2023 and 2022

# INTERNATIONAL FRIENDSHIPS, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
International Friendships, Inc.

### *Opinion*

We have audited the accompanying financial statements of International Friendships, Inc. (IFI), (a nonprofit organization) which comprise the statements of financial position as of August 31, 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 International Friendships, Inc. as of August 31, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of International Friendships, 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 these 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 misstatements, 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 International Friendships, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibility 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 auditor's report that includes our opinion. Reasonable assurance is a high level 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 International Friendships, 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 International Friendships, 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.

*Parms & Company, LLC*

Columbus, Ohio  
December 18, 2023

**INTERNATIONAL FRIENDSHIPS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of August 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,923,860	\$ 1,619,690
Accounts receivable	52,193	61,578
Prepaid expenses & deposits	33,396	40,350
Total current assets	<u>2,009,449</u>	<u>1,721,618</u>
Property and Equipment, Net	<u>2,721,817</u>	<u>2,279,172</u>
Total Assets	<u>\$ 4,731,266</u>	<u>\$ 4,000,790</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 93,023	\$ 96,740
Accounts payable - construction	145,387	1,011,634
Other current liabilities	87,796	87,366
Notes payable - current	24,585	23,692
Total current liabilities	<u>350,791</u>	<u>1,219,432</u>
Notes Payable - noncurrent	<u>190,139</u>	<u>214,724</u>
Total long-term liabilities	<u>190,139</u>	<u>214,724</u>
Total Liabilities	540,930	1,434,156
Net assets		
Net assets without donor restrictions	4,188,836	2,559,134
Net assets with donor restrictions	1,500	7,500
Total net assets	<u>4,190,336</u>	<u>2,566,634</u>
Total Liabilities and Net Assets	<u>\$ 4,731,266</u>	<u>\$ 4,000,790</u>

The accompanying notes are an integral part of these financial statements.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For The Years Ended August 31, 2023 and 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:						
Contributions	\$ 4,065,950	18,500	\$ 4,084,450	\$ 3,782,580	\$ 10,000	\$ 3,792,580
Nonmonetary contributions	51,034	-	51,034	4,850	-	4,850
Covid-related grants and contributions from governments	-	-	-	164	-	164
Revenues:						
Program participation fees	37,261	-	37,261	67,292	-	67,292
Rental income	101,617	-	101,617	106,327	-	106,327
Miscellaneous income	59,521	-	59,521	51,104	-	51,104
Total public support and revenues	4,315,383	18,500	4,333,883	4,012,317	10,000	4,022,317
Net Assets released from restrictions:						
Other net assets released from restrictions	24,500	(24,500)	-	19,300	(19,300)	-
Net assets released from restrictions	24,500	(24,500)	-	19,300	(19,300)	-
Total Support, Revenues and Reclassifications	4,339,883	(6,000)	4,333,883	4,031,617	(9,300)	4,022,317
Expenses:						
Program services	3,033,801	-	3,033,801	2,896,470	-	2,896,470
Management & general	910,683	-	910,683	730,199	-	730,199
Fundraising	448,051	-	448,051	373,140	-	373,140
Total expenses	4,392,535	-	4,392,535	3,999,809	-	3,999,809
Change in Net Assets from Operations	(52,652)	(6,000)	(58,652)	31,808	(9,300)	22,508
Gain from insurance recovery after fire	1,682,354	-	1,682,354	311,696	-	311,696
Gain/(loss) on sale of assets (net)	-	-	-	(280)	-	(280)
Change in net assets	1,629,702	(6,000)	1,623,702	343,224	(9,300)	333,924
Net assets, beginning	2,559,134	7,500	2,566,634	2,215,910	16,800	2,232,710
Net assets, ending	\$ 4,188,836	\$ 1,500	\$ 4,190,336	\$ 2,559,134	\$ 7,500	\$ 2,566,634

The accompanying notes are an integral part of these financial statements.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2023**

		<u>Support Services</u>		
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>&amp; General</u>		
<b>Ministry Personnel:</b>				
Salaries	\$ 2,122,705	568,157	237,778	\$ 2,928,640
Payroll taxes	160,325	42,913	17,961	221,199
Workers' compensation	24,426	6,538	2,736	33,700
Employee benefits	50,312	10,645	2,411	63,368
Contractors and other fees for services	15,888	84,433	56,000	156,321
<b>Direct Student Ministry:</b>				
Travel	146,037	3,615	22,513	172,165
Hospitality and meals	122,318	1,127	29,752	153,197
Ministry events & activities	28,041	325	416	28,782
Conferences and meetings	23,815	8,101	7,489	39,405
Materials and books	12,477	174	400	13,051
Sudan school and clinic	138,987	-	-	138,987
<b>Ministry Operations:</b>				
Advertising and promotion	15,440	804	50,859	67,103
Bank charges and merchant fees	32,131	13,118	212	45,461
Office and other supplies	23,230	13,618	9,663	46,511
Information technology	30,655	18,642	6,003	55,300
<b>Ministry Overhead:</b>				
Occupancy	44,735	58,208	2,090	105,033
Depreciation	17,462	30,350	1,768	49,580
Repairs and maintenance	6,920	3,128	-	10,048
Insurance	17,897	38,231	-	56,128
Interest expense	-	8,556	-	8,556
<b>Total</b>	<b>\$ 3,033,801</b>	<b>910,683</b>	<b>448,051</b>	<b>\$ 4,392,535</b>

The accompanying notes are an integral part of these financial statements.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2022**

			<u>Support Services</u>		
	<u>Program</u>		<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>		<u>&amp; General</u>		
<b>Ministry Personnel:</b>					
Salaries	\$ 1,951,133		468,934	230,928	\$ 2,650,995
Payroll taxes	144,325		34,687	17,082	196,094
Workers' compensation	21,091		5,069	2,496	28,656
Employee benefits	53,660		7,707	-	61,367
Contractors and other fees for services	36,702		43,861	10,000	90,563
<b>Direct Student Ministry:</b>					
Travel	165,250		2,193	20,338	187,781
Hospitality and meals	116,560		1,825	30,781	149,166
Ministry events & activities	29,246		-	589	29,835
Conferences and meetings	27,608		2,421	6,198	36,227
Materials and books	13,570		1,839	1,044	16,453
Sudan school and clinic	154,662		-	-	154,662
<b>Ministry Operations:</b>					
Advertising and promotion	10,499		957	34,390	45,846
Bank charges and merchant fees	30,259		12,619	165	43,043
Office and other supplies	24,419		14,271	9,129	47,819
Information technology	27,736		22,597	7,997	58,330
<b>Ministry Overhead:</b>					
Occupancy	21,022		38,663	152	59,837
Depreciation	21,102		34,376	1,851	57,329
Repairs and maintenance	42,874		17,244	-	60,118
Insurance	4,752		11,497	-	16,249
Interest expense	-		9,439	-	9,439
<b>Total</b>	<b>\$ 2,896,470</b>		<b>730,199</b>	<b>373,140</b>	<b>\$ 3,999,809</b>

The accompanying notes are an integral part of these financial statements.



**INTERNATIONAL FRIENDSHIPS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended August 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 1,623,702	\$ 333,924
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Nonmonetary contributions of assets	(24,540)	-
Depreciation	49,580	57,329
Property casualty gain from insurance recovery	(1,592,717)	(261,696)
(Gain) loss on sale of assets (net)	-	280
(Increase) decrease in assets:		
Accounts receivable	9,385	(58,024)
Prepaid expenses and deposits	6,954	1,382
Increase (decrease) in liabilities:		
Accounts payable	(3,717)	31,037
Other current liabilities	<u>430</u>	<u>6,973</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	69,077	111,205
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of and improvements to land and building	(1,314,335)	(363,110)
Property casualty insurance proceeds	1,592,717	500,000
Purchase of furniture and equipment	(19,597)	(11,935)
Sale of equipment and other assets	<u>-</u>	<u>197</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	258,785	125,152
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Principal payments on long-term debt	<u>(23,692)</u>	<u>(22,812)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(23,692)</u>	<u>(22,812)</u>
NET CHANGE IN CASH	304,170	213,545
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>1,619,690</u>	<u>1,406,145</u>
CASH AND EQUIVALENTS AT END OF YEAR	\$ <u><u>1,923,860</u></u>	\$ <u><u>1,619,690</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during year for interest	\$ <u><u>8,632</u></u>	\$ <u><u>9,512</u></u>

The accompanying notes are an integral part of these financial statements.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2023 and 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

International Friendships, Inc. (IFI) is a nonprofit corporation created to establish, operate and maintain exclusively for charitable and religious purposes, an organization to facilitate the physical, spiritual and emotional support of international students on university campuses in Ohio and at various locations throughout the United States. This is done by ministering to them, through social activities, friendships, and expression of the love of Christ by testimony and service and to further the propagation of the gospel of Jesus Christ and the edification of His church around the world. IFI is supported mainly through contributions from the public.

The principal office for IFI is at 1520 Old Henderson Rd., Suite 200, Columbus, Ohio 43220. This is the location of the IFI headquarters.

IFI has one main program that is called International Student Ministry, or ISM. Examples of primary ISM activities are described below. Many of IFI's ISM activities are carried out by volunteers at little or no cost to IFI.

Campus Ministry Teams, made up of employees and volunteers work to serve, teach, and mentor international students, scholars, and their families out of love for Jesus. The employees and volunteers organize activities such as Welcome Events that make students feel at home in the United States. Further engagement with students includes English Conversation Clubs that provide conversation partners to help international students and scholars and their spouses improve their English speaking and listening skills and help them navigate the complexities of American language and culture. Campus Ministry Teams also organize low-cost, fun, interesting and varied trips for international students and scholars. Some are day trips; others are weekend trips; and others are extended tours of different parts of the United States. The objectives of the trips are to: 1) allow internationals to experience the beautiful American scenery and the diversity of American culture along with the opportunity to stay in American homes and experience hospitality prescribed by Jesus; 2) develop friendships between international students; 3) provide opportunities for spiritual conversations in a relaxed and fun environment. IFI also provides internships for recently graduated, spiritually vibrant international students during their optional training year. This includes assisting with finding housing and/or employment for some of the student leaders involved in internships, and taking internationals to conferences about following Jesus to encourage their spiritual growth and develop deeper friendships.

Another aspect of ISM involves IFI working with churches to help them fulfill their desire to love the stranger and impact the world by providing a means for them to practice Biblical hospitality. IFI employees work closely with volunteers from local churches to provide training and coordination so the churches and volunteers can offer various services that

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2023 and 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

address the social, cultural, and spiritual interests and needs of international students and scholars. The objectives for engaging churches and volunteers are: 1) to train them in fulfilling God's command to "love the strangers among us" in practical ways (short-term); and 2) to serve as a bridge between people interested in impacting people in other countries and their opportunity to impact people from other countries while they are here locally.

Changes in IFI Operations during 2020, extending through 2022

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Due to the state of emergency declaration universities and religious organizations were shut down. IFI's operations are directly impacted through their programs at universities and religious organizations. While many face-to-face activities ceased abruptly, many of IFI's ISM activities were able to continue using digital means. IFI campus ministers and volunteers have been creatively connecting with students through social media and personally while practicing safe social distancing. Some program costs, such as travel and hospitality meals, were reduced due to the emergency measures. Successful livestream fundraising events and student activities have been conducted and IFI made appropriate changes to adjust to the pandemic environment. During summer 2021 some restrictions were eased and certain in-person events and activities restarted and continued through 2022.

Basis of Accounting

The financial statements of IFI have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, also known as US GAAP.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016. Under FASB ASC 958, IFI is required to report information regarding its financial position, activities, and cash flows according to two classes of net assets: without donor restrictions or with donor restrictions. Accordingly, IFI's net assets are reported in the following two classes:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations that may be used for any purpose in performing the mission of IFI.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2023 and 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of IFI or the passage of time. As of August 31, 2023 and 2022, there were donor restricted net assets of \$1,500 and \$7,500, respectively.

Cash and Cash Equivalents

For the purpose of the financial statements, IFI considers all cash held in demand accounts and time deposits maturing within ninety days at the date of purchase as cash equivalents.

Use of Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Functional Allocation of Expenses

The costs of providing the programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. When IFI personnel work on both program and support functions, the salaries and related payroll taxes are allocated based on time spent. A portion of the office building is allocated in the depreciation and occupancy accounts based on square feet being used by each function. IFI's costs associated with performing fundraising activities are required by US GAAP to be reported as fundraising expenses, even though some fundraising activities also serve a program function.

Concentration of Credit Risk

Financial instruments, which potentially subject the entity to concentrations of credit risk, consist principally of cash and cash equivalents. IFI maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. As of August 31, 2023 none of IFI's bank deposits were uninsured and unsecured. IFI also maintains a money market account in which deposited funds are distributed across a network of participating banking institutions, thus, benefiting from the insurance coverage provided by FDIC. At August 31, 2022 IFI's main operating account had \$336,215 above the federal insurance limit and IFI had a short term investment of \$500,000 with a nonprofit organization that was not federally insured. IFI has not experienced any losses in such accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2023 and 2022**

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

**Contributions**

IFI receives contributions from its volunteers and the public. Unconditional contributions are recognized when promised and 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are generally reported as net assets without donor restriction. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets, and the assets are placed in service.

Covid-related grants and contributions from governments are accounted for as conditional contributions or unconditional contributions, as appropriate for the circumstances.

**Nonmonetary Contributions**

Donated or contributed services are recorded if they meet criteria under FASB ASC 958-605 to (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. IFI received \$24,540 of donated office furniture in 2023 used in the IFI Headquarters that was shown as a nonmonetary contribution with an equal asset. IFI received \$550 of donated photography services used during an event in 2022 that was recorded as a contribution and as an expense. IFI generally pays for services requiring specialized skills.

IFI also records certain material in-kind donations, such as the use of church or university facilities for ISM large group activities, or discounted admission to events for students, or certain office space provided without charge, in the Statement of Activities. The fair value of such in-kind donations amounted to \$26,494 in 2023 and \$4,300 in 2022. These amounts are shown as nonmonetary contributions with an equal nonmonetary expense recorded as part of total expenses.

Volunteers, who do not possess specialized skills, contribute significant amounts of time and travel to fulfill ISM program services and donate the use of their homes and food for hospitality activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by US GAAP.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2023 and 2022**

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

**Income Taxes**

IFI is organized in Ohio as a nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code (IRC). Donations to IFI qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi). IFI is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. IFI also files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income when appropriate. Unrelated business income, such as income generated on debt financed property, could be taxable to IFI. No provision for federal income taxes has been made in these financial statements.

**Fair Values of Financial Instruments**

IFI has financial instruments, principally cash, none of which are held for trading purposes. IFI estimates that the fair value of all financial instruments at August 31, 2023 and 2022 does not differ materially for the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

**Depreciation**

Property and equipment are stated at cost. Donated items are recorded at their market value at the date the gift is received. Major improvements and betterments are capitalized and depreciated; maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. The capitalization threshold for IFI is \$500 in 2023 and prior years. This threshold will be changed to \$5,000 in 2024. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets ranging from three to 50 years.

**2. NET ASSETS**

IFI's net assets with donor restrictions limiting their use to a specific purpose had a balance of \$1,500 at August 31, 2023. IFI's net assets with donor restrictions limiting their use to a specific time had a balance of \$7,500 at August 31, 2022.

**3. LIQUIDITY AND AVAILABILITY**

The following table reflects the IFI's financial assets as of the balance sheet date, reduced by amounts not available for general use due to purpose restrictions within one year of the balance sheet date.

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2023 and 2022**

3. LIQUIDITY AND AVAILABILITY (CONTINUED)

	<u>2023</u>	<u>2022</u>
Current assets, at year end	\$2,009,449	\$1,721,618
Less those unavailable for general expenditures within one year, due to donor restrictions		
Cash with donor restriction	1,500	7,500
Current liabilities, at year end	<u>350,791</u>	<u>1,219,432</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,657,158</u>	\$ <u>494,686</u>

Additional liquidity is provided to IFI through an agreement with its primary bank to provide a \$75,000 unsecured line of credit at a variable interest rate. There were no borrowings under this agreement in 2023 or 2022.

4. ACCOUNTS RECEIVABLE

IFI had an accounts receivable balance of \$52,193 and \$61,578 as of August 31, 2023 and 2022. IFI deems the balance as of August 31, 2023, which represents a receivable from the insurance company for business interruption expenses of \$37,101 and lost rent revenue of \$15,092 due to a fire incident, to be fully collectible.

5. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or at its estimated fair value at the date of donation, if received as a gift. Depreciation is based on the straight-line method over useful lives ranging from three to 50 years. These assets consist of the following at August 31:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 856,617	\$ 849,735
Construction in Progress - Building Improvements	1,815,951	1,374,744
Land	113,255	113,255
Computer Equipment	45,781	43,134
Computer Software	26,298	26,298
Office Equipment	36,738	22,248
Vehicles	3,700	3,700
Furniture & fixtures	<u>26,390</u>	<u>-</u>
	2,924,730	2,433,114
Accumulated depreciation	<u>(202,913)</u>	<u>(153,942)</u>
Property and equipment, net	\$ <u>2,721,817</u>	\$ <u>2,279,172</u>

**INTERNATIONAL FRIENDSHIPS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2023 and 2022**

**6. IMPAIRMENT LOSS DUE TO FIRE AT IFI HEADQUARTERS BUILDING**

On June 3, 2022 IFI had a fire in one unit of the headquarters building, in an office rented to unaffiliated tenants. The fire and the emergency extinguishment caused significant smoke and soot damage throughout the building. Essentially all walls, floor coverings and ceilings, along with various pieces of office equipment and furniture & fixtures were damaged. IFI wrote off the carrying value of these impaired assets in 2022 which totaled \$238,304.

IFI has property insurance that covered this casualty loss including but not limited to the renovation costs, business interruption expenses and lost revenues. IFI will use available cash to pay for any amounts above the insurance recoveries or raise additional funds specified for the building renovations. As of August 31, 2023, total insurance proceeds for property damage amounted to \$2,092,717 (which consisted of proceeds totaling \$1,592,717 in 2023 and proceeds totaling \$500,000 in 2022, respectively). This exceeded the \$238,304 property loss recorded in 2022 pertaining to the written off carrying value of impaired assets. Thus, a gain of \$1,592,717 in 2023 and \$261,696 in 2022 has been recognized in relation to the property portion of the insurance claims. IFI also received \$89,637 in 2023 and \$50,000 in 2022 insurance proceeds for business interruption expenses, also recorded as part of gain from insurance claims. This resulted in a total insurance gain of \$1,682,354 in 2023 and \$311,696 in 2022, respectively.

The proceeds for property damage and business interruption were presented in the Statements of Activities and Changes in Net Assets under gain from insurance recovery, net of the written off carrying value of the impaired assets. The insurance proceeds for the lost revenue were recorded as payments of the accrued rental income from the occurrence of the incident, through August 31, 2023.

IFI is currently not able to estimate the total financial impact, however, the additional business expenses and building renovations are expected to be recovered when paid.

**7. NOTES PAYABLE**

On March 25, 2021, IFI entered into a Term Note supported by a mortgage agreement on the IFI headquarters property. The note has a fixed rate of 3.74% and is payable in 120 monthly installments of \$2,693.69 ending April 1, 2031. There is a prepayment penalty with the note in decreasing amounts over the first five years of the loan.



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**7. NOTES PAYABLE (CONTINUED)**

Description of Debt	Maturity Date	Interest Rate	Amount Outstanding as of August 31	
			2023	2022
Mortgage note on 1520 Old Henderson Rd.	4/1/2031	3.74%	\$214,724	\$238,416
Current maturities			24,585	23,692
Notes payable - noncurrent			<u>\$190,139</u>	<u>\$214,724</u>

Schedule of expected future principal repayments as of August 31, 2023:

Fiscal Year	<u>Total</u>
2024	\$ 24,585
2025	25,555
2026	26,541
2027	27,565
2028	28,619
2029-2031	<u>81,859</u>
Total	<u>\$214,724</u>

**8. COMPENSATED ABSENCES**

Compensated absences, such as vacation, are not accrued because the amount cannot be reasonably estimated. The vacation hours are calculated based on the calendar year and not the fiscal year. Unused vacation rollover is limited based on a number of factors, including funding, is not guaranteed and is generally not paid out when employment ends.

**9. EMPLOYEE BENEFIT PLAN**

IFI maintains a limited relationship with a provider of a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. One IFI employee participates and contributes a portion of their compensation to the plan, administered by the third-party provider, in accordance with plan provisions. IFI made no contributions to this plan in 2023 and 2022.

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**10. RENTAL INCOME**

IFI leases a portion of its facilities at the 1520 Old Henderson Road headquarters to unrelated businesses at market rental rates.

IFI also leased its four-bedroom residential property (the Ministry House) to international students attending universities or to tenants who are involved in IFI's ministry. The tenants may participate in the activities of IFI and thus help IFI achieve its mission. The units are rented below market value, with variable rental rates totaling approximately \$1,000 per month, and lease terms generally coinciding with the school year or for a shorter term.

Rental income for all facilities was \$101,617 and \$106,327 for the periods ending August 31, 2023 and 2022, respectively. The 2023 and 2022 amounts included \$89,796 and \$22,638, respectively, income recorded from insurance for lost rent due to the fire. As of August 31, 2023, IFI had a lost rent receivable from the insurance company amounting to \$15,092, presented as part of accounts receivable in the Statements of Financial Position.

Due to the short term of leases at the Ministry House and the current unavailability of the IFI headquarters building, expected future rental income is not determinable.

**11. SUBSEQUENT EVENTS**

Management has performed an analysis of the activities and transactions subsequent to August 31, 2023 to determine the need for any adjustments to or disclosures within the audited financial statements for the year ended August 31, 2023. Management has performed this analysis through December 18, 2023 the date the financial statements were available to be issued.