

Audit Report

International Friendships, Inc.

Report on Audited Financial Statements

For the Years Ended August 31, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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 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 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.

Paino & Company, LLC

Columbus, Ohio
January 9, 2025

INTERNATIONAL FRIENDSHIPS, INC.
STATEMENTS OF FINANCIAL POSITION
As of August 31, 2024 and 2023

	2024	2023
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,053,404	\$ 1,923,860
Accounts receivable	45,300	52,193
Prepaid expenses & deposits	10,233	33,396
Total current assets	2,108,937	2,009,449
Property and Equipment, Net	3,805,506	2,721,817
Total Assets	\$ 5,914,443	\$ 4,731,266
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 87,090	\$ 93,023
Accounts payable - construction	1,743	145,387
Other current liabilities	134,196	87,796
Notes payable - current	25,555	24,585
Total current liabilities	248,584	350,791
Notes Payable - noncurrent	164,584	190,139
Total long-term liabilities	164,584	190,139
Total Liabilities	413,168	540,930
Net assets		
Net assets without donor restrictions	5,498,494	4,188,836
Net assets with donor restrictions	2,781	1,500
Total net assets	5,501,275	4,190,336
Total Liabilities and Net Assets	\$ 5,914,443	\$ 4,731,266

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, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:						
Contributions	\$ 4,444,304	207,060	\$ 4,651,364	\$ 4,065,950	\$ 18,500	\$ 4,084,450
Nonmonetary contributions	25,100	-	25,100	51,034	-	51,034
Revenues:						
Program participation fees	32,608	-	32,608	37,261	-	37,261
Rental income	62,570	-	62,570	101,617	-	101,617
Interest income	62,723	-	62,723	48,626	-	48,626
Other income	11,480	-	11,480	10,895	-	10,895
Total public support and revenues	<u>4,638,785</u>	<u>207,060</u>	<u>4,845,845</u>	<u>4,315,383</u>	<u>18,500</u>	<u>4,333,883</u>
Net assets released from restrictions	<u>205,779</u>	<u>(205,779)</u>	<u>-</u>	<u>24,500</u>	<u>(24,500)</u>	<u>-</u>
Total Support, Revenues and Reclassifications	4,844,564	1,281	4,845,845	4,339,883	(6,000)	4,333,883
Expenses:						
Program services	3,215,063	-	3,215,063	3,033,801	-	3,033,801
Management & general	950,106	-	950,106	910,683	-	910,683
Fundraising	305,756	-	305,756	448,051	-	448,051
Total expenses	<u>4,470,925</u>	<u>-</u>	<u>4,470,925</u>	<u>4,392,535</u>	<u>-</u>	<u>4,392,535</u>
Change in Net Assets from Operations	373,639	1,281	374,920	(52,652)	(6,000)	(58,652)
Gain from insurance recovery after fire	824,083	-	824,083	1,682,354	-	1,682,354
Other Insurance Recoveries	45,000	-	45,000	-	-	-
Gain on sale of assets	<u>66,936</u>	<u>-</u>	<u>66,936</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	1,309,658	1,281	1,310,939	1,629,702	(6,000)	1,623,702
Net assets, beginning	<u>4,188,836</u>	<u>1,500</u>	<u>4,190,336</u>	<u>2,559,134</u>	<u>7,500</u>	<u>2,566,634</u>
Net assets, ending	<u>\$ 5,498,494</u>	<u>\$ 2,781</u>	<u>\$ 5,501,275</u>	<u>\$ 4,188,836</u>	<u>\$ 1,500</u>	<u>\$ 4,190,336</u>

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

INTERNATIONAL FRIENDSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2024

		<u>Support Services</u>		
	<u>Program</u>	<u>Management</u>		
	<u>Services</u>	<u>& General</u>	<u>Fundraising</u>	<u>Total</u>
Ministry Personnel:				
Salaries	\$ 2,225,262	542,826	163,873	\$ 2,931,961
Payroll taxes	168,512	41,073	12,433	222,018
Workers' compensation	12,144	2,960	896	16,000
Employee benefits	39,263	12,169	109	51,541
Contractors and other fees for services	71,853	122,957	6,891	201,701
Direct Student Ministry:				
Travel	172,665	2,284	22,645	197,594
Hospitality and meals	139,676	1,810	32,534	174,020
Ministry events & activities	31,990	161	94	32,245
Conferences and meetings	33,268	5,865	6,134	45,267
Materials and books	9,642	783	338	10,763
Ministry outside USA	91,132	-	-	91,132
Scholarships disbursements	24,400	-	-	24,400
Ministry Operations:				
Advertising and promotion	12,996	1,096	42,834	56,926
Bank charges and merchant fees	42,177	14,354	365	56,896
Office and other supplies	25,354	13,906	7,820	47,080
Information technology	20,503	16,152	6,433	43,088
Ministry Overhead:				
Occupancy	36,264	47,640	1,723	85,627
Depreciation	27,610	43,960	634	72,204
Repairs and maintenance	11,725	29,530	-	41,255
Insurance	18,627	42,920	-	61,547
Interest expense	-	7,660	-	7,660
Total	\$ 3,215,063	950,106	305,756	\$ 4,470,925

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>Services</u>	<u>& General</u>	<u>Fundraising</u>	<u>Total</u>
Ministry Personnel:				
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
Direct Student Ministry:				
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
Ministry outside USA	138,987	-	-	138,987
Scholarships disbursements	-	-	-	-
Ministry Operations:				
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
Ministry Overhead:				
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
Total	<u>\$ 3,033,801</u>	<u>910,683</u>	<u>448,051</u>	<u>\$ 4,392,535</u>

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

INTERNATIONAL FRIENDSHIPS, INC.
STATEMENTS OF CASH FLOWS
For The Years Ended August 31, 2024 and 2023

	2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,310,939	\$ 1,623,702
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Nonmonetary contributions of assets	-	(24,540)
Depreciation	72,204	49,580
Property casualty gain from insurance recovery	(818,059)	(1,592,717)
Gain on sale of assets (net)	(66,936)	-
(Increase) decrease in assets:		
Accounts receivable	6,892	9,385
Prepaid expenses and deposits	23,163	6,954
Increase (decrease) in liabilities:		
Accounts payable	(5,933)	(3,717)
Other current liabilities	47,250	430
NET CASH PROVIDED BY OPERATING ACTIVITIES	569,520	69,077
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of and improvements to land and building	(1,421,960)	(1,314,335)
Sale of land & building	196,160	-
Property casualty insurance proceeds	818,059	1,592,717
Purchase of furniture and equipment	-	(19,597)
Purchase of vehicle	(9,000)	-
Sale of equipment and other assets	1,350	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(415,391)	258,785
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on long-term debt	(24,585)	(23,692)
NET CASH USED IN FINANCING ACTIVITIES	(24,585)	(23,692)
NET CHANGE IN CASH	129,544	304,170
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	1,923,860	1,619,690
CASH AND EQUIVALENTS AT END OF YEAR	\$ 2,053,404	\$ 1,923,860
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during year for interest	\$ 7,581	\$ 8,632

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, 2024 and 2023

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, 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. In fiscal year 2023-24 IFI offered small tuition scholarships to international students according to organizational guidelines. 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, 2024 and 2023

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.

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.

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, 2024 and 2023, there were donor restricted net assets of \$2,781 and \$1,500, 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 or less at the date of purchase as cash equivalents.

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024 and 2023 does not differ materially for the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

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.

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. At August 31, 2024 IFI's main operating account had \$76,816 above the federal insurance limit. IFI has not experienced any losses in such accounts. 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. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates.

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.

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recorded \$4,500 as contributed services during 2024. In 2023, IFI received \$24,540 in donated office furniture for its headquarters, which was recorded as a nonmonetary contribution with a corresponding asset. No nonmonetary contributions of this nature were received in 2024.

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 \$20,600 in 2024 and \$26,494 in 2023. 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.

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.

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). Effective July 22, 2024, IFI reclassified its status from a publicly supported charity under sections 509(a)(1) and 170(b)(1)(A)(vi) to a church association under sections 509(a)(1) and 170(b)(1)(A)(i). The reclassification did not result in any changes to the financial statements. The organization continues to operate under the same mission and activities, with adjustments made to comply with the requirements for church status. Donations to IFI qualify for the charitable contribution deduction under IRC

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Section 170(b)(1)(A)(i). IFI is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. However, IFI 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, as IFI had no unrelated business taxable income for the years presented and had a net tax loss carryforward.

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.

Effective in 2024, IFI increased its capitalization threshold from \$500 to \$5,000. Assets purchased or donated before 2024 that met the prior threshold remain capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to 60 years

2. NET ASSETS

IFI categorizes its net assets based on whether or not there are restrictions imposed by donors. Net assets without donor restrictions are usually available for general operations, while those with restrictions can only be accessed once specific donor conditions are met. Designations for ministry projects or missionary staff are considered to be donor preferences and not restrictions. Contributions with donor stipulations are reported as restricted gifts. Some restrictions are temporary, fulfilled over time or through specific events, while others are permanent. Once a restriction is lifted, the assets are reclassified as unrestricted and noted in the statement of activities. Net assets consists of:

	2024	2023
Without donor restrictions:		
Undesignated	\$ 620,826	\$ 726,530
Designated for ministry projects or missionary staff	\$ 1,262,301	\$ 955,213
Invested in property and equipment, net of related debt	\$ 3,615,367	\$ 2,507,093
With donor restrictions:		
Purpose restrictions	\$ 2,781	\$ 1,500
	\$ 5,501,275	\$ 4,190,336

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

3. LIQUIDITY AND AVAILABILITY

IFI monitors its liquidity to ensure it can meet operational and programmatic needs. The following table reflects IFI's financial assets as of the balance sheet date, reduced by amounts unavailable for general use within one year due to donor restrictions or other limitations:

	2024	2023
Financial assets, at year end:		
Cash and cash equivalents	\$ 2,053,405	\$ 1,923,860
Accounts receivable	45,300	52,193
	2,098,705	1,976,053
Less:		
Net Assets with donor restrictions	(2,781)	(1,500)
Financial assets available to meet cash needs for general expenditures and current liabilities within one year	\$ 2,095,924	\$ 1,974,553

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 2024 or 2023.

4. ACCOUNTS RECEIVABLE

IFI had an accounts receivable balance of \$45,300 and \$52,193 as of August 31, 2024 and 2023. IFI deems the balance as of August 31, 2024, which pertains insurance recoveries for \$45,000, to be fully collectible.

INTERNATIONAL FRIENDSHIPS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

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 60 years. These assets consist of the following at August 31:

	2024	2023
Buildings	\$ 3,812,391	\$ 856,617
Construction in Progress - Building Improvements	9,470	1,815,951
Land	91,119	113,255
Computer Equipment	41,686	45,781
Computer Software	26,298	26,298
Office Equipment	36,738	36,738
Vehicles	12,700	3,700
Furniture & fixtures	26,390	26,390
	4,056,792	2,924,730
Accumulated depreciation	(251,286)	(202,913)
Property and equipment, net	\$ 3,805,506	\$ 2,721,817

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, 2024, total insurance proceeds for property damage amounted to \$2,910,776 (which included proceeds totaling \$818,059 in 2024, \$1,592,717 in 2023 and \$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 \$818,059 in 2024, \$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 \$6,024 in 2024, \$89,637 in 2023 and \$50,000 in 2022 insurance proceeds for business interruption expenses, also recorded as part of gain from insurance claims.

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6. IMPAIRMENT LOSS DUE TO FIRE AT IFI HEADQUARTERS BUILDING (CONTINUED)

This resulted in a total insurance gain of \$824,083 in 2024, \$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 February 29, 2024.

7. NOTES PAYABLE

On March 25, 2021, IFI entered into a Term Note secured by a mortgage on its headquarters property. The note has a fixed rate of 3.74% and is payable in 120 monthly installments of \$2,694 ending April 1, 2031. There is a prepayment penalty with the note in decreasing amounts over the first five years of the loan.

Description of Debt	Maturity Date	Interest Rate	Amount Outstanding as of August 31	
			2024	2023
Mortgage note on 1520 Old Henderson Rd.	4/1/2031	3.74%	\$190,139	\$214,724
Current maturities			25,555	24,585
Notes payable - noncurrent			<u>\$164,584</u>	<u>\$190,139</u>

Schedule of expected future principal repayments as of August 31, 2024:

Fiscal Year	<u>Total</u>
2025	25,555
2026	26,541
2027	27,565
2028	28,619
2029	29,733
2030-2031	<u>52,126</u>
Total	<u>\$190,139</u>

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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 2024 and 2023.

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. This residential property was sold in April 2024 at a market price with a net gain of \$66,930.

Rental income for all facilities was \$62,570 and \$101,617 for the periods ending August 31, 2024 and 2023, respectively. The 2024 and 2023 amounts included \$45,275 and \$89,796, respectively, income recorded from insurance for lost rent due to the fire. No receivable for lost rent was recorded as of August 31, 2024.

11. UPDATE TO FUNCTIONAL EXPENSE ACCOUNT NAME

During the fiscal year ended August 31, 2024, the organization updated the account name "Sudan School and Clinic" to "Ministry Outside USA" in the Functional Expense Statement. This change was made to reflect the expansion of the organization's international ministry efforts beyond Sudan to other countries.

The updated account name provides a more accurate description of the expenses included within this category and aligns with the organization's mission to serve communities worldwide. This update is a presentation change and did not involve the reclassification of expenses or impact previously reported totals. For clarity and consistency, comparative financial information for prior periods has been updated to reflect the revised account name.

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12. SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to August 31, 2024, to determine the need for any adjustments to or disclosures within the audited financial statements for the year ended August 31, 2024. Management has performed this analysis through January 9, 2025, the date the financial statements were available to be issued.