

Audit Report

International Friendships, Inc

Report on Audited Financial Statements

For the Years Ended August 31, 2025 and 2024

PARMS
 COMPANY

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Independent Auditor's Report

Board of Directors
International Friendships, Inc.

Opinion

We have audited the financial statements of International Friendships, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of August 31, 2025 and 2024, and the results of its changes in 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 (GAAS). 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 the Organization 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 the Organization'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 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 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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 20, 2026

International Friendships, Inc.

Statements of Financial Position

As of August 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,497,655	\$ 2,053,404
Accounts receivable	2,108	45,300
Prepaid expenses & deposits	21,602	10,233
Total current assets	<u>3,521,365</u>	<u>2,108,937</u>
Property and equipment, net	3,949,407	3,805,506
Total Assets	<u><u>\$ 7,470,772</u></u>	<u><u>\$ 5,914,443</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 84,893	\$ 87,090
Accounts payable - construction	1,743	1,743
Other current liabilities	87,551	134,196
Notes payable - current	26,541	25,555
Total Current Liabilities	<u>200,728</u>	<u>248,584</u>
Notes payable - noncurrent	138,043	164,584
Total Liabilities	<u>338,771</u>	<u>413,168</u>
Net assets		
Net assets without donor restrictions	7,069,020	5,498,494
Net assets with donor restrictions	62,981	2,781
Total net assets	<u>7,132,001</u>	<u>5,501,275</u>
Total Liabilities and Net Assets	<u><u>\$ 7,470,772</u></u>	<u><u>\$ 5,914,443</u></u>

See accompanying notes to the financial statements

International Friendships, Inc.
 Statements of Activities and Changes in Net Assets
 For the years ended August 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:						
Contributions	\$ 4,897,702	\$ 77,450	\$ 4,975,152	\$ 4,444,304	\$ 207,060	\$ 4,651,364
Nonmonetary contributions	15,604	-	15,604	25,100	-	25,100
Employee Retention Credit	850,190	-	850,190	-	-	-
Revenues:						
Program participation fees	19,921	-	19,921	32,608	-	32,608
Rental income	58,579	-	58,579	62,570	-	62,570
Interest income	219,628	-	219,628	62,723	-	62,723
Other income	11,496	-	11,496	11,480	-	11,480
Total public support and revenues	6,073,120	77,450	6,150,570	4,638,785	207,060	4,845,845
Net Assets released from restrictions	17,250	(17,250)	-	205,779	(205,779)	-
Total Support, Revenues and Reclassifications	6,090,370	60,200	6,150,570	4,844,564	1,281	4,845,845
Expenses:						
Program services	3,374,710	-	3,374,710	3,215,063	-	3,215,063
Management & general	860,149	-	860,149	950,106	-	950,106
Fundraising	327,068	-	327,068	305,756	-	305,756
Total expenses	4,561,927	-	4,561,927	4,470,925	-	4,470,925
Change in Net Assets from Operations	1,528,443	60,200	1,588,643	373,639	1,281	374,920
Gain from insurance recovery after fire	39,583	-	39,583	824,083	-	824,083
Other insurance recoveries	-	-	-	45,000	-	45,000
Gain on sale of assets	2,500	-	2,500	66,936	-	66,936
Change in net assets	1,570,526	60,200	1,630,726	1,309,658	1,281	1,310,939
Net assets, beginning	5,498,494	2,781	5,501,275	4,188,836	1,500	4,190,336
Net assets, ending	\$ 7,069,020	\$ 62,981	\$ 7,132,001	\$ 5,498,494	\$ 2,781	\$ 5,501,275

See accompanying notes to the financial statements

International Friendships, Inc.
 Statement of Functional Expenses
 For the year ended August 31, 2025

	Support Services			Total
	Program Services	Management & General	Fundraising	
Ministry Personnel				
Salaries	\$ 2,366,565	\$ 469,990	\$ 200,167	\$ 3,036,722
Payroll Taxes	147,595	29,318	12,481	189,394
Workers' compensation	12,044	2,393	1,018	15,455
Employee benefits	56,274	10,033	55	66,362
Contractors and other fees for services	90,931	110,055	5,649	206,635
Direct Student Ministry				
Travel	151,262	2,798	13,844	167,904
Hospitality & Meals	127,652	2,854	32,055	162,561
Ministry events & activities	40,049	-	240	40,289
Conferences and Meetings	32,279	5,629	2,879	40,787
Materials and books	9,179	375	906	10,460
Ministry outside USA	122,898	-	-	122,898
Scholarships disbursements	18,557	-	-	18,557
Ministry Operations				
Advertising and promotion	13,111	88	40,539	53,738
Bank charges and merchant fees	61,079	14,706	1,029	76,814
Office and other supplies	28,627	7,778	9,479	45,884
Information technology	12,709	19,012	5,989	37,710
Ministry Overhead				
Occupancy	18,200	28,578	586	47,364
Depreciation	44,215	58,132	152	102,499
Repairs and maintenance	11,831	25,734	-	37,565
Insurance	9,653	65,989	-	75,642
Interest Expense	-	6,687	-	6,687
Total	<u>\$ 3,374,710</u>	<u>\$ 860,149</u>	<u>\$ 327,068</u>	<u>\$ 4,561,927</u>

See accompanying notes to the financial statements

International Friendships, Inc.
 Statement of Functional Expenses
 For the year ended August 31, 2024

	Support Services			Total
	Program Services	Management & General	Fundraising	
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 & 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	<u>\$ 3,215,063</u>	<u>\$ 950,106</u>	<u>\$ 305,756</u>	<u>\$ 4,470,925</u>

See accompanying notes to the financial statements

International Friendships, Inc.
 Statements of Cash Flows
 For the years ended August 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets from operations	\$ 1,630,725	\$ 1,310,939
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	102,500	72,204
(Gain) loss on sale of assets (net)	(2,500)	(66,936)
Property casualty gain from insurance recovery	(37,562)	(818,059)
(Increase) decrease in assets:		
Accounts receivable	43,192	6,892
Prepaid expenses and deposits	(11,369)	23,163
Increase (decrease) in liabilities:		
Accounts payable	(2,197)	(5,933)
Other current liabilities	(46,645)	47,250
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,676,144	569,520
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of land and building	-	196,160
Purchase of and improvements to land and building	(242,220)	(1,421,960)
Property casualty insurance proceeds	37,562	818,059
Purchase of computer software	(4,180)	-
Purchase of vehicles	-	(9,000)
Sale of vehicle	2,500	-
Sale of equipment and other assets	-	1,350
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(206,338)	(415,391)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(25,555)	(24,585)
NET CASH USED IN FINANCING ACTIVITIES	(25,555)	(24,585)
NET CHANGE IN CASH	1,444,251	129,544
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	2,053,404	1,923,860
CASH AND EQUIVALENTS AT END OF YEAR	\$ 3,497,655	\$ 2,053,404
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during year for interest	\$ 6,605	\$ 7,581

See accompanying notes to the financial statements

International Friendships, Inc.
Notes To The Financial Statements
For the Years Ended August 31, 2025 and 2024

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. IFI offers 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 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.

International Friendships, Inc.
Notes To The Financial Statements
For the Years Ended August 31, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 organization presents its financial statements in accordance with current accounting guidance, under which the organization is required to report information regarding its financial position and activities according to classes of net assets as follows:

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 International Friendships Inc's management and the 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 International Friendships Inc or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of August 31, 2025 and 2024, there were donor restricted net assets of \$62,981 and \$2,781, respectively.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

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.

IFI estimates that the fair value of all financial instruments at August 31, 2025 and 2024 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. As of August 31, 2025 none of IFI's bank deposits were uninsured and unsecured.

International Friendships, Inc.
Notes To The Financial Statements
For the Years Ended August 31, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk (CONTINUED)

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. 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.

Donor designations for specific ministry projects or missionary staff are considered to be donor preferences and not restrictions.

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. No nonmonetary contributions of this nature were received in 2025 or 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 \$15,604 in 2025 and \$25,100 in 2024. 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, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Retention Credit

IFI applied for and received payment for the Employee Retention Credit (ERC), a refundable payroll tax credit program enacted by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. Under the provisions of the ERC program, an eligible entity may take a credit against the employer's portion of Social Security taxes withheld on qualified wages subject to certain limitations. IFI has met the conditions prescribed in the ERC program for the period of March 2020 through June 30, 2021. By the end of August 31, 2025, a total of \$984,665, which included interest income of \$134,475, was received from the Internal Revenue Service (IRS).

The IRS has given notice that they are actively reviewing previous payments made under the ERC program to determine if recipients incorrectly received payments they should not have. IFI's management believes it meets the qualification for the ERC payment and there is little chance that the amounts they received will later be disallowed. In any event, the financial statements do not reflect any required adjustments if the IRS later considers amounts paid to IFI to be unallowable.

Functional expense allocation

The costs of providing program and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among benefited. the programs and supporting services 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 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.

International Friendships, Inc.
Notes To The Financial Statements
For the Years Ended August 31, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 sixty 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:

	2025	2024
Without donor restrictions:		
Undesignated	\$ 1,622,708	\$ 620,826
Designated for ministry projects or missionary staff	1,661,489	1,262,301
Invested in property and equipment, net of related debt	3,784,823	3,615,367
With donor restrictions:		
Purpose restrictions	62,981	2,781
	<hr/> <hr/>	<hr/> <hr/>
	\$ 7,132,001	\$ 5,501,275

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:

International Friendships, Inc.
 Notes To The Financial Statements
 For the Years Ended August 31, 2025 and 2024

3. LIQUIDITY AND AVAILABILITY (CONTINUED)

	2025	2024
Financial assets, at year end:		
Cash and cash equivalents	\$ 3,497,655	\$ 2,053,404
Receivables	2,108	45,300
	<hr/> 3,499,763	<hr/> 2,098,704
Less:		
Net assets with donor restrictions	(62,981)	(2,781)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,436,782</u>	<u>\$ 2,095,923</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 2025 or 2024.

3. ACCOUNTS RECEIVABLE

IFI had an accounts receivable balance of \$2,108 and \$45,300 as of August 31, 2025 and 2024. IFI deems the balance as of August 31, 2025 to be fully collectible.

4. 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:

	2025	2024
Buildings	\$ 4,064,082	\$ 3,812,391
Construction in progress	-	9,470
Land	91,119	91,119
Computer Equipment	38,080	41,686
Computer Software	30,478	26,298
Office Equipment	36,738	36,738
Vehicles	9,000	12,700
Furniture and fixtures	26,390	26,390
	<hr/> 4,295,887	<hr/> 4,056,792
Accumulated depreciation and amortization	(346,480)	(251,286)
Property and equipment, net	<u>\$ 3,949,407</u>	<u>\$ 3,805,506</u>

International Friendships, Inc.
Notes To The Financial Statements
For the Years Ended August 31, 2025 and 2024

5. 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 used the available cash to pay any amounts above the insurance recoveries and raised additional funds specified for the building renovations.

As of August 31, 2025, total insurance proceeds for property damage amounted to \$2,948,338 (which included proceeds totaling \$37,562 in 2025, \$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 \$37,562 in 2025, \$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 \$2,020 in 2025, \$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. This resulted in a total insurance gain of \$39,583 in 2025, \$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.

6. 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. Long-term debt consists of the following:

Description of Debt	Maturity Date	Interest Rate	Amount Outstanding as of August 31	
			2025	2024
Mortgage note on 1520 Old Henderson Rd.	4/1/2031	3.74%	\$ 164,584	\$ 190,139
Current maturities			\$ 26,541	\$ 25,555
Note payable - noncurrent			\$ 138,043	\$ 164,584

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6. NOTES PAYABLE (CONTINUED)

Principal repayments on long-term debt over the next five years are as follows:

2026	\$ 26,541
2027	27,565
2028	28,619
2029	29,733
2030	30,880
Subsequent	21,246
Total	164,584

7. COMPENSATED ABSENCE

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.

8. 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. Thirteen IFI employees participate and contribute 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 2025 and 2024.

9. 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 \$58,579 and \$62,570 for the periods ending August 31, 2025 and 2024, respectively. The 2024 amount included \$45,275 income recorded from insurance for lost rent due to the fire. No receivable for lost rent was recorded as of August 31, 2024.

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10. 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.

11. SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to August 31, 2025 to determine the need for any adjustments to or disclosures within the audited financial statements for the year ended August 31, 2025. Management has performed this analysis through January 20, 2026 the date the financial statements were available to be issued.