



CADENCE INTERNATIONAL AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

May 31, 2023 and 2022

CADENCE INTERNATIONAL AND AFFLIATE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cadence International and Affiliate
Englewood, Colorado

Opinion

We have audited the accompanying consolidated financial statements of Cadence International and Affiliate, which comprise the consolidated statements of financial position as of May 31, 2023 and 2022, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cadence International and Affiliate as of May 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Cadence International and Affiliate 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cadence International and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Board of Directors
Cadence International and Affiliate
Englewood, Colorado

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Cadence International and Affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cadence International and Affiliate'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.

Capin Crouse LLP

Centennial, Colorado
October 24, 2023

CADENCE INTERNATIONAL AND AFFLIATE

Consolidated Statements of Financial Position

	May 31,	
	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 3,582,947	\$ 4,513,068
Investments	891,848	1,012,255
Prepaid expenses and other assets	245,316	396,279
Note and interest receivable	173,691	150,000
Contributions receivable	1,366,121	90,262
Operating lease–right-of-use assets	625,847	-
Financing lease–right-of-use assets	41,825	-
Property and equipment–net	6,020,036	3,600,326
Total Assets	\$ 12,947,631	\$ 9,762,190
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 276,521	\$ 305,290
Accrued expenses and other liabilities	70,953	58,843
Operating lease obligations	544,323	-
Financing lease obligations	43,238	-
Total liabilities	935,035	364,133
Net assets:		
Without donor restrictions	8,119,963	6,107,035
With donor restrictions	3,892,633	3,291,022
Total net assets	12,012,596	9,398,057
Total Liabilities and Net Assets	\$ 12,947,631	\$ 9,762,190

See notes to consolidated financial statements

CADENCE INTERNATIONAL AND AFFLIATE

Consolidated Statements of Activities

	Year Ended May 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 158,511	\$ 11,564,602	\$ 11,723,113	\$ 606,527	\$ 11,670,398	\$ 12,276,925
Contributed non-financial assets	-	2,756,065	2,756,065	-	-	-
Military ministry contracts	224,856	-	224,856	224,366	-	224,366
Other income	185,131	-	185,131	74,449	-	74,449
	<u>568,498</u>	<u>14,320,667</u>	<u>14,889,165</u>	<u>905,342</u>	<u>11,670,398</u>	<u>12,575,740</u>
TOTAL SUPPORT AND REVENUE						
NET ASSETS RELEASED FROM:						
Purpose restrictions	12,334,191	(12,334,191)	-	9,792,817	(9,792,817)	-
Administrative assessments	1,384,865	(1,384,865)	-	1,576,865	(1,576,865)	-
	<u>13,719,056</u>	<u>(13,719,056)</u>	<u>-</u>	<u>11,369,682</u>	<u>(11,369,682)</u>	<u>-</u>
TOTAL NET ASSETS RELEASED						

(continued)

See notes to consolidated financial statements

CADENCE INTERNATIONAL AND AFFLIATE

Consolidated Statements of Activities (continued)

	Year Ended May 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:						
Program services	10,167,068	-	10,167,068	9,515,112	-	9,515,112
Supporting activities:						
General and administrative	1,570,298	-	1,570,298	1,537,759	-	1,537,759
Fund-raising	537,260	-	537,260	562,269	-	562,269
	2,107,558	-	2,107,558	2,100,028	-	2,100,028
Total Expenses	12,274,626	-	12,274,626	11,615,140	-	11,615,140
Change in Net Assets	2,012,928	601,611	2,614,539	659,884	300,716	960,600
Net Assets, Beginning of Year	6,107,035	3,291,022	9,398,057	5,447,151	2,990,306	8,437,457
Net Assets, End of Year	\$ 8,119,963	\$ 3,892,633	\$ 12,012,596	\$ 6,107,035	\$ 3,291,022	\$ 9,398,057

See notes to consolidated financial statements

CADENCE INTERNATIONAL AND AFFLIATE

Consolidated Statements of Functional Expenses

	Year Ended May 31,							
	2023				2022			
	Program Services	Supporting Activities:		Total	Program Services	Supporting Activities:		Total
	Management and General	Fund- raising			Management and General	Fund- raising		
Salaries and benefits	\$ 6,408,527	\$ 1,150,079	\$ 361,827	\$ 7,920,433	\$ 6,381,366	\$ 1,096,471	\$ 372,509	\$ 7,850,346
Occupancy	988,457	42,746	14,262	1,045,465	969,807	29,403	18,302	1,017,512
Travel	903,803	54,920	43,006	1,001,729	586,771	48,756	52,154	687,681
Conferences, seminars, and meetings	770,786	64,993	28,171	863,950	580,672	27,169	16,996	624,837
Equipment, technology, and maintenance	167,374	138,739	-	306,113	187,970	194,722	18,160	400,852
Professional fees and services	246,433	15,401	20,251	282,085	156,486	61,053	15,675	233,214
Education, promotion, and other expense	178,697	5,173	58,098	241,968	173,750	12,693	50,354	236,797
Depreciation and amortization	184,064	46,997	-	231,061	190,634	17,414	-	208,048
Materials and supplies	173,743	34,723	6,774	215,240	167,136	34,986	11,927	214,049
Insurance	145,184	16,527	4,871	166,582	120,520	15,092	6,192	141,804
	<u>\$ 10,167,068</u>	<u>\$ 1,570,298</u>	<u>\$ 537,260</u>	<u>\$ 12,274,626</u>	<u>\$ 9,515,112</u>	<u>\$ 1,537,759</u>	<u>\$ 562,269</u>	<u>\$ 11,615,140</u>

See notes to consolidated financial statements

CADENCE INTERNATIONAL AND AFFLIATE

Consolidated Statements of Cash Flows

	Year Ended May 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,614,539	\$ 960,600
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	231,061	208,048
Amortization of financing lease	38,103	-
Accrued interest on note receivable	(23,691)	-
Gain on sale of property and equipment	(20,106)	(1,909)
Net realized and unrealized losses on investments	38,972	39,638
Donated property and equipment	(2,506,090)	-
Non-cash effect of change in accounting principle	(63,838)	-
Non-cash lease expense	(15,624)	-
Change in operating assets and liabilities:		
Prepaid expenses and other assets	150,963	(83,535)
Accounts payable	(28,769)	124,303
Accrued expenses and other liabilities	12,111	1,799
Contributions receivable	(1,275,859)	(12,359)
Net Cash Provided (Used) by Operating Activities	(848,228)	1,236,585
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	221,246	267,268
Purchases of investments and reinvested interest and dividends	(139,811)	(293,046)
Proceeds from sales of property and equipment	80,855	31,293
Purchases of property and equipment	(205,431)	(700,055)
Net Cash Used by Investing Activities	(43,141)	(694,540)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on financing lease	(38,752)	-
Net Cash Used by Financing Activities	(38,752)	-
Net Change in Cash and Cash Equivalents	(930,121)	542,045
Cash and Cash Equivalents, Beginning of Year	4,513,068	3,971,023
Cash and Cash Equivalents, End of Year	\$ 3,582,947	\$ 4,513,068
SUPPLEMENTAL INFORMATION:		
Right-of-use assets obtained in exchange for operating lease obligations	\$ 838,606	\$ -
Right-of-use assets obtained in exchange for financing lease obligations	\$ 80,489	\$ -

See notes to consolidated financial statements

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2023 and 2022

1. NATURE OF ORGANIZATION:

Cadence International (the Organization) is a not-for-profit corporation dedicated to ‘sharing the gospel and our lives with the military community. The Organization’s staff ministers in such a way that God’s heart for the world is prayerfully infused into the lives of military people. The United States of America military community is a fruitful and strategic harvest field. Through open-home ministries, on-base coffee houses, youth programs, after-school clubs for children, and evangelistic, retreat ministries, the Organization ministers in creative and powerful ways to military people and their families. The Organization also reaches out to the armed forces of other nations.

The Organization, a nonprofit organization incorporated in the State of California, is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), and is not a private foundation under Section 509(a) of the Code. However, the Organization is subject to federal income tax on any unrelated business taxable income. Contributions are the Organization’s primary source of support and revenue.

Cadence Japan is a legally recognized charity in Japan and is exempt from taxes. As Cadence Japan is an organization fully controlled by Cadence International, these consolidated financial statements include the assets, liabilities, net assets, revenue, and expenses of Cadence Japan. Throughout the consolidated financial statements these two entities are collectively referred to as Cadence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

PRINCIPLES OF CONSOLIDATION

Due to board control and economic interest, Cadence Japan is a controlled subsidiary of the Organization. The consolidated financial statements of Cadence include the financial resources and activities of Cadence Japan. All significant intercompany balances and transactions have been eliminated.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, and interest-bearing money market accounts. Cadence maintains its cash in banks and other deposit accounts at high credit quality financial institutions. As of May 31, 2023 and 2022, cash exceeded federally insured limits by approximately \$3,690,000 and \$4,060,000, respectively.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of unconditional promises to give and are recognized as assets and support in the period made. Contributions receivables consists of donated rent and cash pledges. Unconditional promises that are expected to be received within one year are recorded at their net realizable value based upon management's estimate of the pledges being collectible. Unconditional promises that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows.

INVESTMENTS

Investments consist of certificates of deposit, fixed income annuities, and mutual funds. Certificates of deposit are reported at contract value and fixed income annuities and mutual funds are reported at fair value. Donated securities are initially recorded at fair value on the date of the gift and thereafter carried in accordance with the above policy. Unrealized gains and losses, interest, and dividends are reported in the consolidated statements of activities within other income in the year in which they occur.

OPERATING AND FINANCING LEASES—RIGHT-OF-USE ASSETS AND OBLIGATIONS

Cadence adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standards below) and its related amendments as of June 1, 2022. The operating leases presented in the consolidated statements of financial position include assets of \$625,847 and lease obligations of \$544,323, as of May 31, 2023. The financing leases presented in the consolidated statements of financial position include assets of \$41,825 and lease obligations of \$43,238, as of May 31, 2023. Cadence elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of May 31, 2022 without restating prior-year amounts. The additional lease disclosures can be found in Notes 8 and 9.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives, which range from four to fifty years. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in revenue for the period. Purchases in excess of \$5,000 with a useful life of greater than one year are capitalized. In addition, all vehicles are capitalized.

NET ASSETS

The net assets of Cadence are reported in the following categories:

Net assets without donor restrictions include those resources available for current operations.

Net assets with donor restrictions are comprised of donor-restricted contributions for the support of missionaries and projects.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or grantor. Military ministry contracts income and other income are recorded when earned.

Contributed non-financial assets are recorded when made, which may be when the assets are received or unconditionally promised. Contributed non-financial assets included donated property and equipment and donated rent. Contributed property and equipment is valued at the fair market value of the asset based on market comparisons. Contributed property and equipment is donor restricted for program activities and was \$2,506,090 during the year ended May 31, 2023. Contributed property and equipment is released from donor restrictions when the assets are placed into service. Donated rent is recognized at the net present value of the future benefit to be received by Cadence over the term of the underlying lease and is donor restricted for program activities. During the year ended May 31, 2023, donated rent was \$249,975.

FOREIGN OPERATIONS

In connection with its ministry, Cadence maintains projects in Europe and Asia. As of May 31, 2023 and 2022, assets in other countries totaled \$3,178,605 and \$730,668, respectively, and there were no liabilities in other countries. Total support and revenue received from foreign sources totaled approximately \$3,619,761 and \$49,845, for the years ended May 31, 2023 and 2022, respectively. The account balances relating to foreign operations are reflected in the consolidated financial statements in United States Dollars.

ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities of Cadence have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities were allocated on estimates of time, effort, and department benefited. Main program activities of Cadence are described in Note 1.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF EXPENSES, continued:

Accounting standards require all costs which contain any fundraising appeal to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. Cadence incurs costs for field worker deputation which includes time spent performing fundraising functions. These costs are referred to as joint costs and are allocated to program services and fundraising. Joint cost allocations are as follows:

	Year Ended May 31,	
	2023	2022
Program services	\$ 458,294	\$ 340,383
Fundraising	305,530	391,800
	<u>\$ 763,824</u>	<u>\$ 732,183</u>

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases* (Topic 842 of the Accounting Standards Codification). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. A lessee is required to recognize assets and liabilities for leases with terms of more than 12 months. The amendments are effective for fiscal years beginning after December 15, 2021. Cadence adopted this update for the year ended May 31, 2023. Some of Cadence's contracts contain the right to control the use of property or assets and are therefore considered leases. Cadence elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of June 1, 2022, without restating any prior year amounts. Cadence also elected to record both lease and nonlease components as leases. The additional lease disclosures can be found in Notes 8 and 9. The effect of the adjustment to the opening balance of net assets totaled \$63,838. As it was deemed immaterial, the net asset difference was adjusted through occupancy on the consolidated statements of activities and functional expenses. This amount is reported as a noncash effect of change in accounting principle on the consolidated statements of cash flows.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2023 and 2022

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects Cadence’s financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Cadence intends to spend substantially all restricted balances in the next year.

	May 31,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 3,582,947	\$ 4,513,068
Investments	891,848	1,012,255
Contributions receivable	1,366,121	90,262
Note receivable	173,691	150,000
Financial assets, at year-end	6,014,607	5,765,585
Less those unavailable for general expenditure within one year, due to:		
Net assets with donor restrictions not available for general expenditure within one year	(1,198,992)	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,815,615	\$ 5,765,585

Cadence structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through monthly reviews and board of directors meetings.

4. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consists of:

	May 31,	
	2023	2022
Cash pledges	\$ 1,150,149	\$ 90,262
Donated rent	215,972	-
	\$ 1,366,121	\$ 90,262

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2023 and 2022

4. CONTRIBUTIONS RECEIVABLE, continued:

Management has evaluated and believes the cash pledges are fully collectible; therefore, no allowance for uncollectibility has been recorded as of May 31, 2023. Cash pledges are expected to be received within one year. Donated rent will be recognized as an expense over the lease term, which ends in 2026.

5. INVESTMENTS:

Investments consist of:

	May 31,	
	2023	2022
Certificates of deposit	\$ 233,280	\$ 342,619
Mutual funds	333,137	344,205
Fixed income annuities	325,431	325,431
	<u>\$ 891,848</u>	<u>\$ 1,012,255</u>

6. NOTE AND INTEREST RECEIVABLE:

Cadence entered into a note receivable agreement with a production company in March 2020 for \$150,000. This note is secured by the profits of the film generated by the marketing of the film. The agreement was amended in May 2023 and now earns interest at 11%. Monthly payments of \$2,500 began on May of 2023 and will continue through August 2023. At this time the film is expected to be released and larger monthly payments are expected to commence. Management believes the note is fully collectable and no allowance has been recorded for the year ending May 31, 2023.

7. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	May 31, 2023		
	United States	Foreign	Total
Land	\$ 683,480	\$ 1,769,437	\$ 2,452,917
Buildings and improvements	3,316,747	1,464,479	4,781,226
Vehicles	261,429	264,439	525,868
Equipment and furnishings	339,195	12,368	351,563
	<u>4,600,851</u>	<u>3,510,723</u>	<u>8,111,574</u>
Less accumulated depreciation	<u>(1,715,706)</u>	<u>(445,349)</u>	<u>(2,161,055)</u>
	2,885,145	3,065,374	5,950,519
Construction in progress	48,569	20,948	69,517
	<u>\$ 2,933,714</u>	<u>\$ 3,086,322</u>	<u>\$ 6,020,036</u>

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2023 and 2022

7. PROPERTY AND EQUIPMENT–NET, continued:

Property and equipment–net consist of:

	May 31, 2022		
	United States	Foreign	Total
Land	\$ 683,480	\$ 25,000	\$ 708,480
Buildings and improvements	3,191,829	702,652	3,894,481
Vehicles	313,932	271,199	585,131
Equipment and furnishings	332,899	12,368	345,267
	<u>4,522,140</u>	<u>1,011,219</u>	<u>5,533,359</u>
Less accumulated depreciation	(1,592,593)	(407,329)	(1,999,922)
	<u>2,929,547</u>	<u>603,890</u>	<u>3,533,437</u>
Construction in progress	66,889	-	66,889
	<u>\$ 2,996,436</u>	<u>\$ 603,890</u>	<u>\$ 3,600,326</u>

Management has reviewed the assets in other countries and has determined that they are under the control and ownership of Cadence. While such items are recognized as assets of Cadence, it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while Cadence believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood that the carrying value of the assets in other countries may not be representative of the amount that would be realized should the asset be sold.

8. OPERATING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS:

Cadence leases various rental space under noncancelable operating leases expiring between 2024 and 2027. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term as of the inception date of the lease. The lease payments range from \$1,000 to \$3,000 monthly. The discount rates on the leases range from .30% to 5.90%.

	May 31, 2023
Operating lease–right-of-use assets	\$ 625,847
Operating lease obligations	\$ 544,323
Operating lease costs	\$ 329,698
Weighted-average discount rate	2.14%
Weighted-average remaining lease term	2.24 years

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2023 and 2022

8. OPERATING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS, continued:

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending May 31,</u>	
2024	\$ 242,837
2025	224,966
2026	63,276
2027	27,750
	<u>558,829</u>
Less imputed interest	<u>(14,506)</u>
	<u>\$ 544,323</u>

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, Cadence was applying Topic 840 in relation to operating leases. During the year ended May 31, 2022, Cadence had an operating lease expense of approximately \$544,000.

9. FINANCING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS:

Cadence leases various office equipment under noncancelable financing leases expiring between 2024 and 2025. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term as of the inception date of the lease. The leases require monthly or quarterly payments between \$4,309 and \$597. The discount rates on the leases range from 1.18% to 1.68%.

	<u>May 31, 2023</u>
Financing lease–right-of-use assets	\$ 41,825
Financing lease obligations	\$ 43,238
Financing lease costs:	
Amortization of right-of-use assets	\$ 38,103
Interest on lease liabilities	\$ 1,063
Weighted-average discount rate	1.63%
Weighted-average remaining lease term	1.14 years

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2023 and 2022

9. FINANCING LEASE—RIGHT-OF-USE ASSETS AND OBLIGATIONS, continued:

Future minimum lease payments required under financing leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending May 31,</u>	
2024	\$ 36,832
2025	8,315
	<u>45,147</u>
Less imputed interest	<u>(1,909)</u>
	<u>\$ 43,238</u>

10. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	<u>May 31,</u>	
	<u>2023</u>	<u>2022</u>
Missionaries	\$ 2,288,208	\$ 2,851,740
Projects and other	<u>1,604,425</u>	<u>439,282</u>
	<u>\$ 3,892,633</u>	<u>\$ 3,291,022</u>

11. FAIR VALUE MEASUREMENTS:

Cadence uses appropriate valuation techniques to determine fair value based on inputs available. When available, Cadence measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available. The following tables present the fair value measurements of assets and liabilities, if any, recognized in the accompanying consolidated statements of financial position, when are measured at the fair value on a recurring basis, and the level within the fair value measurement hierarchy in which the fair value measurements fall.

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11. FAIR VALUE MEASUREMENTS, continued:

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
May 31, 2023:			
Investments at fair value:			
Mutual funds:	\$ 333,137	\$ 333,137	\$ -
Fixed income annuities	<u>325,431</u>	<u>-</u>	<u>325,431</u>
	658,568	<u>\$ 333,137</u>	<u>\$ 325,431</u>
Investments at contract value:			
Certificates of deposit	<u>233,280</u>		
Total Investments	<u>\$ 891,848</u>		
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
May 31, 2022:			
Investments at fair value:			
Mutual funds	\$ 344,205	\$ 344,205	\$ -
Fixed income annuities	<u>325,431</u>	<u>-</u>	<u>325,431</u>
	669,636	<u>\$ 344,205</u>	<u>\$ 325,431</u>
Investments at contract value:			
Certificates of deposit	<u>342,619</u>		
Total Investments	<u>\$ 1,012,255</u>		

Valuation techniques: Fair values for mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the fixed income annuity is based on the estimated fair value of the underlying securities as represented by the investment company. Certificates of deposit are valued at contract value.

Changes in valuation techniques: None.

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12. DONOR CONCENTRATION:

During the year ended May 31, 2023, one donor contributed real property and cash with fair values totaling \$3,582,236. These donations were 24% of Cadence's total support and revenue for the year ended May 31, 2023. There we no such concentrations during the year ended May 31, 2022.

13. SUBSEQUENT EVENTS:

Subsequent to the year ended May 31, 2023, Cadence listed a property in Arizona on the market and it was sold for \$430,000 in September 2023.

Subsequent events were evaluated through October 24, 2023, which is the date the consolidated financial statements were available to be issued.