



**CADENCE INTERNATIONAL
AND AFFILIATE**

Consolidated Financial Statements
With Independent Auditors' Report

May 31, 2024 and 2023

CADENCE INTERNATIONAL AND AFFLIATE

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8

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, 2024 and 2023, 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, 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 *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 9, 2024

CADENCE INTERNATIONAL AND AFFLIATE

Consolidated Statements of Financial Position

	May 31,	
	<u>2024</u>	<u>2023</u>
ASSETS:		
Cash and cash equivalents	\$ 4,188,750	\$ 3,582,947
Prepaid expenses and other assets	222,449	287,141
Note and interest receivable–net	122,562	173,691
Contributions receivable	131,972	1,366,121
Investments	579,582	891,848
Operating lease–right-of-use assets	333,932	625,847
Property and equipment–net	<u>7,765,897</u>	<u>6,020,036</u>
Total Assets	<u>\$ 13,345,144</u>	<u>\$ 12,947,631</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 292,909	\$ 276,521
Accrued expenses and other liabilities	94,753	114,191
Operating lease obligations	<u>282,284</u>	<u>544,323</u>
Total liabilities	<u>669,946</u>	<u>935,035</u>
Net assets:		
Without donor restrictions	9,434,896	8,119,963
With donor restrictions	<u>3,240,302</u>	<u>3,892,633</u>
Total net assets	<u>12,675,198</u>	<u>12,012,596</u>
Total Liabilities and Net Assets	<u>\$ 13,345,144</u>	<u>\$ 12,947,631</u>

See notes to consolidated financial statements

CADENCE INTERNATIONAL AND AFFLIATE

Consolidated Statements of Activities

	Year Ended May 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 161,519	\$ 9,931,339	\$ 10,092,858	\$ 158,511	\$ 11,564,602	\$ 11,723,113
Contributed non-financial assets	-	1,465,294	1,465,294	-	2,756,065	2,756,065
Military ministry contracts	226,483	-	226,483	224,856	-	224,856
Other income	396,680	-	396,680	185,131	-	185,131
	<u>784,682</u>	<u>11,396,633</u>	<u>12,181,315</u>	<u>568,498</u>	<u>14,320,667</u>	<u>14,889,165</u>
NET ASSETS RELEASED FROM:						
Purpose restrictions	10,722,943	(10,722,943)	-	12,334,191	(12,334,191)	-
Administrative assessments	1,326,021	(1,326,021)	-	1,384,865	(1,384,865)	-
	<u>12,048,964</u>	<u>(12,048,964)</u>	<u>-</u>	<u>13,719,056</u>	<u>(13,719,056)</u>	<u>-</u>

(continued)

See notes to consolidated financial statements

CADENCE INTERNATIONAL AND AFFLIATE

Consolidated Statements of Activities (continued)

	Year Ended May 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:						
Program services	9,564,503	-	9,564,503	10,167,068	-	10,167,068
Supporting activities:						
General and administrative	1,530,151	-	1,530,151	1,570,298	-	1,570,298
Fund-raising	424,059	-	424,059	537,260	-	537,260
	1,954,210	-	1,954,210	2,107,558	-	2,107,558
Total Expenses	11,518,713	-	11,518,713	12,274,626	-	12,274,626
Change in Net Assets	1,314,933	(652,331)	662,602	2,012,928	601,611	2,614,539
Net Assets, Beginning of Year	8,119,963	3,892,633	12,012,596	6,107,035	3,291,022	9,398,057
Net Assets, End of Year	\$ 9,434,896	\$ 3,240,302	\$ 12,675,198	\$ 8,119,963	\$ 3,892,633	\$ 12,012,596

See notes to consolidated financial statements

CADENCE INTERNATIONAL AND AFFLIATE

Consolidated Statements of Functional Expenses

	Year Ended May 31,							
	2024				2023			
	Program Services	Supporting Activities:		Total	Program Services	Supporting Activities:		Total
	Management and General	Fund- raising			Management and General	Fund- raising		
Salaries and benefits	\$ 6,079,354	\$ 1,172,154	\$ 267,975	\$ 7,519,483	\$ 6,408,527	\$ 1,150,079	\$ 361,827	\$ 7,920,433
Occupancy	952,135	36,281	22,960	1,011,376	988,457	42,746	14,262	1,045,465
Conferences, seminars, and meetings	726,223	31,752	20,149	778,124	770,786	64,993	28,171	863,950
Travel	655,273	33,354	37,523	726,150	903,803	54,920	43,006	1,001,729
Education, promotion, and other expense	316,949	5,347	43,718	366,014	178,697	5,173	58,098	241,968
Professional fees and services	232,352	51,706	12,986	297,044	246,433	15,401	20,251	282,085
Equipment, technology, and maintenance	130,558	130,730	9,447	270,735	167,374	138,739	-	306,113
Depreciation and amortization	223,747	27,654	-	251,401	184,064	46,997	-	231,061
Materials and supplies	151,905	32,903	6,982	191,790	173,743	34,723	6,774	215,240
Insurance	96,007	8,270	2,319	106,596	145,184	16,527	4,871	166,582
	<u>\$ 9,564,503</u>	<u>\$ 1,530,151</u>	<u>\$ 424,059</u>	<u>\$ 11,518,713</u>	<u>\$ 10,167,068</u>	<u>\$ 1,570,298</u>	<u>\$ 537,260</u>	<u>\$ 12,274,626</u>

See notes to consolidated financial statements

CADENCE INTERNATIONAL AND AFFLIATE

Consolidated Statements of Cash Flows

	Year Ended May 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 662,602	\$ 2,614,539
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	251,401	231,061
Accrued interest on note receivable	(14,866)	(23,691)
Change in allowance for credit loss	65,995	-
Gain on sale of property and equipment	(321,971)	(20,106)
Net realized and unrealized (gains) losses on investments	(17,667)	38,972
Donated property and equipment	(1,465,294)	(2,506,090)
Non-cash effect of change in accounting principle	-	(63,838)
Non-cash lease expense	29,876	(15,624)
Change in operating assets and liabilities:		
Prepaid expenses and other assets	64,692	150,963
Accounts payable	16,388	(28,769)
Accrued expenses and other liabilities	(19,438)	11,462
Contributions receivable	1,234,149	(1,275,859)
Net Cash Provided (Used) by Operating Activities	485,867	(886,980)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	483,007	221,246
Purchases of investments and reinvested interest and dividends	(153,074)	(139,811)
Proceeds from sales of property and equipment	410,670	80,855
Purchases of property and equipment	(620,667)	(205,431)
Net Cash Provided (Used) by Investing Activities	119,936	(43,141)
Net Change in Cash and Cash Equivalents	605,803	(930,121)
Cash and Cash Equivalents, Beginning of Year	3,582,947	4,513,068
Cash and Cash Equivalents, End of Year	\$ 4,188,750	\$ 3,582,947
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 (included in accrued expenses and other liabilities)	\$ -	\$ 80,486

See notes to consolidated financial statements

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2024 and 2023

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, 2024 and 2023, cash exceeded federally insured limits by approximately \$4,049,000 and \$3,690,000, respectively.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTES AND INTEREST RECEIVABLE—NET:

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% and matures in November 2024. Cadence recorded the notes receivable based on the actual amount borrowed. Payments are applied to principal and interest portions based on specific terms of the agreement. Interest is recognized and accrued based on the original and amended agreements and when earned, regardless of when paid. Payments on the note receivable for the years ended May 31, 2024 and 2023 were \$0 and \$2,500, respectively. These payments were not broken out on the statement of cash flows due to immateriality.

Allowance for credit losses

Cadence recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term). At this time, the film securing the note receivable is complete and available on all major platforms. The production company's historic and current inability to meet the agreed upon repayment schedule has created doubt to the full collectability of the note receivable. As a result, Cadence has recognized an allowance for credit loss in the amount of \$65,995 during the year ended May 31, 2024. The credit loss recorded represents 35% of the gross note receivable and is based on the average fee for debt collection agencies in the state of Colorado.

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. See Note 8 for a discussion of fair value measurements. 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.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

Some of Cadence's contracts contain the right to control the use of property or assets and are therefore considered leases. Cadence' records right-of-use assets and obligations on the consolidated statements of financial position for the rights and obligations created by leases with initial terms of more than twelve months. The additional lease disclosures can be found in Note 6. Financing leases—right-of-use assets were \$6,642 and \$41,825 for the years ended May 31, 2024, and 2023, and are included within prepaid expenses and other assets on the consolidated statements of financial position. Financing leases obligations were \$8,280 and \$43,238 for the years ended May 31, 2024, and 2023, and are included within accrued expenses and other liabilities on the consolidated statements of financial position.

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.

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.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

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 was \$1,465,294 and \$2,506,090 during the years ended May 31, 2024 and 2023, respectively. The contributed property and equipment recognized during the years ended May 31, 2024 and 2023 were donor restricted for program activities and were released from donor restrictions when the assets were placed into service. The contributed property and equipment are actively used in Cadence's program services. 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 years ended May 31, 2024 and 2023, donated rent recognized was \$0 and \$249,975, respectively.

FOREIGN OPERATIONS

In connection with its ministry, Cadence maintains projects in Europe and Asia. As of May 31, 2024 and 2023, assets in other countries totaled \$5,953,014 and \$3,178,605, respectively, and there were no liabilities in other countries. Total support and revenue received from foreign sources totaled approximately \$1,518,327 and \$3,619,761, for the years ended May 31, 2024 and 2023, 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, 2024 and 2023

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,	
	2024	2023
Program services	\$ 275,169	\$ 458,294
Fundraising	238,317	305,530
	<u>\$ 513,486</u>	<u>\$ 763,824</u>

RECENTLY ADOPTED ACCOUNTING STANDARD

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current generally accepted accounting principles (GAAP), which generally require that a loss be incurred before it is recognized.

On June 1, 2023, Cadence adopted the guidance prospectively with no cumulative adjustment to net assets needed, as the adjustment was immaterial as is included in the current year allowance. Cadence has not restated comparative information for 2023, therefore, the comparative information for 2023 is reported under the old model and is not comparable to the information presented for 2024. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2024 and 2023

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,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 4,188,750	\$ 3,582,947
Contributions receivable	131,972	1,366,121
Note and interest receivable–net	122,562	173,691
Investments	579,582	891,848
Financial assets, at year-end	5,022,866	6,014,607
Less those unavailable for general expenditure within one year, due to:		
Net assets with donor restrictions not available for general expenditure within one year	(1,043,179)	(1,198,992)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,979,687	\$ 4,815,615

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,	
	2024	2023
Donated rent	\$ 131,972	\$ 215,972
Cash pledges	-	1,150,149
	\$ 131,972	\$ 1,366,121

Cash pledges were received in full during the year ended May 31, 2024. Donated rent will be recognized as an expense over the lease term, which ends in 2026.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2024 and 2023

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	May 31, 2024		
	United States	Foreign	Total
Land	\$ 672,980	\$ 2,486,213	\$ 3,159,193
Buildings and improvements	3,431,466	2,615,796	6,047,262
Vehicles	238,786	210,251	449,037
Equipment and furnishings	339,195	12,368	351,563
	<u>4,682,427</u>	<u>5,324,628</u>	<u>10,007,055</u>
Less accumulated depreciation	<u>(1,771,107)</u>	<u>(470,051)</u>	<u>(2,241,158)</u>
	<u>\$ 2,911,320</u>	<u>\$ 4,854,577</u>	<u>\$ 7,765,897</u>
	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>
	<u>2,885,145</u>	<u>3,065,374</u>	<u>5,950,519</u>
Construction in progress	<u>48,569</u>	<u>20,948</u>	<u>69,517</u>
	<u>\$ 2,933,714</u>	<u>\$ 3,086,322</u>	<u>\$ 6,020,036</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.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2024 and 2023

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

Cadence leases various rental space under noncancelable operating leases expiring between 2025 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,	
	2024	2023
Operating lease–right-of-use assets	\$ 333,932	\$ 625,847
Operating lease obligations	\$ 282,284	\$ 544,323
Operating lease costs	\$ 282,284	\$ 329,698
Weighted-average discount rate	2.27%	2.14%
Weighted-average remaining lease term	1.42 years	2.24 years

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>	
2025	\$ 200,067
2026	62,526
2027	27,751
	<u>290,344</u>
Less imputed interest	(8,060)
	<u><u>\$ 282,284</u></u>

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	May 31,	
	2024	2023
Missionaries	\$ 1,917,007	\$ 2,288,208
Projects and other	1,323,295	1,604,425
	<u><u>\$ 3,240,302</u></u>	<u><u>\$ 3,892,633</u></u>

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2024 and 2023

8. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

The Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. 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.

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
May 31, 2024:			
Investments at fair value:			
Mutual funds	\$ 181,391	\$ 181,391	\$ -
Fixed income annuities	160,124	-	160,124
	341,515	<u>\$ 181,391</u>	<u>\$ 160,124</u>
Investments at contract value:			
Certificates of deposit	238,067		
Total Investments	<u>\$ 579,582</u>		

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2024 and 2023

8. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

	Fair Value	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
May 31, 2023:			
Investments at fair value:			
Mutual funds	\$ 333,137	\$ 333,137	\$ -
Fixed income annuities	325,431	-	325,431
	658,568	\$ 333,137	\$ 325,431
Investments at contract value:			
Certificates of deposit	233,280		
Total Investments	\$ 891,848		

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted market prices in active markets for identical assets.

Level 3 Fair Value Measurements

Fixed annuity contracts are reported at contract value, which represents fair value. The contract value equals the accumulated cash contributions and interest credited to Cadence's contracts, less any withdrawals.

Sales related to Level 3 fair value measurements for the years ended May 31, 2024 and 2023 were \$168,398 and \$0, respectively. There were no purchases related to Level 3 fair value measurements for the years ended May 31, 2024 and 2023.

Changes in valuation techniques: None.

9. 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. During the year ended May 31, 2024, a different donor contributed real property with fair value totaling \$1,465,294. This donation was 12% of Cadence's total support and revenue for the year ended May 31, 2024.

CADENCE INTERNATIONAL AND AFFLIATE

Notes to Consolidated Financial Statements

May 31, 2024 and 2023

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 9, 2024, which is the date the consolidated financial statements were available to be issued.