

AFS Intercultural Programs, Inc.

Financial Statements

December 31, 2024 and 2023



Independent Auditors' Report

Board of Trustees of AFS Intercultural Programs, Inc.

Opinion

We have audited the accompanying financial statements of AFS Intercultural Programs, Inc. ("AFS International"), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AFS International as of December 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 Financial Statements section of our report. We are required to be independent of AFS International 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 AFS International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AFS International'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 AFS International'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.

PKF O'Connor Davies, LLP

July 19, 2025

AFS Intercultural Programs, Inc.

Statements of Financial Position

	December 31	
	2024	2023
ASSETS		
Cash and cash equivalents	USD 3,241,355	USD 3,740,579
Accounts receivable	131,449	90,038
Due from partner organizations in clearinghouse	577,033	866,567
Partner lines of credit outstanding, net	510,000	473,471
Investments	2,779,397	2,594,440
Collective insurance account, net	1,618,139	1,521,692
Prepaid expenses and other assets, net	1,125,920	894,166
Property and equipment, net	38,601	42,019
Beneficial interest in assets held by others	606,617	575,314
Operating lease right-of-use assets, net	4,371,519	4,746,064
Total Assets	USD 15,000,030	USD 15,544,350
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	USD 810,820	USD 737,080
Due to partner organizations in clearinghouse	769,505	1,239,168
Deferred revenue	40,206	70,909
Accrued post-retirement benefit obligation	943,862	1,151,397
Loans payable	496,903	500,000
Operating lease liability	4,668,763	4,977,203
Total Liabilities	7,730,059	8,675,757
Net Assets		
Without Donor Restrictions		
Undesignated	2,396,925	2,450,837
Board Designated		
Liability fund	1,269,936	1,250,992
Participant medical fund	1,368,836	1,018,167
International emergency fund	88,623	88,623
Total Net Assets without Donor Restrictions	5,124,320	4,808,619
With Donor Restrictions		
Time and purpose restrictions	864,666	835,492
Perpetual in nature	1,280,985	1,224,482
Total Net Assets with Donor Restrictions	2,145,651	2,059,974
Total Net Assets	7,269,971	6,868,593
Total Liabilities and Net Assets	USD 15,000,030	USD 15,544,350

See notes to financial statements

AFS Intercultural Programs, Inc.

Statements of Activities

	Year Ended December 31, 2024			Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Revenue and Support						
Fees from partner organizations	USD 11,200,144	USD -	USD 11,200,144	USD 11,165,080	USD -	USD 11,165,080
Contributions and government grants	171,880	4,448,897	4,620,777	240,097	4,469,200	4,709,297
International conference fees and projects	1,095,619	-	1,095,619	1,222,506	-	1,222,506
Investment return	266,967	31,880	298,847	323,766	75,236	399,002
Other income	59,551	-	59,551	22,500	-	22,500
Total Revenue and Support						
Before Net Assets Released From Restriction	12,794,161	4,480,777	17,274,938	12,973,949	4,544,436	17,518,385
Net assets released from restrictions	4,426,403	(4,426,403)	-	4,615,071	(4,615,071)	-
Total Revenue and Support	<u>17,220,564</u>	<u>54,374</u>	<u>17,274,938</u>	<u>17,589,020</u>	<u>(70,635)</u>	<u>17,518,385</u>
OPERATING EXPENSES						
Program						
Partner services	9,523,866	-	9,523,866	9,602,071	-	9,602,071
Participant medical fund	4,697,542	-	4,697,542	4,703,607	-	4,703,607
Liability fund	1,112,285	-	1,112,285	1,047,497	-	1,047,497
Network strategic investment fund	339,743	-	339,743	373,683	-	373,683
Total Program Services	<u>15,673,436</u>	<u>-</u>	<u>15,673,436</u>	<u>15,726,858</u>	<u>-</u>	<u>15,726,858</u>
Administration	1,365,628	-	1,365,628	1,326,405	-	1,326,405
Fundraising	22,116	-	22,116	23,207	-	23,207
Total Operating Expenses	<u>17,061,180</u>	<u>-</u>	<u>17,061,180</u>	<u>17,076,470</u>	<u>-</u>	<u>17,076,470</u>
Change in Net assets from Operations	159,384	54,374	213,758	512,550	(70,635)	441,915
NONOPERATING ACTIVITIES						
Appreciation in value of beneficial interest in assets held by others	-	31,303	31,303	-	55,048	55,048
Net periodic pension cost, except service cost	51,483	-	51,483	54,690	-	54,690
Adjustment in post-retirement benefit obligation	104,834	-	104,834	(447,435)	-	(447,435)
Change in Net Assets	315,701	85,677	401,378	119,805	(15,587)	104,218
NET ASSETS						
Beginning of year	<u>4,808,619</u>	<u>2,059,974</u>	<u>6,868,593</u>	<u>4,688,814</u>	<u>2,075,561</u>	<u>6,764,375</u>
End of year	<u>USD 5,124,320</u>	<u>USD 2,145,651</u>	<u>USD 7,269,971</u>	<u>USD 4,808,619</u>	<u>USD 2,059,974</u>	<u>USD 6,868,593</u>

See notes to financial statements

AFS Intercultural Programs, Inc.

Statement of Functional Expenses Year Ended December 31, 2024

	Program Services					Supporting Services			2024 Total	2023 Total
	Partner Services	Participant Medical Fund	Liability Fund	Network Strategic Investment Fund	Total Program Services	Administration	Fundraising	Total Supporting Services		
Salaries, payroll taxes and fringe benefits	USD 2,824,007	USD 157,908	USD 252,514	USD 39,143	USD 3,273,572	USD 429,248	USD 10,899	USD 440,147	USD 3,713,719	USD 3,505,887
Professional fees	1,971,738	152,979	204,007	300,600	2,629,324	159,675	4,875	164,550	2,793,874	2,609,758
Occupancy	12,136	-	-	-	12,136	416,875	-	416,875	429,011	429,516
Insurance premiums	-	4,380,500	604,748	-	4,985,248	27,273	-	27,273	5,012,521	5,146,087
International meetings, field visits and lodging	1,204,325	5,230	2,067	-	1,211,622	71,818	29	71,847	1,283,469	1,174,010
Training and recognition	1,488	-	-	-	1,488	47,044	-	47,044	48,532	21,054
Office supplies	81,803	398	-	-	82,201	18,011	1,312	19,323	101,524	103,425
Equipment rental and maintenance	-	-	-	-	-	52,050	-	52,050	52,050	52,202
Financial support from partner programs	2,532,262	-	-	-	2,532,262	-	-	-	2,532,262	3,058,217
Telecommunications	614,849	-	-	-	614,849	11,503	447	11,950	626,799	570,395
Depreciation	3,209	-	-	-	3,209	3,209	-	3,209	6,418	44,710
Amortization of intangible asset	4,971	-	-	-	4,971	4,971	-	4,971	9,942	9,526
Medical expenses	-	-	-	-	-	-	-	-	-	1,567
Bad debt expense	-	-	-	-	-	109,209	-	109,209	109,209	77,844
Offsite storage	121,048	-	-	-	121,048	7,148	-	7,148	128,196	69,667
Printing	10,985	-	-	-	10,985	1,103	2,264	3,367	14,352	18,134
Bank charges	50,783	208	-	-	50,991	3,053	2,259	5,312	56,303	58,715
Interest expense	28,916	-	-	-	28,916	3,213	-	3,213	32,129	26,604
Miscellaneous	61,346	319	48,949	-	110,614	225	31	256	110,870	99,152
Total Expenses	<u>USD 9,523,866</u>	<u>USD 4,697,542</u>	<u>USD 1,112,285</u>	<u>USD 339,743</u>	<u>USD 15,673,436</u>	<u>USD 1,365,628</u>	<u>USD 22,116</u>	<u>USD 1,387,744</u>	<u>USD 17,061,180</u>	<u>USD 17,076,470</u>

See notes to financial statements

AFS Intercultural Programs, Inc.

Statement of Functional Expenses Year Ended December 31, 2023

	Program Services				Supporting Services				
	Partner Services	Participant Medical Fund	Liability Fund	Network Strategic Investment Fund	Total Program Services	Administration	Fundraising	Total Supporting Services	Total
Salaries, payroll taxes and fringe benefits	USD 2,654,399	USD 112,471	USD 259,088	USD 39,461	USD 3,065,419	USD 429,780	USD 10,688	USD 440,468	USD 3,505,887
Professional fees	1,933,732	7,550	211,540	334,222	2,487,044	115,214	7,500	122,714	2,609,758
Occupancy	4,145	-	-	-	4,145	425,371	-	425,371	429,516
Insurance premiums	-	4,581,868	541,464	-	5,123,332	22,755	-	22,755	5,146,087
International meetings, field visits and lodging	1,111,242	-	5,295	-	1,116,537	57,451	22	57,473	1,174,010
Training and recognition	350	-	-	-	350	20,704	-	20,704	21,054
Office supplies	80,981	-	-	-	80,981	21,504	940	22,444	103,425
Equipment rental and maintenance	-	-	-	-	-	52,202	-	52,202	52,202
Financial support from partner programs	3,058,217	-	-	-	3,058,217	-	-	-	3,058,217
Telecommunications	556,857	-	-	-	556,857	13,401	137	13,538	570,395
Depreciation	22,355	-	-	-	22,355	22,355	-	22,355	44,710
Amortization of intangible asset	4,763	-	-	-	4,763	4,763	-	4,763	9,526
Medical expenses	-	1,567	-	-	1,567	-	-	-	1,567
Bad debt expense	-	-	-	-	-	77,844	-	77,844	77,844
Offsite storage	60,932	-	-	-	60,932	8,735	-	8,735	69,667
Printing	14,556	-	-	-	14,556	1,609	1,969	3,578	18,134
Bank charges	53,579	151	-	-	53,730	3,082	1,903	4,985	58,715
Interest expense	-	-	-	-	-	26,604	-	26,604	26,604
Miscellaneous	45,963	-	30,110	-	76,073	23,031	48	23,079	99,152
Total Expenses	USD 9,602,071	USD 4,703,607	USD 1,047,497	USD 373,683	USD 15,726,858	USD 1,326,405	USD 23,207	USD 1,349,612	USD 17,076,470

See notes to financial statements

AFS Intercultural Programs, Inc.

Statements of Cash Flows

	Year Ended December 31			
	2024		2023	
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	USD	401,378	USD	104,218
Adjustments to reconcile change in net assets to net cash from operating activities				
Depreciation		6,418		44,710
Amortization of intangible asset		9,942		9,526
Net realized and unrealized gains on investments		(31,087)		(150,945)
Appreciation in value of beneficial interest in assets held by others		(31,303)		(55,048)
Bad debt expense		109,209		77,844
Contributions - perpetual in nature		(25,200)		(25,103)
Amortization of operating lease right-of-use asset		374,545		369,461
Changes in operating assets and liabilities				
Accounts receivable		(41,411)		235,778
Due from partner organizations in clearinghouse		180,325		221,510
Collective insurance account		(96,447)		(91,705)
Prepaid expenses and other assets		(236,489)		293,824
Accounts payable and accrued expenses		73,740		(576,021)
Due to partner organizations in clearinghouse		(469,663)		355,469
Deferred revenue		(30,703)		(192,841)
Accrued post-retirement benefit obligation		(207,535)		345,346
Payments on operating lease liability		(308,440)		(296,442)
Net Cash from Operating Activities		(322,721)		669,581
 CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment		(3,000)		(3,778)
Purchases of intangible asset		(5,207)		(6,691)
Purchases of investments		(2,198,543)		(878,671)
Proceeds from sales of investments		2,044,673		754,905
Net Cash from Investing Activities		(162,077)		(134,235)
 CASH FLOWS FROM FINANCING ACTIVITIES				
Partner lines of credit advances		(36,529)		(370,721)
Repayment on loans payable		(3,097)		-
Contributions - perpetual in nature		25,200		25,103
Net Cash from Financing Activities		(14,426)		(345,618)
 Net Change in Cash and Cash Equivalents		(499,224)		189,728
 CASH AND CASH EQUIVALENTS				
Beginning of year		3,740,579		3,550,851
End of year	USD	3,241,355	USD	3,740,579
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest	USD	32,129	USD	26,604

See notes to financial statements

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

1. Organization and Tax Status

AFS Intercultural Programs, Inc. (“AFS International”) is an international, nongovernmental, volunteer-based not-for-profit organization incorporated in New York State in 1947. AFS International promotes intercultural learning worldwide through exchange programs for students, professionals, workers and families. AFS International is exempt from U.S. federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the “Code”), and from state and local taxes under comparable laws.

AFS International is the governing and coordinating body for the learning programs worldwide and also provides a range of services to participating national organizations. National organizations each have financial and managerial responsibility for programs and operations within their national territories and are called “partners” or “partner organizations.” Each has signed a legal agreement with AFS International, binding AFS International and each legally separate national organization to the terms of the “Articles of Partnership,” which set forth the operating principles and procedures of the “partnership system.” The terms “partner” and “partnership” reflect the spirit of mutual cooperation that AFS International and the partners seek to promote, rather than on the legal form that is known as a partnership under the laws of some countries, including the United States. At December 31, 2024 and 2023, there were 56 partners.

Generally, every partner receives all the revenue generated within its territories, including participant fees and funds raised. Each is responsible for all costs generated within its territory, including office costs and costs associated with hosting participants from other partners. These revenues and expenses are not included in the accompanying financial statements.

Partners pay a hosting fee for each participant they send on AFS International programs and also receive a hosting fee for each participant hosted. AFS International, Inc. acts as a clearinghouse (or agency) for these payments between partners, and therefore, these transactions are not reflected as revenues and are not included in the accompanying statements of activities. Total amounts cleared for the benefit of partners in the clearinghouse for the years ended December 31, 2024 and 2023 were approximately USD 24,100,000 and USD 26,232,000, respectively.

The AFS International trademark licenses are held by the AFS Foundation (the “Foundation”), a related party in Switzerland. In 2004, AFS International entered into a license agreement with the Foundation, pursuant to which AFS International is responsible for maintaining and protecting the trademark licenses worldwide, and for sublicensing the trademark licenses to partners and other organizations affiliated with AFS International. The trademark licenses and the related amortization have been included within the category of prepaid expenses and other assets in the accompanying statements of financial position. Amortization of trademark licenses is provided using the straight-line basis of the estimated useful life of the asset, which is ten years. At December 31, 2024 and 2023, the net accumulated amortization of the trademark licenses was USD 75,636 and USD 65,694, respectively. There were no material revenues or expenses between the two entities for either of the years ended December 31, 2024 or 2023. AFS International has no control over the Foundation, and accordingly, the financial statements of the Foundation have not been consolidated with those of AFS International.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of AFS International have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenues, expenses and non-operating activities, as well as disclosure of contingent assets and liabilities. Actual result may differ from those estimates.

Cash and Cash Equivalents

For financial-reporting purposes, AFS International considers highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents.

Investments

AFS International's investments consist of certificates of deposits, government bonds and mutual funds. Purchases of long-term certificates of deposit with maturities of more than three months are included in AFS International's investment portfolio and are reported at fair value. Equity securities, government bonds and mutual funds are reported at fair value based on quoted market prices.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted through donor stipulation.

Realized gains and losses on investments are determined by comparison of the cost at acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Certain AFS International investment fees are embedded in various other investment accounts and transactions as part of its mutual fund portfolio and are included as part of that investment's acquisition cost.

Donated securities are recorded at their estimated fair values at the dates of donation, with realized gains and losses recorded at the time the securities are sold. AFS International's policy is to sell donated securities immediately upon receipt, and, accordingly, for purposes of the statements of cash flows, donated securities and the proceeds generated from their sale are included as operating activities. There were no donated securities in 2024 and 2023.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are reported at their original costs, or, if contributed, at their estimated fair values on the dates of donation, net of accumulated depreciation and amortization. Minor costs of repairs and maintenance are expensed as incurred. AFS International capitalizes items of property and equipment that have a cost of USD 1,500 or more and a useful life greater than one year. Depreciation of furniture and equipment is provided using the straight-line method over the estimated useful lives of the related assets, which range from three to ten years. Leasehold improvements are capitalized and amortized using the straight-line method over the remaining lease term or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. There were no triggering events occurring to property and equipment requiring management to test for, or adjust for, impairment losses during 2024 or 2023. However, it is reasonably possible that relevant conditions could change in the near-term and necessitate a change in management's estimate of the recoverability of these assets.

Accrued Vacation

AFS International's employees are entitled to be paid in a lump sum for accrued unused vacation time through April of the subsequent year, calculated on a pro-rata basis, in the event that they leave AFS International prior to April in any given year. Accordingly, at each year-end, AFS International must recognize a liability for the amount that would be incurred if all employees with such unused vacation time were to leave. At December 31, 2024 and 2023, this accrued vacation obligation was approximately USD 97,000 and USD 95,000, respectively, and was reported in the accompanying statements of financial position as a part of accounts payable and accrued expenses.

Net Assets

AFS International's net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent those resources for which there are no restrictions by donors and are therefore available for current operations. The Board of Trustees has allocated a portion of these net assets without donor restrictions to act as Board-designated funds for program purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or a specific period of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity, with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Net assets released from restrictions represent one of the following: (i) appropriations for expenditure by the Board of Trustees; (ii) the satisfaction of the restricted purposes specified by the donors; or (iii) the passage of time, and are reclassified as net assets without donor restrictions and are reported in the statements of activities as “net assets released from restrictions.”

Revenue Recognition

Fees From Partner Organizations

Partners pay certain annual fees to AFS International to cover the cost of international governance, program and supporting services and program development. These are based on a per-capita charge for the participant in the program, using the prior year’s program volume as a basis to determine the appropriate charge rate for the current year and a partnership fee of USD 25,000 for level one partners and USD 10,000 for level two partners.

Such fees totaled approximately USD 4,800,000 and USD 4,780,000 for the years ended December 31, 2024 and 2023, respectively.

Partners also pay an annual fee to AFS International, related to the liability fund, participant medical fund, network strategic investment fund and international emergency fund. Revenues from these sources are recorded at the end of the year based on services rendered for the calendar year. Revenue from these sources for the years ended December 31, 2024 and 2023 were approximately USD 6,400,000 and USD 6,385,000, respectively. Funds for services that had yet to be provided at the end of each year have been recorded as deferred for use in future periods.

At December 31, 2024 and 2023, there were no contract assets. Contract liabilities consisted of deferred revenue at December 31, 2024 and 2023 were USD 40,206 and USD 70,909, respectively. At January 1, 2023, there were no contract assets and contract liabilities were USD 263,750.

Contributions

Contributions to AFS International are recognized as revenue upon the receipt of cash, other assets or unconditional pledges. Contributions are recorded as “with donor restrictions” if they are received with purpose restrictions or time considerations as to their use. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. AFS International periodically assesses collectability of its contribution receivables using management’s judgment of potential defaults, which considers factors such as prior collection history, type of contribution, and the nature of fund-raising activity and provides allowances for anticipated losses, if any, when necessary.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

International Conference Fees

AFS International recognizes revenues from conferences when the conferences take place. Any fees collected in advance of the event are deferred until the conference services have been provided.

Allowance for Credit Losses

Due from partner organizations in clearinghouse and partner lines of credit outstanding receivables are carried at the original amount less an estimate made for credit losses that are not expected to be recovered. AFS International assesses allowances for credit losses resulting from the expected failure or inability of its debtor to make required payments on a specific-identification basis. This is completed at inception and reassessed at every reporting date based on the remaining receivable's expected collectability. The allowance is based on multiple factors including historical experience, the credit quality of the partner, the aging of such receivables and current macroeconomic conditions, as well as expectations of conditions in the future, if applicable. At December 31, 2024 and 2023, management determined that all due from partner organizations in clearinghouse and partner lines of credit outstanding receivables are collectible. During 2024, AFS International wrote off USD 109,209 due from partner organizations in clearinghouse. During 2023, AFS International wrote off USD 77,844 due from partner organizations in clearinghouse.

AFS International's receivables are short-term in nature and written off only when all collection attempts have failed or when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any receivables previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery to be included in the statements of activities in accordance with the AFS International's accounting policy election.

Volunteers

A number of unpaid volunteers have made significant contributions of their time performing administrative functions for AFS International. The value of this contributed time is not recorded in the financial statements because it does not meet the criteria for revenue recognition required by U.S. GAAP.

Functional Allocation of Expenses

AFS International's financial statements report certain categories of expenses that are attributable to program and supporting services of AFS International. These costs have been summarized on a functional and natural classification in the statements of functional expenses. Accordingly, certain costs that are directly attributable to a specific functional area of AFS International are reported as an expense to the appropriate program or supporting service. Natural expenses attributable to more than one functional expense category have been allocated among the programs and supporting services based on the time spent by employees and the nature of the expense. The expenses that are allocated include professional fees, insurance premiums, international meetings, field visits and lodging, and depreciation and amortization.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Measurement of Operations

AFS International includes in its measurement of operations all revenue and expenses that are an integral part of its programs and supporting activities. Non-operating activities include: (i) the change in value of beneficial interest in assets held by others; (ii) net periodic pension cost, except service cost; and (iii) the change in post-retirement benefit obligation other than the operating expense portion.

Accounting for Uncertainty in Income Taxes

AFS International recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that AFS International had no uncertain tax positions that would require financial statement recognition or disclosure. AFS International is no longer subject to examinations by the applicable taxing jurisdictions for period prior to 2021.

Leases

AFS International leases office space and furniture and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets ("ROU assets") and operating lease liabilities on the accompanying statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit borrowing rate, AFS International uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend the lease and when it is reasonably certain that AFS International will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for the lease payments is recognized on a straight-line basis of the lease term.

AFS International's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

AFS International has a lease agreement with lease and non-lease components, which are generally accounted for separately. Variable lease components in this lease is common area maintenance, utilities, and real estate taxes and are recognized in operating expenses in the period in which the obligation incurred.

Subsequent Events Evaluation by Management

AFS International evaluated subsequent events through July 19, 2025, the date on which the financial statements were available to be issued.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
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3. Concentration of Credit Risk

Financial instruments that potentially subject AFS International to concentrations of credit risk consist principally of cash and cash equivalents in high-credit-quality financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management operates within Board of Trustees' policies to manage counterparty risks to avoid significant risk of loss on these accounts that would be due to the failure of these institutions. As of December-31, 2024 and 2023, AFS International's cash and cash equivalent balances on deposit exceeded the federal insurance limits by approximately USD 2,816,000 and USD 3,400,000, respectively.

Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to USD 500,000 (USD 250,000 for cash holdings). At times balances may exceed SIPC limits. At December 31, 2024 and 2023, AFS International's uninsured investment holdings totaled approximately USD 1,675,000 and USD 1,980,000, respectively.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit risk.

4. Liquidity and Availability of Resources

The following reflects AFS International's financial assets as of each year-end, reduced by amounts not available for general use within one year of year-end because of contractual, donor-imposed restrictions or internal designations:

	December 31,	
	2024	2023
Cash and cash equivalents	USD 3,241,355	USD 3,740,579
Accounts receivable	131,449	90,038
Due from partner organizations in clearinghouse	577,033	866,567
Investments (excluding investments held as collateral)	2,692,527	2,498,039
Collective insurance account, net	1,618,139	1,521,692
Total Financial Assets	8,260,503	8,716,915
Less amounts unavailable for general expenditure:		
Contractual obligation - collateral for Economic Injury Disaster Loan	(496,903)	(500,000)
Restricted by donors with:		
Purpose and time restrictions	(864,666)	(835,492)
Perpetual in nature	(674,368)	(649,168)
	(1,539,034)	(1,484,660)
Amounts unavailable to management without Board's approval:		
Board-designated	(2,727,395)	(2,357,782)
Financial Assets at Year-End Available to Meet Cash Needs for General Expenditure Within One Year	USD 3,497,171	USD 4,374,473

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

4. Liquidity and Availability of Resources *(continued)*

AFS International has a policy to structure its financial assets to maintain a sufficient level of operating cash to be available as its general expenditures, liabilities and other obligations come due as part of AFS International's liquidity management. Additionally, AFS International has Board-designated funds whereby amounts could be made available for current operations, if necessary; however, AFS International does not intend to spend these funds for purposes other than those approved by the Board of Trustees.

5. Accounts Receivable

At each fiscal year-end, accounts receivable consisted of amounts due to AFS International for exchange-type transactions. All amounts are fully collectible and due within one year. There were no amounts reserved as uncollectible during 2024 and 2023. During 2024 and 2023, management deemed USD 0 of receivables as uncollectible.

6. Investments

Investments consist of the following:

	December 31,	
	2024	2023
Certificates of deposit	USD 86,870	USD 96,401
Government bonds	1,311,120	-
Mutual funds	1,381,407	2,498,039
	<u>USD 2,779,397</u>	<u>USD 2,594,440</u>

ASC Topic 820, Fair Value Measurements, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.

Level 2: Valuations are based on: (i) quoted prices for similar investments in active markets; or (ii) quoted prices for those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

6. Investments *(continued)*

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following tables summarize the inputs used to measure the fair values of AFS International's investments at each year-end:

		December 31, 2024	
		Amounts Within Fair-Value Hierarchy	
		Level 1	Total
Mutual funds	USD	1,381,407	USD 1,381,407
Government bonds		1,311,120	1,311,120
	USD	2,692,527	2,692,527
Certificates of deposit*			86,870
			USD 2,779,397
		December 31, 2023	
		Amounts Within Fair-Value Hierarchy	
		Level 1	Total
Mutual fund	USD	2,498,039	USD 2,498,039
Certificates of deposit*			96,401
			USD 2,594,440

* The value of the certificates of deposit is recorded at cost plus accrued interest.

During the years ended December 31, 2024 and 2023, there were no transfers in or out of levels 1, 2 or 3 of the fair value hierarchy.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

7. Property and Equipment

At each year-end, property and equipment consisted of the following:

	December 31,	
	2024	2023
Furniture	USD 17,540	USD 17,540
Equipment	626,125	623,125
Leasehold improvements	34,079	34,079
	677,744	674,744
Accumulated depreciation	(639,143)	(632,725)
	USD 38,601	USD 42,019

During 2024 and 2023, there were no write-offs of property and equipment.

8. Beneficial Interest in Assets Held by Others

The wills of Laura Hassler and Robert Hassler provided that their estates were to be invested by trustees into a charitable perpetual trust (the "Trust") established for multiple beneficiaries, of which AFS International is a 20% participant. The annual income therefrom is to be contributed to AFS International for purposes of scholarships to those participants of AFS International's programs. The Trust's assets are invested in bond and equity mutual funds and equities, and AFS International's interest in the fair value totaled USD 606,617 and USD 575,314 at December 31, 2024 and 2023, respectively. During 2024 and 2023, AFS International received distributions from the Trust of USD 54,906 and USD 56,756, respectively. The change in the value of the beneficial interest is recorded in net assets with donor restrictions within the statements of activities.

At December 31, 2024 and 2023, AFS International's beneficial interest in assets held by others is classified within Level 3 in the fair value hierarchy.

Quantitative information regarding unobserved inputs developed by AFS International and assumptions used to measure the fair value of the beneficial interest in assets held by others as of December 31, 2024 are as follows:

Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial interest in assets held by others	USD 606,617	Market approach	Fair value of participant portion of Trust assets	N/A

AFS Intercultural Programs, Inc.

Notes to Financial Statements
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9. Restructuring Activities and Partners' Lines of Credit Outstanding

On a periodic basis, AFS International is requested to help manage restructuring opportunities for various partners.

The Board of Trustees has established unsecured lines of credit with certain partners, with lines of credit totaling USD 510,000 and USD 473,471 at December 31, 2024 and 2023, respectively. Drawdowns during 2024 and 2023 totaled USD 100,000 and USD 448,098, respectively. Beginning in September 2019 and continuing through 2024, AFS International did not charge interest on the lines of credit. The lines of credit were extended through December 2029. Partners' lines of credit amounts were outstanding from various partners as follows:

	December 31,	
	2024	2023
Partners' lines of credit outstanding	USD 510,000	USD 473,471

During 2024 and 2023, AFS International wrote off USD 0 lines of credit outstanding.

10. Employee Benefit Plans

Defined Contribution Plan

AFS International sponsors a Section 403(b) tax-shelter annuity plan, which is available to all employees who have completed 1,000 hours of service for a calendar year. Participants in the plan must contribute a minimum of 5.0% of their compensation to the plan in order to receive a 7.5% employer contribution by AFS International. Participants' contributions and employer contributions are 100% vested immediately. AFS International's contribution to the pension plan for 2024 and 2023 amounted to USD 174,450 and USD 162,134 respectively.

Post-Retirement Medical Benefits

AFS International also administers a post-retirement medical benefits plan (the "Plan"). The Plan provides subsidized medical and pharmaceutical benefits for employees who retire at age 60 having completed 15 years of service, or at age 62, or at a later age, having completed 10 years of service. The Board of Trustees adopted a Plan change, effective January 1, 2013, which grandfathers future retirees who were hired prior to January 1, 2009, and born prior to January 1, 1960, with non-participatory group medical benefits.

Effective September 30, 2018, AFS International terminated its current health plan with its former provider and offered a new plan with a new provider. All Medicare retirees wishing to continue coverage with AFS International need to buy a replacement plan supplemental to Medicare Parts A and B in the private market. For prescription drug coverage, the Medicare retirees need to buy a Medicare Part D plan in the private market. Pre-Medicare retirees will be eligible to continue the active medical plan, with plans provided by a new provider, until they reach age 65.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

10. Employee Benefit Plans (continued)

Post-Retirement Medical Benefits (continued)

Effective October 1, 2018, AFS International will reimburse grandfathered retirees under Medicare and any covered spouse up to the cost of Medicare supplement plan G in the retiree's state of residence. AFS International will also reimburse the retiree and any covered spouse up to a flat USD 60 per month for the drug plan. For spouses over age 65, there is a monthly contribution of USD 25. AFS International will pay Pre-Medicare grandfathered retirees for 100% of the premium rates. Additionally, AFS International reduced the monthly subsidy from USD 300 per month to USD 150 per month for Medicare and Pre-Medicare non-grandfathered retirees. The subsidy is expected to remain flat. Non-grandfathered participants will need to pay the total cost of the Plan less USD 150 per month. Those covering a spouse do not receive a greater subsidy.

The Plan's status consists of the following:

	December 31,	
	2024	2023
Change in post-retirement benefit obligation:		
Post-retirement benefit obligation at beginning of year	USD (1,151,397)	USD (806,051)
Service cost	(4,714)	(1,566)
Interest cost	(47,785)	(55,040)
Actuarial gain (loss)	204,099	(337,705)
Benefits paid	55,935	48,965
Accrued Post-retirement Benefit Obligation at End of Year	(943,862)	(1,151,397)
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	55,935	48,965
Benefits paid	(55,935)	(48,965)
Fair Value of Plan Assets at End of Year	-	-
Funded Status at End of Year	USD (943,862)	USD (1,151,397)

The table below reflects amounts recognized in net assets without donor restrictions as follows:

	December 31,	
	2024	2023
Net actuarial loss	USD 1,105,338	USD 1,377,447
Prior service credit	(1,272,429)	(1,439,707)
	USD (167,091)	USD (62,260)

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

10. Employee Benefit Plans (continued)

Post-Retirement Medical Benefits (continued)

The net periodic post-retirement benefit included the following components for the years ended December 31:

	2024	2023
Service cost	USD 4,714	USD 1,566
Interest cost	47,785	55,040
Amortization of prior service cost	(167,278)	(188,765)
Amortization of net loss	68,010	79,035
Net Periodic Post-retirement Benefit	(46,769)	(53,124)
Net actuarial (gain) loss	(204,099)	337,705
Recognized actuarial loss	(68,010)	(79,035)
Recognized prior service credit	167,278	188,765
Total Changes Recognized in Net Assets Without Donor Restrictions	(104,831)	447,435
Total Recognized in Net Periodic Post-Retirement Benefit and Net Assets Without Donor Restrictions	USD (151,600)	USD 394,311

The following weighted-average assumptions were used in accounting for the Plan for the years ended December 31:

	2024	2023
Discount rate - pension benefit obligation	5.60%	5.05%
Discount rate - net periodic pension benefit cost	5.05%	5.45%

The assumed rate of increase for 2024 in the per-capita cost of healthcare benefits was 7.25%, and it is assumed to grade down to 4.75% in 2032 and thereafter.

The following benefit payments (total benefits paid less participant contributions), which reflect expected future service, as appropriate, are expected to be approximately paid as follows:

Year Ending December 31,	Amount
2025	USD 57,574
2026	64,927
2027	68,812
2028	69,087
2029	70,824
2030- 2033	388,342

AFS Intercultural Programs, Inc.

Notes to Financial Statements
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11. Deferred Revenue

Deferred revenue consists of the following:

	December 31,	
	2024	2023
Deferred revenue, beginning of year	USD 70,909	USD 263,750
Revenue recognized that was included in deferred revenue at the beginning of the year	(30,703)	(263,750)
Increase in deferred revenue due to cash received during the year	-	70,909
Deferred Revenue, End of Year	USD 40,206	USD 70,909

12. Board Designated Funds

Liability Fund

The AFS International network experiences a number of threatened lawsuits each year related to program operations. Partners in the network are responsible for the amount of any fee refunded to participants, but AFS International coordinates the defense of such claims, covers the cost of legal fees, and provides an indemnity to partners for settlement or judgment costs exceeding the participant fee. AFS International currently insures the risk of claim up to USD 11,000,000 with a variety of insurance policies, primarily with United Educators (“UE”), a reciprocal risk retention group. UE distributes profits to subscribers each year into a subscriber’s savings account (“SSA”). AFS International received USD 145,396 and USD 121,815 in dividends for the years ended December 31, 2024 and 2023, respectively. The inputs used to value the SSA are Level 3 inputs in the fair value hierarchy. The SSA account is reported at estimates of fair value based upon the discounted cash flow method. A discount of approximately USD 214,000 and USD 165,000 for the years ended December 31, 2024 and 2023, respectively, was applied to determine the fair value of the deposit should AFS International decide to withdraw from UE.

Activity of the Liability Fund’s net asset balances was as follows:

	Year Ended December 31,	
	2024	2023
Balance at beginning of year	USD 1,250,992	USD 1,231,579
Revenues:		
Fees from partner organizations	1,007,650	945,095
Dividends	145,396	121,815
Expenses	(1,134,102)	(1,047,497)
Balance at End of Year	USD 1,269,936	USD 1,250,992

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

12. Board Designated Funds (continued)

Liability Fund (continued)

Analysis of the statements of financial position of the Liability Fund was as follows:

	December 31,	
	2024	2023
Collective insurance account, net	USD 1,618,139	USD 1,521,692
Prepaid premiums	217,225	174,827
Accounts payable	(565,428)	(445,527)
	USD 1,269,936	USD 1,250,992

Participant Medical Fund

AFS International operates a fully insured medical program that provides medical expense coverage to participants. AFS International bills partners based on an estimate of medical insurance cost, and fees are recognized on the accrual basis related to the program period.

Activity of the Participant Medical Fund's net asset balances were as follows:

	Year Ended December 31,	
	2024	2023
Balance at beginning of year	USD 1,018,167	USD 586,173
Revenues:		
Fees from partner organizations	5,133,154	5,135,575
Interest	938	26
Expenses		
Insurance premiums	(4,380,500)	(4,581,868)
Other expenses	(402,923)	(121,739)
Balance at End of Year	USD 1,368,836	USD 1,018,167

Analysis of the statement of financial position of the Participant Medical Fund was as follows:

	December 31,	
	2024	2023
Cash	USD 1,368,836	USD 1,078,467
Prepaid premiums and other assets (liabilities)	-	(60,300)
	USD 1,368,836	USD 1,018,167

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

12. Board Designated Funds (*continued*)

International Emergency Fund

The International Emergency Fund deals with extraordinary needs due to external circumstances affecting partners, such as natural disasters or political unrest that leads to significant curtailment or suspension of programs in a partner country if they cannot be managed by the partner's resources. The balance of the International Emergency Fund's net assets was USD 88,623 as of December 31, 2024 and 2023 and is composed entirely of cash. For the years ended December 31, 2024 and 2023, there was no expenses for the fund.

13. Loans Payable

During 2020, AFS International applied for and received USD 150,000 from the SBA for an Economic Injury Disaster Loan ("EIDL"). In July 2021, AFS applied for and received from the SBA a loan modification, increasing the total loan amount to USD 500,000. The loan bears interests at a rate of 2.75% per annum and is secured by the general assets of AFS International. The proceeds of the loan are to be used as working capital to alleviate economic injury caused by the pandemic. Installment payments, including principal and interest, are USD 2,217 and are due monthly beginning 30 months from the date of the original promissory note, and are payable over 30 years from the date of the promissory note. Payments will be applied first to interest accrued to the date of the receipt of each payment, and the balance, if any, will be applied to principal.

The required future minimum principal and interest payments on the loan payable subsequent to December 31, 2024 are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	USD 13,119	USD 13,485	USD 26,604
2026	13,484	13,120	26,604
2027	13,859	12,745	26,604
2028	12,245	12,359	24,604
2029	12,245	12,359	24,604
Thereafter	431,951	174,672	606,623
Total	<u>USD 496,903</u>	<u>USD 238,740</u>	<u>USD 735,643</u>

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

14. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following:

	December 31,	
	2024	2023
Purpose restricted		
Program development and other	USD 332,787	USD 418,612
Faces of the World	70,531	105,622
Archives	18,452	18,452
Global STEM academies	347,551	232,730
Unexpended endowment earnings	95,345	60,076
	864,666	835,492
Perpetual in nature		
Donor restricted endowment funds	1,280,985	1,224,482
	USD 2,145,651	USD 2,059,974

Net assets released from restrictions were as follows:

	December 31,	
	2024	2023
Purpose restrictions satisfied		
Program development and other	USD 1,351,224	USD 1,264,453
Faces of the World	90,000	80,000
Global STEM academies	2,985,179	3,270,618
	USD 4,426,403	USD 4,615,071

15. The Endowment

The Endowment

At December 31, 2024 and 2023, AFS International's endowment fund consists of three donor-restricted funds to support student participation and AFS International operations.

Interpretation of Relevant Law

New York Prudent Management of Institutional Funds Act ("NYPMIFA") requires the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result, AFS International classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is restricted until appropriated for expenditure by the board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

15. The Endowment (*continued*)

Return Objectives and Risk Parameters

The Board of Trustees of AFS International has adopted investment and spending policies for its endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that AFS International must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, AFS International relies on a general investment policy, subject to practical constraints, so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Spending Policy and Relationship to the Investment Objectives

In satisfaction of the respective donors' gift instruments, the Board of Trustees appropriates the total earnings each year to cover student participation. However, the Board of Trustees voted to suspend its spending rate for both 2024 and 2023.

Endowment Net Asset Composition

The endowment net asset composition by type of fund consisted of the following:

	December 31,	
	2024	2023
John & Franca Pironti Lally Scholarship Endowment Fund	USD 500,000	USD 500,000
Arthur Howe, Jr. Endowment Fund	71,000	71,000
A. Piatt Andrew Endowment Fund	<u>103,368</u>	<u>78,168</u>
Donor-restricted endowment funds	674,368	649,168
Beneficial interest in assets held by others (see Note 8)	<u>606,617</u>	<u>575,314</u>
	<u>USD 1,280,985</u>	<u>USD 1,224,482</u>

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

15. The Endowment (continued)

Changes in Endowment Net Assets

Changes in endowment net assets with donor restrictions were as follows:

	Year Ended December 31, 2024		
	Unexpended Endowment Earnings	Amounts Held in Perpetuity	Total
Endowment assets, beginning of year	USD 60,076	USD 649,168	USD 709,244
Contributions	-	25,200	25,200
Unrealized gains	35,269	-	35,269
Endowment Assets, End of Year	<u>USD 95,345</u>	<u>USD 674,368</u>	<u>USD 769,713</u>

	Year Ended December 31, 2023		
	Unexpended Endowment Earnings	Amounts Held in Perpetuity	Total
Endowment assets, beginning of year	USD (15,160)	USD 624,065	USD 608,905
Contributions	-	25,103	25,103
Interest and dividends	34,517	-	34,517
Unrealized losses	40,719	-	40,719
Endowment Assets, End of Year	<u>USD 60,076</u>	<u>USD 649,168</u>	<u>USD 709,244</u>

Funds with Deficiencies

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original restricted contribution, or the amount required to be maintained under state law, referred to as underwater endowment. Under the terms of NYPMIFA, AFS International has no responsibility to restore such decreases in value. As of December 31, 2024, and 2023 there were no deficiencies in the endowment funds.

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

16. Commitments, Contingencies, and Other Uncertainty

Leases

In November 2019, AFS International entered into a lease agreement for the new office facilities in New York, New York, commencing in 2020 and expiring in 2036. In addition, AFS International has an operating lease for furniture.

The right-of-use assets and corresponding liability associated with future lease payments on the above noted leases as of December 31, are shown below:

	December 31,	
	2024	2023
Right-of-use asset	USD 5,480,109	USD 5,480,109
Less: accumulated amortization	(1,108,590)	(734,045)
	USD 4,371,519	USD 4,746,064
Weighted Average:		
Discount rate	1.78%	1.77%
Remaining lease term in years	11.63	12.54
Cash paid for amounts included in the measurement of operating lease liabilities	USD 393,714	USD 386,800

Future minimum rental payments under the lease arrangement are as follows:

Year	Amount
2025	USD 380,309
2026	394,813
2027	402,710
2028	410,764
2029	418,979
Thereafter	3,188,141
Total Future Minimum Lease Payments	5,195,716
Less Imputed Interest	(526,953)
Total Operating Lease Liability	USD 4,668,763

AFS Intercultural Programs, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

16. Commitments, Contingencies, and Other Uncertainty *(continued)*

Leases (continued)

A breakdown of rental expense is as follows for the years ended December 31:

	December 31,	
	2024	2023
Operating leases, included in occupancy costs	USD 418,694	USD 418,694
Operating leases, included equipment rental and maintenance costs	41,124	41,124
	<u>USD 459,818</u>	<u>USD 459,818</u>

Letters of Credit

In 2024 and 2023, AFS International maintained an unused letter of credit with a bank totaling USD 86,870 and USD 96,401 for its lease of facilities. The letter of credit is collateralized by the certificates of deposit maintained in the investment portfolio of AFS International.

Contingencies

AFS International may occasionally be a defendant with respect to various claims involving issues arising in the normal course of its business. In the opinion of management and its legal counsel, the resolution of these complaints will not have a material impact on the financial position or results of operations of AFS International.

Risks and Uncertainties

AFS International's operations and financial performance have been, and may continue to be, affected by global and domestic economic uncertainty which has adversely affected economic conditions throughout the world. AFS International may experience a decline in revenue activities as a result of the economic uncertainty.

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