GROSS MENDELSOHN
ACCOUNTING | TECHNOLOGY | WEALTH ADVISORY

AMERICAN FOREIGN SERVICE ASSOCIATION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2025 AND 2024

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Independent Accountant's Review Report

To the Governing Board
American Foreign Service Association
and Affiliates

We have reviewed the accompanying consolidated financial statements of American Foreign Service Association and Affiliates (the Association), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of American Foreign Service Association and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2025 consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2024 Consolidated Financial Statements

The 2024 consolidated financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated September 10, 2025. We have not performed any auditing procedures since that date.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
September 9, 2026

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AMERICAN FOREIGN SERVICE ASSOCIATION AND AFFILIATES
Consolidated Statements of Financial Position
December 31, 2025 and 2024

(See Independent Accountant's Review Report)

	2025 (Reviewed)	2024 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	**$ 305,519**	$ 205,777
Accounts receivable (net of allowance for credit losses of $28,352 for both years)	**719,581**	144,274
Investments, current portion	**18,349,281**	17,058,913
Prepaid expenses and other assets	**179,762**	185,505
Inventory	**4,175**	8,162
Total Current Assets	**19,558,318**	17,602,631
Property, net of accumulated depreciation and amortization	**1,776,986**	1,856,323
Non-Current Assets		
Investments, long-term portion	**168,553**	168,553
Beneficial interest in trusts	**1,344,916**	1,199,962
Deferred compensation investments	**926,136**	783,906
Total Other Assets	**2,439,605**	2,152,421
Total Assets	**$ 23,774,909**	$ 21,611,375
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	**$ 561,916**	$ 524,179
Current maturities of finance lease liabilities	**3,811**	3,452
Contract liabilities	**1,958,799**	395,265
Total Current Liabilities	**2,524,526**	922,896
Non-Current Liabilities		
Finance lease liabilities, net of current maturities	**6,491**	10,333
Deferred compensation	**926,136**	783,906
Total Non-Current Liabilities	**932,627**	794,239
Total Liabilities	**3,457,153**	1,717,135
Commitments and Contingencies (Notes 10, 11 and 12)		
Net Assets		
Without donor restrictions	**4,060,197**	5,460,576
With donor restrictions	**16,257,559**	14,433,664
Total Net Assets	**20,317,756**	19,894,240
Total Liabilities and Net Assets	**$ 23,774,909**	$ 21,611,375

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

AMERICAN FOREIGN SERVICE ASSOCIATION AND AFFILIATES
Consolidated Statements of Activities
Years Ended December 31, 2025 and 2024

(See Independent Accountant's Review Report)

	2025 (Reviewed)		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support and Revenue			
Member dues	$ 3,729,347	$ -0-	$ 3,729,347
Advertising sales, net of discounts	392,946	-0-	392,946
Contributions	408,448	537,344	945,792
Gifts-in-kind	38,245	-0-	38,245
Book sales	16,118	-0-	16,118
Subscriptions	3,283	-0-	3,283
Special events, net of direct benefits to donors of $-0- and $79,319	-0-	-0-	-0-
Miscellaneous revenue	26,695	-0-	26,695
Net investment return	821,349	2,224,328	3,045,677
Change in value of beneficial interest in trusts	-0-	144,954	144,954
Net assets released from restrictions:			
Satisfaction of program restrictions	1,082,731	(1,082,731)	-0-
Total Support and Revenue	6,519,162	1,823,895	8,343,057
Expenses			
Program services			
Journal	1,307,077	-0-	1,307,077
Labor relations	2,281,741	-0-	2,281,741
Membership services	291,725	-0-	291,725
Retirees	238,011	-0-	238,011
Public affairs	377,484	-0-	377,484
Foreign professional services policy issues	209,455	-0-	209,455
Congressional affairs	342,759	-0-	342,759
Public education and outreach	270,694	-0-	270,694
Professional awards	144,953	-0-	144,953
Essay contest	80,868	-0-	80,868
Scholarships	483,166	-0-	483,166
Political action committee	3,968	-0-	3,968
Total program services	6,031,901	-0-	6,031,901
Supporting services			
Management and general	1,482,343	-0-	1,482,343
Member support	68,565	-0-	68,565
Board and president	306,708	-0-	306,708
Fundraising	-0-	-0-	-0-
Election	30,024	-0-	30,024
Total supporting services	1,887,640	-0-	1,887,640
Total Expenses	7,919,541	-0-	7,919,541
Change in Net Assets	(1,400,379)	1,823,895	423,516
Net Assets at Beginning of Year	5,460,576	14,433,664	19,894,240
Net Assets at End of Year	$ 4,060,197	$ 16,257,559	$ 20,317,756

2024 (Audited)		
Without Donor Restrictions	With Donor Restrictions	Total
$ 5,506,533	$ -0-	$ 5,506,533
549,511	-0-	549,511
98,391	202,779	301,170
36,995	-0-	36,995
26,164	-0-	26,164
3,383	-0-	3,383
(12,997)	-0-	(12,997)
30,516	-0-	30,516
456,120	1,357,421	1,813,541
-0-	129,421	129,421
622,123	(622,123)	-0-
7,316,739	1,067,498	8,384,237
1,372,555	-0-	1,372,555
1,892,493	-0-	1,892,493
306,174	-0-	306,174
246,464	-0-	246,464
594,018	-0-	594,018
229,345	-0-	229,345
323,081	-0-	323,081
293,139	-0-	293,139
176,089	-0-	176,089
76,532	-0-	76,532
434,710	-0-	434,710
4,404	-0-	4,404
5,949,004	-0-	5,949,004
1,379,971	-0-	1,379,971
71,258	-0-	71,258
246,845	-0-	246,845
2,176	-0-	2,176
2,053	-0-	2,053
1,702,303	-0-	1,702,303
7,651,307	-0-	7,651,307
(334,568)	1,067,498	732,930
5,795,144	13,366,166	19,161,310
$ 5,460,576	$ 14,433,664	$ 19,894,240

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

AMERICAN FOREIGN SERVICE ASSOCIATION AND AFFILIATES
Consolidated Statements of Functional Expenses
Years Ended December 31, 2025 and 2024

(See Independent Accountant's Review Report)

	2025 (Reviewed)				
	Program	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Personnel expenses:					
Salaries	$ 3,299,814	$ 1,128,803	$ -0-	$ -0-	$ 4,428,617
Payroll taxes	278,161	85,271	-0-	-0-	363,432
Employee benefits	235,509	65,072	-0-	-0-	300,581
Retirement	131,125	36,749	-0-	-0-	167,874
Staff development and recruitment	10,996	868	-0-	-0-	11,864
Total personnel expenses	3,955,605	1,316,763	-0-	-0-	5,272,368
Legal defense fund	463,597	-0-	-0-	-0-	463,597
Awards	455,636	-0-	-0-	-0-	455,636
Information technology	209,989	135,424	-0-	-0-	345,413
Professional fees	132,101	141,113	-0-	-0-	273,214
Depreciation and amortization	123,518	81,404	-0-	-0-	204,922
Special projects	118,035	5,675	-0-	-0-	123,710
Printing	105,226	17,625	-0-	-0-	122,851
Bank fees	69,317	44,033	-0-	-0-	113,350
Occupancy	46,987	30,270	-0-	-0-	77,257
Subscriptions and publications	53,792	8,022	-0-	-0-	61,814
Distributions	61,206	-0-	-0-	-0-	61,206
Repairs and maintenance	32,061	20,653	-0-	-0-	52,714
Travel and entertainment	21,347	16,797	-0-	-0-	38,144
Telephone	21,630	15,375	-0-	-0-	37,005
Insurance	21,680	13,965	-0-	-0-	35,645
News	28,054	-0-	-0-	-0-	28,054
Processing fees	16,545	10,660	-0-	-0-	27,205
Retiree directory	23,856	-0-	-0-	-0-	23,856
Office expense	13,478	9,713	-0-	-0-	23,191
Honorarium	16,450	-0-	-0-	-0-	16,450
Advertising	10,224	3,564	-0-	-0-	13,788
Postage	1,701	9,682	-0-	-0-	11,383
Art fees	8,969	-0-	-0-	-0-	8,969
Taxes and licenses	5,622	3,292	-0-	-0-	8,914
Equipment rental	4,443	2,862	-0-	-0-	7,305
Cost of goods sold	3,615	-0-	-0-	-0-	3,615
Contributions	3,000	-0-	-0-	-0-	3,000
Meetings	2,027	195	-0-	-0-	2,222
Interest	855	553	-0-	-0-	1,408
Special events	-0-	-0-	-0-	-0-	-0-
Legislative outreach	-0-	-0-	-0-	-0-	-0-
Miscellaneous	1,335	-0-	-0-	-0-	1,335
Total expenses by function	6,031,901	1,887,640	-0-	-0-	7,919,541
Less: Cost of direct benefits to donors netted with special events revenue in the consolidated statements of activities	-0-	-0-	-0-	-0-	-0-
Total Expenses Reported in the Consolidated Statements of Activities	$ 6,031,901	$ 1,887,640	$ -0-	$ -0-	$ 7,919,541

	2024 (Audited)				
	Program	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
	$ 3,541,040	$ 1,099,534	$ -0-	$ -0-	$ 4,640,574
	279,386	78,755	-0-	-0-	358,141
	234,912	57,833	-0-	-0-	292,745
	145,918	36,547	-0-	-0-	182,465
	30,450	3,820	-0-	-0-	34,270
	4,231,706	1,276,489	-0-	-0-	5,508,195
	45,000	-0-	-0-	-0-	45,000
	472,960	-0-	-0-	-0-	472,960
	161,941	97,713	-0-	-0-	259,654
	144,846	47,941	-0-	-0-	192,787
	119,765	74,095	-0-	-0-	193,860
	83,848	10,015	-0-	-0-	93,863
	161,609	1,719	-0-	-0-	163,328
	14,543	8,531	-0-	-0-	23,074
	54,658	32,979	-0-	-0-	87,637
	48,000	3,182	-0-	-0-	51,182
	91,832	-0-	-0-	-0-	91,832
	68,985	41,623	-0-	-0-	110,608
	28,642	23,488	-0-	-0-	52,130
	26,703	17,960	-0-	-0-	44,663
	27,907	16,837	-0-	-0-	44,744
	44,557	-0-	-0-	-0-	44,557
	15,312	9,237	-0-	-0-	24,549
	22,294	-0-	-0-	-0-	22,294
	18,142	16,600	-0-	-0-	34,742
	13,150	-0-	-0-	-0-	13,150
	12,275	10,152	-0-	-0-	22,427
	4,228	8,375	-0-	-0-	12,603
	9,785	-0-	-0-	-0-	9,785
	1,282	502	676	-0-	2,460
	3,167	2,026	-0-	-0-	5,193
	6,646	-0-	-0-	-0-	6,646
	4,000	-0-	-0-	-0-	4,000
	3,396	-0-	-0-	-0-	3,396
	1,095	663	-0-	-0-	1,758
	-0-	-0-	1,500	79,319	80,819
	930	-0-	-0-	-0-	930
	5,800	-0-	-0-	-0-	5,800
	5,949,004	1,700,127	2,176	79,319	7,730,626
	-0-	-0-	-0-	(79,319)	(79,319)
	$ 5,949,004	$ 1,700,127	$ 2,176	$ -0-	$ 7,651,307

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

AMERICAN FOREIGN SERVICE ASSOCIATION AND AFFILIATES
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

(See Independent Accountant's Review Report)

	2025 (Reviewed)	2024 (Audited)
Cash Flows from Operating Activities		
Change in net assets	**$ 423,516**	$ 732,930
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized gains on investments	**(516,077)**	(118,206)
Net unrealized gains on investments	**(1,472,375)**	(930,831)
Depreciation and amortization	**204,922**	193,860
Change in value of beneficial interest in trusts	**(144,954)**	(129,421)
Changes in operating assets and liabilities:		
Accounts receivable	**(575,307)**	923
Prepaid expenses and other assets	**5,743**	(6,917)
Inventory	**3,987**	(3,233)
Accounts payable and accrued expenses	**24,323**	911
Contract liabilities	**1,563,534**	(39,761)
Deferred compensation	**142,230**	106,264
Net Cash Used in Operating Activities	**(340,458)**	(193,481)
Cash Flows from Investing Activities		
Purchases of investments	**(1,424,505)**	(4,107,866)
Proceeds from sale of investments	**1,999,859**	4,344,731
Purchases of property	**(112,171)**	(111,820)
Purchases of deferred compensation investments	**(19,500)**	(19,500)
Net Cash Provided by Investing Activities	**443,683**	105,545
Cash Flows from Financing Activities		
Payments on finance lease liabilities	**(3,483)**	(3,138)
Net Increase (Decrease) in Cash and Cash Equivalents	**99,742**	(91,074)
Cash and Cash Equivalents at Beginning of Year	**205,777**	296,851
Cash and Cash Equivalents at End of Year	**$ 305,519**	$ 205,777
Supplemental Disclosure of Cash Flow Information:		
Income taxes paid	**$ -0-**	$ 3,600
Interest paid	**$ 1,408**	$ 1,758
Noncash Investing and Financing Activities:		
Acquisitions of property	**$ 125,585**	$ 111,820
Change in property related accounts payable and accrued expenses	**(13,414)**	-0-
Cash acquisitions of property (included in cash flows from investing activities)	**$ 112,171**	$ 111,820

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

Note 1: Nature of Organization and Summary of Significant Accounting Policies

These consolidated financial statements include the accounts of the entities described below (collectively referred to as the Association).

American Foreign Service Association (AFSA), which began operations in 1924, is the professional association of the Foreign Affairs agencies and, as of 1972, is the official employee representative of all Foreign Service employees in the Department of State, the United States Agency of International Development, the Foreign Commercial Service, the Foreign Agriculture Service, and the International Broadcasting Bureau. AFSA was incorporated under the laws of the District of Columbia on November 30, 1951.

Fund for American Diplomacy (the Fund) was established to award individuals for their achievements in the Foreign Service, to enhance the professional development of the Foreign Service, and to increase the public understanding of the Foreign Service. The latter objectives are achieved by sponsoring a speaker series, lecture series, and other educational forums that focus on topical issues related to the Foreign Affairs Community. The Fund was established in 1955 as an unincorporated association doing business as Diplomacy Matters - AFSA.

American Foreign Service Association Scholarship Fund (the Scholarship Fund) was established to award financial and merit scholarships to dependents of Foreign Service employees. The Scholarship Fund was incorporated under the laws of the District of Columbia on September 11, 1972, and is doing business as Foreign Service Youth Scholarship - AFSA.

AFSA - Political Action Committee (the PAC) was established in 2002 to further AFSA's goal of making the U.S. Foreign Service a more effective agent of the United States international leadership. The PAC does this by helping to re-elect Senators and Representatives who support a strong, effective Foreign Service.

The Association's major programs and supporting services include:

Journal: Writing, editing, design, artwork, printing, postage, and promotion of the *Foreign Service Journal.*

Labor Relations: All activities related to the Association's role as a labor union including collective bargaining, informal negotiations, and individual legal and grievance counseling.

Membership Services: Regular communications with members and provision of services as requested.

Retirees: Provide resources to retired members and counsel active members in preparation for retirement.

Public Affairs: Promotion of the Association, its activities, and views through the media.

Foreign Professional Services Policy Issues: Governmental policy issues impacting members.

Congressional Affairs: Representing the Association's views on legislation impacting the foreign affairs agencies and individual active duty and retired Foreign Service employees.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Public Education and Outreach: Programs and activities designated to educate the American public on the role of the Foreign Service. Programs include a speaker's bureau, the Coalition for American Leadership Abroad, and a minority intern program. AFSA's speaker's bureau consists of retired Foreign Service personnel speaking to groups of students and adults around the country on foreign affairs and the importance of the Foreign Service.

Professional Awards: Programs that honor and support members of the Foreign Service as a profession including the AFSA awards program, the Memorial Plaque, Foreign Affairs Day, and various special events.

Essay Contest: The Foreign Service National High School Essay contest began as a program of the 75th Anniversary celebration and has been continued by the Association due to its success. The contest is open to U.S. students in grades 9 through 12 and includes cash prizes for the 1st, 2nd, and 3rd place essays.

Scholarships: Financial aid and merit scholarships awarded to dependents of Foreign Service employees and the administration of this program.

Political Action Committee: Represents the Association's contributions to political candidates through PAC and related internal PAC costs.

Management and General: Overall management and administration of the Association.

Member Support: All recruitment and retention programs for the Association's members including mailings, recruitment lunches, and maintenance of the membership database.

Board and President: The Association's Governing Board and Executive Committee's expense including meetings, travel, and staff support.

Fundraising: Fundraising relates to the Scholarship Fund and the Fund's appeals for the support of its programs.

Election: Administration of the election and distribution of ballots for the election of the Association's Governing Board. Board elections are held every two years.

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Principles of Consolidation: The consolidated financial statements include the accounts of AFSA, the Fund, the Scholarship Fund and the PAC. Members of the Governing Board of AFSA also serve as board members of the Fund, the Scholarship Fund, and the PAC. Accordingly, the accounts of AFSA, the Fund, the Scholarship Fund, and the PAC are consolidated under common control rules. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

<u>Cash and Cash Equivalents</u>: The Association classifies investments which are readily convertible to cash and which have an original maturity of three months or less as cash and cash equivalents. Cash and cash equivalents designated and held for investment purposes are included in investments and are not considered cash and cash equivalents for cash flow purposes.

<u>Accounts Receivable</u>: The Association's accounts receivable are derived from membership dues, journal, book sales and other operating activities and are carried at original invoice amount less an estimate made for credit losses. The Association has elected the current conditions practical expedient and the subsequent collections accounting policy to estimate expected credit losses on its accounts receivable. Receivables are generally considered delinquent when they are more than 90 days past due. Receivables are written off by management when, in their determination, all collection efforts have been exhausted. Recoveries of receivables previously written off are recorded when received. The Association does not require collateral or other security to support accounts receivable.

For purposes of estimating expected credit losses, management classifies outstanding receivables on the basis of the number of days past due when a receivable has not been collected in accordance with the payment terms. The Association uses its historical collection information to calculate a credit loss rate for each segment of receivables. Management has determined its historical loss rates are a reasonable basis on which to estimate expected credit losses because of the similar risk characteristics of its customer payments and payment terms have not changed significantly over time. Management has determined that current conditions as of the consolidated statement of financial position date are consistent with conditions that existed during the period when historical data were collected. Accordingly, management determined no adjustment to historical loss information is necessary.

The Association applies the subsequent collection policy election by considering activity through July 15, 2026. Management develops its estimate of expected credit losses by determining which accounts receivable have been collected between the consolidated statement of financial position date and July 15, 2026, and by applying the practical expedient in recognizing an allowance for the amounts that are uncollected based on its historical loss rates as of the consolidated statement of financial position date.

The allowance for credit losses was $28,352 at December 31, 2025, 2024 and 2023. There were no write-offs of accounts receivable during the years ended December 31, 2025 and 2024.

<u>Investments</u>: Investments with readily determinable fair values are reported at fair value in the consolidated statements of financial position. Investments, whose fair values are not readily determinable, are recorded at cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses on investments are reported in the consolidated statements of activities as part of net investment return.

<u>Inventory</u>: Inventory, which consists of costs incurred for the production of the book *Inside a U.S. Embassy* and the AFSA Memorial Marker for Foreign Service personnel, is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Property: Property is stated at cost, or if donated, at fair value at the date of contribution, less accumulated depreciation and amortization. The Association capitalizes all property acquisitions in excess of $2,000 having an estimated useful life of more than one year. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows.

Building and improvements	5 - 30 years
Furniture and equipment	3 - 15 years
Software	3 years
Finance lease right-of-use assets	5 years

The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of these assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. There was no impairment of long lived assets recognized during the years ended December 31, 2025 and 2024.

Beneficial Interest in Trusts: Generally accepted accounting principles (GAAP) requires not-for-profit beneficiaries of trusts held by unrelated parties to record, as a contribution and as an asset, the present value of the estimated future cash receipts to be received from the trusts, over the life of the trusts. Due to the perpetual nature of these trusts, the future cash flows from these funds cannot be estimated. Under such circumstances, not-for-profit entities are permitted to base the present value measurement on the fair value of a trust's assets. Changes in the trust's fair value are to be recorded as gains or losses with donor restrictions in the consolidated statements of activities.

Leases: The Association determines if an arrangement is a lease at the inception of the contract. As of the lease commencement date, each lease is evaluated to determine if it will be classified as an operating or finance lease. Leases with an initial term of 12 months or less are considered short-term leases. Lease assets and liabilities are not recognized, and lease expense is recognized on a straight-line basis over the lease term. Lease terms include the non-cancellable portion of the leases and reasonably certain renewal periods, termination options and purchase options. The Association accounts for lease and non-lease components as a single lease. The Association uses the risk-free interest rate when the rate implicit in the lease is not available. Variable lease payments that cannot be determined at the commencement of the lease such as increases in the lease payments based on changes in index rates or usage are not included in the lease assets or liabilities.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: The Association generates revenue primarily from membership dues and advertising sales. Other revenue is primarily derived from book sales and subscriptions. Revenue from annual member and international associate dues are recognized over the membership year, which coincides with the anniversary date of the member or the date of collection. Lifetime member dues are recognized over 30 years, which approximates the benefit period. Advertising sales, book sales, and subscriptions are recognized when control of the promised good or service is transferred to a member or customer, in an amount that reflects the consideration to which the Association expects to be entitled from members or customers, in exchange for those goods and services.

The Association recognizes revenue in the consolidated statements of activities and contract assets on the consolidated statements of financial position only when goods and services have been provided. Since the Association has performed its obligation under the contract, it has unconditional rights to the consideration recorded as contract assets and therefore classifies those billed and unbilled contract assets as accounts receivable.

Payments that the Association receives in advance from members and others in advance of providing services represent contract liabilities. This includes payments for membership dues, subscriptions and advertising received in advance of the applicable year. Beginning in 2025, members may elect to pay dues in quarterly installments instead of through payroll or annuity deductions; amounts collected in advance of the applicable membership period are recorded as contract liabilities. Contract liabilities were $1,958,799, $395,265, and $435,026 at December 31, 2025, 2024 and 2023, respectively.

Performance obligations are determined based on the nature of the goods and services provided. Each of the Association's revenue streams are treated as separate performance obligations, some of which are satisfied at a point in time and others are satisfied over a specified time period. The Association determines the transaction price based on contractually agreed-upon amounts or rates.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue for the years ended December 31, 2025 and 2024 is disaggregated as follows:

	2025 (Reviewed)	2024 (Audited)
Performance obligations satisfied over time		
Member dues	$ 3,729,347	$ 5,506,533
Subscriptions	3,283	3,383
Performance obligations satisfied at a point in time		
Advertising sales, net of discounts	392,946	549,511
Book sales	16,118	26,164
	$ 4,141,694	$ 6,085,591

Contributions: Contributions received are recorded with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions: All donor-restricted support is reported as an increase in net assets with donor restrictions. Upon the expiration of a temporary restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions in the consolidated statements of activities.

Gifts-in-Kind: Gifts-in-kind can include both donated goods and services and are recorded at their estimated fair market value on the date of receipt.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Association.

During the years ended December 31, 2025 and 2024, gifts-in-kind consisted of prizes for the Association's annual essay contest which include a study abroad package and program related fees of $33,750 and $32,900, respectively, and program tuitions costs of $4,495 and $4,095, respectively. The prizes, which were used for the Association's program services, are included in special projects on the consolidated statements of functional expenses.

Advertising: Advertising costs are charged to operations when incurred. The Association has no significant direct-response advertising. Advertising expense for the years ended December 31, 2025 and 2024 was $13,788 and $22,427, respectively.

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis in the consolidated statements of activities and by natural classification in the consolidated statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimates such as time and effort.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes: AFSA is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(5). The Fund and the Scholarship Fund are exempt from federal and state income taxes under IRC Section 501(c)(3). The Fund is not considered a private foundation by the Internal Revenue Service (IRS) because it is an organization that is described in section 509(a)(3). The Scholarship Fund is not considered a private foundation by the IRS because it is an organization that is described in section 509(a)(1). The PAC is exempt under Section 527 of the IRC. Section 527 does not exempt taxation of investment income.

Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. AFSA had approximately $393,000 and $550,000 in unrelated business income (UBI) from advertising and other activities for the years ended December 31, 2025 and 2024, respectively. Net UBI resulted in a loss of approximately $73,000 for the year ended December 31, 2025, and net UBI equaled approximately $8,000 for the year ended December 31, 2024. Federal and state income tax expense was $250 for each of the years ended December 31, 2025 and 2024 and is included in taxes and licenses on the consolidated statements of functional expenses.

The Scholarship Fund and the Fund did not have any UBI for the years ended December 31, 2025 and 2024. The PAC did not have any taxable income for the years ended December 31, 2025 and 2024.

The Association's federal and state tax returns are subject to examination by the IRS, generally for a period of three years after the returns are filed.

Subsequent Events: In preparing these consolidated financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 9, 2026, the date the consolidated financial statements were available to be issued. During the period from January 1, 2026 through September 9, 2026, there are no subsequent events that require recognition or disclosure.

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date comprise the following:

	2025 (Reviewed)	2024 (Audited)
Cash and cash equivalents	$ 305,519	$ 205,777
Accounts receivable, net	719,581	144,274
Investments, current portion	18,349,281	17,058,913
Less: Net assets with donor restrictions - purpose	(14,744,090)	(13,065,149)
Financial Assets Available for General Expenditure	$ 4,630,291	$ 4,343,815

As part of the Association's liquidity management plan, the Association structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Association invests cash in excess of daily requirements in short-term investments. In addition, the Association has a significant degree of flexibility and discretion in managing its operating costs based on available financial assets, allowing management to respond to changes in operating cash flows and liquidity needs.

Note 3: Accounts Receivable

Accounts receivable consists of the following at December 31, 2025, 2024, and 2023:

	2025 (Reviewed)	2024 (Audited)	2023 (Audited)
Membership dues	$ 680,879	$ 47,454	$ 43,794
Journal	63,940	118,645	115,200
Books	314	4,905	9,473
Other	2,800	1,622	5,082
Accounts receivable	747,933	172,626	173,549
Less: Allowance for credit losses	28,352	28,352	28,352
Accounts receivable, net	$ 719,581	$ 144,274	$ 145,197

Note 4: Investments

A summary of the investment portfolio, at fair value, is as follows at December 31, 2025 and 2024:

	2025 (Reviewed)	2024 (Audited)
Investments		
Common equity securities	$ 12,341,786	$ 12,042,913
Mutual funds, fixed income	6,025,742	5,023,938
Money market funds	150,306	160,615
	18,517,834	17,227,466
Deferred Compensation Investments		
Mutual funds, fixed income	906,115	293,310
Money market funds	13,228	8,926
Mutual funds, equity	6,793	481,670
	926,136	783,906
Total investments	19,443,970	18,011,372
Investments classified as long-term:		
Deferred compensation investments	926,136	783,906
Endowment funds	168,553	168,553
Investments, long-term portion	1,094,689	952,459
Investments, current portion	$ 18,349,281	$ 17,058,913

Note 4: Investments (Continued)

The following summarizes the net investment return from all sources and their classifications in the consolidated statements of activities for the year ended December 31, 2025:

	(Reviewed)		
	Without Donor Restrictions	With Donor Restrictions	Total
Investments			
Investment income	$ 205,895	$ 869,818	$ 1,075,713
Net unrealized gains	250,003	1,190,569	1,440,572
Net realized gains	377,044	127,648	504,692
Investment fees	(11,593)	(32,163)	(43,756)
Total net investment return, investments	$ 821,349	$ 2,155,872	$ 2,977,221
Endowments			
Investment income	$ -0-	$ 26,287	$ 26,287
Net unrealized gains	-0-	31,803	31,803
Net realized gains	-0-	11,385	11,385
Investment fees	-0-	(1,019)	(1,019)
Total net investment return, endowments	-0-	68,456	68,456
Net investment return	$ 821,349	$ 2,224,328	$ 3,045,677

The following summarizes the net investment return from all sources and their classifications in the consolidated statements of activities for the year ended December 31, 2024:

	(Audited)		
	Without Donor Restrictions	With Donor Restrictions	Total
Investments			
Investment income	$ 232,871	$ 551,119	$ 783,990
Net unrealized losses	214,358	691,785	906,143
Net realized gains	16,398	101,777	118,175
Investment fees	(7,507)	(28,126)	(35,633)
Total net investment return, investments	$ 456,120	$ 1,316,555	$ 1,772,675
Endowments			
Investment income	$ -0-	$ 17,023	$ 17,023
Net unrealized gains	-0-	24,688	24,688
Net realized gains	-0-	31	31
Investment fees	-0-	(876)	(876)
Total net investment return, endowments	-0-	40,866	40,866
Net investment return	$ 456,120	$ 1,357,421	$ 1,813,541

Note 5: Property

Property consisted of the following at December 31, 2025 and 2024:

	2025 (Reviewed)	2024 (Audited)
Land	$ 222,854	$ 222,854
Buildings and improvements	3,466,536	3,440,218
Furniture and equipment	685,607	727,627
Software	828,153	770,040
Finance lease right-of-use assets	19,027	19,027
Total Cost	5,222,177	5,179,766
Less: Accumulated depreciation and amortization	3,445,191	3,323,443
Property, Net	$ 1,776,986	$ 1,856,323

Note 6: Beneficial Interest in Trusts

The Scholarship Fund is the income beneficiary of a trust created by Theodore and Dorothy Xanthaky (Xanthaky Trust). The Xanthaky Trust provides for the distribution of the net income from the trust to the Scholarship Fund, the timing of which is at the discretion of the trustees, to be used exclusively for scholarships. The Scholarship Fund will remain a beneficiary of the trust in perpetuity. The fair value of the Xanthaky Trust at December 31, 2025 and 2024 was $1,162,382 and $1,028,913, respectively.

The Scholarship Fund is an income beneficiary of a trust created by Wilbur J. Carr (the Carr Trust). The Carr Trust provides for the distribution of the net income from the trust to the Scholarship Fund the timing of which is at the discretion of the trustees, to be used exclusively for scholarships. The Scholarship Fund will remain a beneficiary of the trust in perpetuity. The fair value of the Carr Trust at December 31, 2025 and 2024 was $182,534 and $171,049, respectively.

Note 7: Fair Value Measurement

GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Note 7: Fair Value Measurement (Continued)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation techniques used by the Association include the following:

Money Market Funds: Valued at original cost, which approximates fair value.

Mutual Funds and Common Equity Securities: Valued at the last sales price reported on the active market in which the individual fund or security is traded.

Beneficial Interest in Trusts: Valued at fair value of the trust's assets.

In determining the appropriate levels, the Association performs a detailed analysis of the assets and liabilities that are to be reported at fair value.

The table below presents the assets measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2025:

	(Reviewed)			
	Total	Level 1	Level 2	Level 3
Investments				
Common equity securities	$ 12,341,786	$ 12,341,786	$ -0-	$ -0-
Mutual funds, fixed income	6,025,742	6,025,742	-0-	-0-
Money market funds	150,306	150,306	-0-	-0-
	18,517,834	18,517,834	-0-	-0-
Deferred Compensation Investments				
Mutual funds, fixed income	906,115	906,115	-0-	-0-
Money market funds	13,228	13,228	-0-	-0-
Mutual funds, equity	6,793	6,793	-0-	-0-
	926,136	926,136	-0-	-0-
Other				
Beneficial interest in trusts	1,344,916	-0-	-0-	1,344,916
Total assets at fair value	$ 20,788,886	$ 19,443,970	$ -0-	$ 1,344,916

Note 7: Fair Value Measurement (Continued)

The table below presents the assets measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2024:

	(Audited)			
	Total	Level 1	Level 2	Level 3
Investments				
Common equity securities	$ 12,042,913	$ 12,042,913	$ -0-	$ -0-
Mutual funds, fixed income	5,023,938	5,023,938	-0-	-0-
Money market funds	160,615	160,615	-0-	-0-
	17,227,466	17,227,466	-0-	-0-
Deferred Compensation Investments				
Mutual funds, equity	481,670	481,670	-0-	-0-
Mutual funds, fixed income	293,310	293,310	-0-	-0-
Money market funds	8,926	8,926	-0-	-0-
	783,906	783,906	-0-	-0-
Other				
Beneficial interest in trusts	1,199,962	-0-	-0-	1,199,962
Total assets at fair value	$ 19,211,334	$ 18,011,372	$ -0-	$ 1,199,962

The change in investments for which the Association has used Level 3 inputs to determine fair value, for the years ended December 31, 2025 and 2024 is as follows:

	2025 (Reviewed)	2024 (Audited)
Balance at beginning of year	$ 1,199,962	$ 1,070,541
Change in value	144,954	129,421
Balance at end of year	$ 1,344,916	$ 1,199,962

Note 8: Leases

The Association leases office equipment under finance lease agreements which expire between February 2027 and November 2028. The finance leases require monthly payments ranging between $93 and $315.

The Association's total finance lease expense for the years ended December 31, 2025 and 2024 consists of the following:

	2025 (Reviewed)	2024 (Audited)
Amortization of finance right-of-use assets	$ 3,806	$ 3,806
Interest expense	1,408	1,758
	$ 5,214	$ 5,564

Note 8: Leases (Continued)

As of December 31, 2025 and 2024, the right-of-use assets and finance lease liabilities related to finance leases are as follows:

	2025 (Reviewed)	2024 (Audited)
Finance lease right-of-use assets, net	$ 9,207	$ 13,012
Finance lease liabilities:		
Current maturities of finance lease liabilities	$ 3,811	$ 3,452
Finance lease liabilities, net of current maturities	6,491	10,333
Total finance lease liabilities	$ 10,302	$ 13,785

Other finance lease details as of December 31, 2025 and 2024 are as follows:

	2025 (Reviewed)	2024 (Audited)
Weighted average remaining lease term in years	2.70	3.62
Weighted average discount rate	12.41%	11.97%

As of December 31, 2025, future minimum lease payments under finance leases are as follows:

Year ending December 31:	
2026	$ 4,896
2027	3,966
2028	3,432
Total	12,294
Less: Amount representing interest	1,992
Present value of future minimum lease payments	$ 10,302

Note 9: Net Assets with Donor Restrictions

The Association has several restricted funds, which may be fully expended but only for the purpose established by the respective donors. Net assets with donor restrictions were available for the following purposes as of December 31, 2025:

	2024 (Audited)	Current Year Activity			2025 (Reviewed)
		Contributions	Net Investment Return*	Released from Restriction	
Subject to expenditure for a specified purpose:					
Scholarship Fund	$ 12,412,545	$ 73,944	$ 2,155,820	$ (592,862)	$ 14,049,447
Legal Defense Fund	432,239	442,157	-0-	(463,597)	410,799
Kiang Fund for Excellence	140,599	-0-	42,592	(13,877)	169,314
Oliver Bishop Harriman Scholarship Fund	77,549	-0-	25,864	(8,427)	94,986
Political Action Committee	2,217	21,243	52	(3,968)	19,544
	13,065,149	537,344	2,224,328	(1,082,731)	14,744,090
Subject to spending policy or appropriation					
Endowments					
Kiang Fund for Excellence	100,000	-0-	-0-	-0-	100,000
Oliver Bishop Harriman Scholarship Fund	68,553	-0-	-0-	-0-	68,553
Beneficial interest in trusts	1,199,962	-0-	144,954	-0-	1,344,916
	1,368,515	-0-	144,954	-0-	1,513,469
	$ 14,433,664	$ 537,344	$ 2,369,282	$ (1,082,731)	$ 16,257,559

* Includes realized and unrealized gains (losses)

Note 9: Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions were available for the following purposes as of December 31, 2024:

	2023 (Audited)	Prior Year Activity Contributions	Net Investment Return*	Released from Restriction	2024 (Audited)
Subject to expenditure for a specified purpose:					
Scholarship Fund	$ 11,597,030	$ 71,696	$ 1,316,538	$ (572,719)	$ 12,412,545
Legal Defense Fund	348,667	128,572	-0-	(45,000)	432,239
Kiang Fund for Excellence	115,172	-0-	25,427	-0-	140,599
Oliver Bishop Harriman Scholarship Fund	62,110	-0-	15,439	-0-	77,549
Political Action Committee	4,093	2,511	17	(4,404)	2,217
	12,127,072	202,779	1,357,421	(622,123)	13,065,149
Subject to spending policy or appropriation					
Endowments					
Kiang Fund for Excellence	100,000	-0-	-0-	-0-	100,000
Oliver Bishop Harriman Scholarship Fund	68,553	-0-	-0-	-0-	68,553
Beneficial interest in trusts	1,070,541	-0-	129,421	-0-	1,199,962
	1,239,094	-0-	129,421	-0-	1,368,515
	$ 13,366,166	$ 202,779	$ 1,486,842	$ (622,123)	$ 14,433,664

* Includes realized and unrealized gains (losses)

The Association maintains the following donor-restricted endowment funds classified as restricted in perpetuity. The original principal portion of the funds may not be expended.

<u>Kiang Fund for Excellence</u>: This fund was established for the purposes of providing financial aid scholarships to children of AFSA members whose parents are or were Foreign Service Employees.

<u>Oliver Bishop Harriman Scholarship Fund</u>: This fund was established for the purposes of providing financial aid scholarships to children of AFSA members whose parents are or were Foreign Service Employees.

The income earned on the endowment funds is expendable but only for the purpose established by the respective donors.

Note 9: Net Assets with Donor Restrictions (Continued)

FASB issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This guidance also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The District of Columbia has enacted UPMIFA. The Governing Board of the Association has interpreted the District of Columbia's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations 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, such as net realized and unrealized gains (losses).

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Association has adopted investment and spending policies, approved by the Governing Board of the Association, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which protects the purchasing power of the fund against inflation, with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity securities, mutual funds and money market funds that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. Therefore, the Association expects its endowment assets, over time, to produce an average rate of return that is higher than the inflation rate in order to maintain the purchasing power of the endowment funds. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Association has a policy of appropriating for distribution each year not more than 5% of the rolling five-year average of each of the endowment fund's fair value. In establishing this policy, the Association considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Association expects the current spending policy to allow its endowment funds to grow at a nominal average rate that is higher than the rate of inflation. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Note 9: Net Assets with Donor Restrictions (Continued)

Endowment net asset composition by type of fund as of December 31, 2025 and 2024 is as follows:

		With Donor Restrictions		
	Without Donor Restriction	Temporary in Nature	Permanent in Nature	Total Net Endowment Assets
12/31/2025 (Reviewed)				
Donor-restricted endowment funds	$ -0-	$ 264,300	$ 168,553	$ 432,853
12/31/2024 (Audited)				
Donor-restricted endowment funds	$ -0-	$ 218,148	$ 168,553	$ 386,701

Changes in endowment net assets during the years ended December 31, 2025 and 2024, are as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Temporary in Nature	Permanent in Nature	Total Net Endowment Assets
Endowment net assets, 12/31/2023 (Audited)	$ -0-	$ 177,282	$ 168,553	$ 345,835
Contributions	-0-	-0-	-0-	-0-
Net investment return	-0-	40,866	-0-	40,866
Amounts appropriated for expenditure	-0-	-0-	-0-	-0-
Endowment net assets, 12/31/2024 (Audited)	-0-	218,148	168,553	386,701
Contributions	-0-	-0-	-0-	-0-
Net investment return	-0-	68,456	-0-	68,456
Amounts appropriated for expenditure	-0-	(22,304)	-0-	(22,304)
Endowment net assets, 12/31/2025 (Reviewed)	$ -0-	$ 264,300	$ 168,553	$ 432,853

Note 10: Commitments

As of December 31, 2025 and 2024, the Association had outstanding conditional scholarship awards of $131,500 and $123,000, respectively. Scholarship awards are subject to the fulfilment of certain conditions, as defined in the respective scholarship agreements. Conditional scholarship awards are included in prepaid expenses in the consolidated statements of financial position as of December 31, 2025 and 2024.

Note 11: Retirement Plans

Defined Contribution Retirement Plan: The Association maintains a retirement plan under IRC Section 401(k) for substantially all of its employees. Under the terms of the plan, participating employees may elect to contribute pre-tax dollars up to the maximum limit established by the IRS for each calendar year. The plan requires the Association to make matching contributions equal to 100% of the first 5% contributed by an employee based on the calendar year. Total retirement expense for the years ended December 31, 2025 and 2024 was $167,874 and $182,465, respectively.

Deferred Compensation Plan: The Association maintains a deferred compensation plan under IRC Section 457(b) for the benefit of certain key employees. Under the terms of the plan, participating employees can elect to defer a portion of their compensation on a pre-tax basis into the plan, not to exceed the maximum salary deferral amount allowable under the applicable provisions of the IRC. The Association can make discretionary contributions to the plan for each participating employee. The Association made discretionary contributions of $19,500 to the plan during both years ended December 31, 2025 and 2024. The Association maintains an investment account to fund the deferred compensation plan which is classified as deferred compensation investments on the consolidated statements of financial position. The investment account has a balance of $926,136 and $783,906 as of December 31, 2025 and 2024, respectively.

Note 12: Certain Significant Risks and Uncertainties

Uninsured Balances: The Association maintains its cash balances in various financial institutions. Periodically during the year, the Association's cash balances may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to significant risk on its cash balances.

Investment Risk: The Association invests in money market funds, common equity securities and mutual funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materiality affect investment balances and the balances reported in the consolidated financial statements.

Legal Matters: AFSA is a party to five lawsuits pending in federal court related to actions of the current Administration. Four of these cases are being handled on a pro bono or low bono basis, with no further expense expected to AFSA. In the fifth case, in which AFSA is the sole named plaintiff, AFSA is challenging the revocation of its right to serve as the union at the State Department and US Agency for International Development (USAID). The AFSA legal defense fund is funding this lawsuit and AFSA expects to incur additional legal fees as it proceeds. AFSA is not seeking monetary damages in any of the lawsuits, and the ultimate outcome cannot be determined until future periods.

Economic Uncertainty: In early 2025, the President of the United States signed several Executive Orders related to federal funding of certain currently funded programs, tariffs and other government initiatives, including the dismantling of USAID and US Agency for Global Media. These matters continued to evolve during 2025 and subsequent to year end. It is not possible to fully quantify the effect of these Executive Orders, the interpretation or administration of such Executive Orders, or any other initiatives on the Association's operations and financial status or the outcome of lawsuits related to these initiatives. Accordingly, there is no assurance that these orders and initiatives will not adversely affect the Association's financial position, business operations and cash flows.

AMERICAN FOREIGN SERVICE ASSOCIATION AND AFFILIATES

CONSOLIDATING INFORMATION

DECEMBER 31, 2025 AND 2024

Independent Accountant's Review Report on Consolidating Information

To the Governing Board
American Foreign Service Association
and Affiliates

We have reviewed the consolidated financial statements of American Foreign Service Association and Affiliates as of and for the year ended December 31, 2025, and our report thereon dated September 9, 2026, which stated that we are not aware of any material modifications that should be made to those consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America, appears on page 1. The 2025 consolidating information on the following pages is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The 2025 consolidating information has been subjected to the review procedures applied in our review of the consolidated financial statements. We are not aware of any material modifications that should be made to the 2025 consolidating information. We have not audited the 2025 consolidating information and do not express an opinion on such information.

The 2024 consolidated financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated September 10, 2025. In addition, the 2024 consolidating information was subjected to the auditing procedures applied in the audit of the 2024 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our report stated that the 2024 consolidating information was fairly stated in all material respects in relation to the 2024 consolidated financial statements as a whole. We have not performed any auditing procedures on either the consolidated financial statements or the consolidating information since September 10, 2025.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
September 9, 2026

AMERICAN FOREIGN SERVICE ASSOCIATION AND AFFILIATES
Consolidating Statement of Financial Position
December 31, 2025
(Reviewed)

(See Independent Accountant's Review Report)

	AFSA	Fund	Scholarship Fund	PAC	Eliminations	Total
Assets						
Current Assets						
Cash and cash equivalents	$ 284,709	$ -0-	$ -0-	$ 20,810	$ -0-	$ 305,519
Accounts receivable (net of allowance for credit losses)	716,667	2,903	11	-0-	-0-	719,581
Investments, current portion	2,997,472	1,038,084	14,313,725	-0-	-0-	18,349,281
Prepaid expenses and other assets	48,262	-0-	131,500	-0-	-0-	179,762
Inventory	-0-	4,175	-0-	-0-	-0-	4,175
Due from affiliates	7,416,818	1,584,720	4,255,397	7,243	(13,264,178)	-0-
Total Current Assets	11,463,928	2,629,882	18,700,633	28,053	(13,264,178)	19,558,318
Property, net of accumulated depreciation and amortization	1,776,986	-0-	-0-	-0-	-0-	1,776,986
Other Assets						
Investments, long-term portion	-0-	-0-	168,553	-0-	-0-	168,553
Beneficial interest in trusts	-0-	-0-	1,344,916	-0-	-0-	1,344,916
Deferred compensation investments	926,136	-0-	-0-	-0-	-0-	926,136
Total Other Assets	926,136	-0-	1,513,469	-0-	-0-	2,439,605
Total Assets	$ 14,167,050	$ 2,629,882	$ 20,214,102	$ 28,053	$ (13,264,178)	$ 23,774,909
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	$ 538,399	$ 15,155	$ 8,317	$ 45	$ -0-	$ 561,916
Current maturities of finance lease liabilities	3,811	-0-	-0-	-0-	-0-	3,811
Contract liabilities	1,951,607	7,192	-0-	-0-	-0-	1,958,799
Due to affiliates	5,847,360	3,029,785	4,378,570	8,463	(13,264,178)	-0-
Total Current Liabilities	8,341,177	3,052,132	4,386,887	8,508	(13,264,178)	2,524,526
Non-Current Liabilities						
Finance lease liabilities, net of current maturities	6,491	-0-	-0-	-0-	-0-	6,491
Deferred compensation	926,136	-0-	-0-	-0-	-0-	926,136
Total Non-Current Liabilities	932,627	-0-	-0-	-0-	-0-	932,627
Total Liabilities	9,273,804	3,052,132	4,386,887	8,508	(13,264,178)	3,457,153
Net Assets						
Without donor restrictions	4,482,447	(422,250)	-0-	-0-	-0-	4,060,197
With donor restrictions	410,799	-0-	15,827,215	19,545	-0-	16,257,559
Total Net Assets	4,893,246	(422,250)	15,827,215	19,545	-0-	20,317,756
Total Liabilities and Net Assets	$ 14,167,050	$ 2,629,882	$ 20,214,102	$ 28,053	$ (13,264,178)	$ 23,774,909

AMERICAN FOREIGN SERVICE ASSOCIATION AND AFFILIATES
Consolidating Statement of Financial Position
December 31, 2024
(Audited)

(See Independent Accountant's Review Report)

	AFSA	Fund	Scholarship Fund	PAC	Eliminations	Total
Assets						
Current Assets						
Cash and cash equivalents	$ 202,295	$ -0-	$ -0-	$ 3,482	$ -0-	$ 205,777
Accounts receivable (net of allowance for credit losses)	136,882	7,382	10	-0-	-0-	144,274
Investments, current portion	3,619,608	907,000	12,532,305	-0-	-0-	17,058,913
Prepaid expenses and other assets	62,505	-0-	123,000	-0-	-0-	185,505
Inventory	-0-	8,162	-0-	-0-	-0-	8,162
Due from affiliates	6,810,459	1,428,029	4,200,505	7,243	(12,446,236)	-0-
Total Current Assets	10,831,749	2,350,573	16,855,820	10,725	(12,446,236)	17,602,631
Property, net of accumulated depreciation and amortization	1,856,323	-0-	-0-	-0-	-0-	1,856,323
Other Assets						
Investments, long-term portion	-0-	-0-	168,553	-0-	-0-	168,553
Beneficial interest in trusts	-0-	-0-	1,199,962	-0-	-0-	1,199,962
Deferred compensation investments	783,906	-0-	-0-	-0-	-0-	783,906
Total Other Assets	783,906	-0-	1,368,515	-0-	-0-	2,152,421
Total Assets	$ 13,471,978	$ 2,350,573	$ 18,224,335	$ 10,725	$ (12,446,236)	$ 21,611,375
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	$ 505,850	$ 8,861	$ 9,423	$ 45	$ -0-	$ 524,179
Current maturities of finance lease liabilities	3,452	-0-	-0-	-0-	-0-	3,452
Contract liabilities	388,073	7,192	-0-	-0-	-0-	395,265
Due to affiliates	5,635,777	2,586,292	4,215,704	8,463	(12,446,236)	-0-
Total Current Liabilities	6,533,152	2,602,345	4,225,127	8,508	(12,446,236)	922,896
Non-Current Liabilities						
Finance lease liabilities, net of current maturities	10,333	-0-	-0-	-0-	-0-	10,333
Deferred compensation	783,906	-0-	-0-	-0-	-0-	783,906
Total Non-Current Liabilities	794,239	-0-	-0-	-0-	-0-	794,239
Total Liabilities	7,327,391	2,602,345	4,225,127	8,508	(12,446,236)	1,717,135
Net Assets						
Without donor restrictions	5,712,348	(251,772)	-0-	-0-	-0-	5,460,576
With donor restrictions	432,239	-0-	13,999,208	2,217	-0-	14,433,664
Total Net Assets	6,144,587	(251,772)	13,999,208	2,217	-0-	19,894,240
Total Liabilities and Net Assets	$ 13,471,978	$ 2,350,573	$ 18,224,335	$ 10,725	$ (12,446,236)	$ 21,611,375

AMERICAN FOREIGN SERVICE ASSOCIATION AND AFFILIATES
Consolidating Statement of Activities
Year Ended December 31, 2025
(Reviewed)

(See Independent Accountant's Review Report)

	AFSA	Fund	Scholarship Fund	PAC	Eliminations	Total
Without Donor Restrictions						
Support and Revenue						
Member dues	$ 3,729,347	$ -0-	$ -0-	$ -0-	$ -0-	$ 3,729,347
Advertising sales, net of discounts	392,946	-0-	-0-	-0-	-0-	392,946
Contributions	263,658	144,790	-0-	-0-	-0-	408,448
Gifts-in-kind	-0-	38,245	-0-	-0-	-0-	38,245
Book sales	-0-	16,118	-0-	-0-	-0-	16,118
Subscriptions	3,283	-0-	-0-	-0-	-0-	3,283
Miscellaneous revenue	9,433	17,262	-0-	-0-	-0-	26,695
Net investment return	659,944	161,405	-0-	-0-	-0-	821,349
Net assets released from restrictions:						
Satisfaction of program restrictions	463,597	-0-	615,166	3,968	-0-	1,082,731
Total Support and Revenue	5,522,208	377,820	615,166	3,968	-0-	6,519,162
Expenses						
Program services:						
Journal	1,307,077	-0-	-0-	-0-	-0-	1,307,077
Labor relations	2,281,741	-0-	-0-	-0-	-0-	2,281,741
Membership services	291,725	-0-	-0-	-0-	-0-	291,725
Retirees	238,011	-0-	-0-	-0-	-0-	238,011
Public affairs	377,484	-0-	-0-	-0-	-0-	377,484
Foreign professional services policy issues	209,455	-0-	-0-	-0-	-0-	209,455
Congressional affairs	342,759	-0-	-0-	-0-	-0-	342,759
Public education and outreach	-0-	270,694	-0-	-0-	-0-	270,694
Professional awards	-0-	144,953	-0-	-0-	-0-	144,953
Essay contest	-0-	80,868	-0-	-0-	-0-	80,868
Scholarships	-0-	-0-	483,166	-0-	-0-	483,166
Political action committee	-0-	-0-	-0-	3,968	-0-	3,968
Total program services	5,048,252	496,515	483,166	3,968	-0-	6,031,901
Supporting services:						
Management and general	1,298,560	51,783	132,000	-0-	-0-	1,482,343
Member support	68,565	-0-	-0-	-0-	-0-	68,565
Board and president	306,708	-0-	-0-	-0-	-0-	306,708
Fundraising	-0-	-0-	-0-	-0-	-0-	-0-
Election	30,024	-0-	-0-	-0-	-0-	30,024
Total supporting services	1,703,857	51,783	132,000	-0-	-0-	1,887,640
Total Expenses	6,752,109	548,298	615,166	3,968	-0-	7,919,541
Change in Net Assets without Donor Restrictions	$ (1,229,901)	$ (170,478)	$ -0-	$ -0-	$ -0-	$ (1,400,379)
With Donor Restrictions						
Support and Revenue						
Contributions	$ 442,157	$ -0-	$ 73,944	$ 21,243	$ -0-	$ 537,344
Net investment return	-0-	-0-	2,224,275	53	-0-	2,224,328
Change in beneficial interest in trusts	-0-		144,954	-0-	-0-	144,954
Net assets released from restrictions:		-0-				
Satisfaction of program restrictions	(463,597)	-0-	(615,166)	(3,968)	-0-	(1,082,731)
Change in Net Assets with Donor Restrictions	$ (21,440)	$ -0-	$ 1,828,007	$ 17,328	$ -0-	$ 1,823,895
Change in Net Assets	$ (1,251,341)	$ (170,478)	$ 1,828,007	$ 17,328	$ -0-	$ 423,516
Net Assets at Beginning of Year	6,144,587	(251,772)	13,999,208	2,217	-0-	19,894,240
Net Assets at End of Year	$ 4,893,246	$ (422,250)	$ 15,827,215	$ 19,545	$ -0-	$ 20,317,756

AMERICAN FOREIGN SERVICE ASSOCIATION AND AFFILIATES
Consolidating Statement of Activities
Year Ended December 31, 2024
(Audited)

(See Independent Accountant's Review Report)

	AFSA	Fund	Scholarship Fund	PAC	Eliminations	Total
Without Donor Restrictions						
Support and Revenue						
Member dues	$ 5,506,533	$ -0-	$ -0-	$ -0-	$ -0-	$ 5,506,533
Advertising sales, net of discounts	549,511	-0-	-0-	-0-	-0-	549,511
Contributions	15	98,376	-0-	-0-	-0-	98,391
Gifts-in-kind	-0-	36,995	-0-	-0-	-0-	36,995
Book sales	-0-	26,164	-0-	-0-	-0-	26,164
Subscriptions	3,383	-0-	-0-	-0-	-0-	3,383
Special events, net	-0-	(12,997)	-0-	-0-	-0-	(12,997)
Miscellaneous revenue	3,175	27,341	-0-	-0-	-0-	30,516
Net investment return	357,426	98,694	-0-	-0-	-0-	456,120
Net assets released from restrictions:						
Satisfaction of program restrictions	45,000	-0-	572,719	4,404	-0-	622,123
Total Support and Revenue	6,465,043	274,573	572,719	4,404	-0-	7,316,739
Expenses						
Program services:						
Journal	1,372,555	-0-	-0-	-0-	-0-	1,372,555
Labor relations	1,892,493	-0-	-0-	-0-	-0-	1,892,493
Membership services	306,174	-0-	-0-	-0-	-0-	306,174
Retirees	246,464	-0-	-0-	-0-	-0-	246,464
Public affairs	594,018	-0-	-0-	-0-	-0-	594,018
Foreign professional services policy issues	229,345	-0-	-0-	-0-	-0-	229,345
Congressional affairs	323,081	-0-	-0-	-0-	-0-	323,081
Public education and outreach	-0-	293,139	-0-	-0-	-0-	293,139
Professional awards	-0-	176,089	-0-	-0-	-0-	176,089
Essay contest	-0-	76,532	-0-	-0-	-0-	76,532
Scholarships	-0-	-0-	434,710	-0-	-0-	434,710
Political action committee	-0-	-0-	-0-	4,404	-0-	4,404
Total program services	4,964,130	545,760	434,710	4,404	-0-	5,949,004
Supporting services:						
Management and general	1,172,616	69,346	138,009	-0-	-0-	1,379,971
Member support	71,258	-0-	-0-	-0-	-0-	71,258
Board and president	246,845	-0-	-0-	-0-	-0-	246,845
Fundraising	-0-	2,176	-0-	-0-	-0-	2,176
Election	2,053	-0-	-0-	-0-	-0-	2,053
Total supporting services	1,492,772	71,522	138,009	-0-	-0-	1,702,303
Total Expenses	6,456,902	617,282	572,719	4,404	-0-	7,651,307
Change in Net Assets without Donor Restrictions	$ 8,141	$ (342,709)	$ -0-	$ -0-	$ -0-	$ (334,568)
With Donor Restrictions						
Support and Revenue						
Contributions	$ 128,572	$ -0-	$ 71,696	$ 2,511	$ -0-	$ 202,779
Net investment return	-0-	-0-	1,357,404	17	-0-	1,357,421
Change in beneficial interest in trusts	-0-	-0-	129,421	-0-	-0-	129,421
Net assets released from restrictions:						
Satisfaction of program restrictions	(45,000)	-0-	(572,719)	(4,404)	-0-	(622,123)
Change in Net Assets with Donor Restrictions	$ 83,572	$ -0-	$ 985,802	$ (1,876)	$ -0-	$ 1,067,498
Change in Net Assets	$ 91,713	$ (342,709)	$ 985,802	$ (1,876)	$ -0-	$ 732,930
Net Assets at Beginning of Year	6,052,874	90,937	13,013,406	4,093	-0-	19,161,310
Net Assets at End of Year	$ 6,144,587	$ (251,772)	$ 13,999,208	$ 2,217	$ -0-	$ 19,894,240

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