

AGLOW INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

AGLOW INTERNATIONAL
Years Ended March 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Aglow International

Opinion

We have audited the accompanying financial statements of Aglow International (a nonprofit organization), which comprise the statements of financial position as of March 31, 2022 and 2021, 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 Aglow International as of March 31, 2022 and 2021, 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 Aglow 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 Aglow 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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 Aglow 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 Aglow 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.

Finney, Neill & Company, P.S.

Seattle, Washington
January 23, 2023

AGLOW INTERNATIONAL
Statements of Financial Position
March 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 234,718	208,916
Short term investments	208,971	216,204
Employee Retention Credits receivable	507,438	-
Inventories, net	40,103	40,835
Regional funds held for affiliates	45,924	47,463
Prepaid expenses and other current assets	7,701	6,147
Total current assets	1,044,855	519,565
Property and equipment:		
Furniture and equipment	245,206	253,152
Leasehold improvements	32,187	32,187
	277,393	285,339
Less accumulated depreciation and amortization	(267,289)	(264,969)
Property and equipment, net	10,104	20,370
Other assets:		
Long-term investments	-	132,092
Other assets	25,317	25,317
Total other assets	25,317	157,409
Total assets	\$ 1,080,276	697,344
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 10,268	17,481
Accrued expenses	111,954	121,617
Deferred revenues	-	2,633
Regional funds held for affiliates	45,924	47,463
Paycheck Protection Program loan	-	274,187
Total current liabilities	168,146	463,381
Deferred lease incentive	-	500
Total liabilities	168,146	463,881
Net assets:		
Without donor restrictions	874,678	210,186
With donor restrictions	37,452	23,277
Total net assets	912,130	233,463
Total liabilities and net assets	\$ 1,080,276	697,344

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

AGLOW INTERNATIONAL
Statement of Activities
Year ended March 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and tithes	\$ 1,818,330	45,689	1,864,019
Conference registration	297,733	-	297,733
Sales revenues, net of cost of goods sold	45,188	-	45,188
Investment income (loss)	3,566	-	3,566
Other income	794,158	-	794,158
Net assets released from restrictions	31,514	(31,514)	-
Total support and revenue	2,990,489	14,175	3,004,664
Expenses:			
Program services:			
International fellowships	149,996	-	149,996
United States fellowships	440,431	-	440,431
Ministry focus areas	327,088	-	327,088
Conferences	329,691	-	329,691
Creative services	332,039	-	332,039
Total program services	1,579,245	-	1,579,245
Supporting services:			
Management and general	651,137	-	651,137
Fund raising	95,615	-	95,615
Total supporting services	746,752	-	746,752
Total expenses	2,325,997	-	2,325,997
Change in net assets	664,492	14,175	678,667
Net assets at beginning of year	210,186	23,277	233,463
Net assets at end of year	\$ 874,678	37,452	912,130

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

AGLOW INTERNATIONAL
Statement of Activities
Year ended March 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and tithes	\$ 1,657,724	41,448	1,699,172
Conference registration	7,919	-	7,919
Sales revenues, net of cost of goods sold	44,501	-	44,501
Investment income (loss)	47,423	-	47,423
Other income	48,857	-	48,857
Net assets released from restrictions	52,827	(52,827)	-
Total support and revenue	1,859,251	(11,379)	1,847,872
Expenses:			
Program services:			
International fellowships	134,347	-	134,347
United States fellowships	303,153	-	303,153
Ministry focus areas	373,889	-	373,889
Conferences	161,898	-	161,898
Creative services	323,668	-	323,668
Total program services	1,296,955	-	1,296,955
Supporting services:			
Management and general	671,584	-	671,584
Fund raising	90,824	-	90,824
Total supporting services	762,408	-	762,408
Total expenses	2,059,363	-	2,059,363
Change in net assets	(200,112)	(11,379)	(211,491)
Net assets at beginning of year	410,298	34,656	444,954
Net assets at end of year	\$ 210,186	23,277	233,463

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

AGLOW INTERNATIONAL
Statement of Functional Expenses
Year ended March 31, 2022

	Program Services						Supporting Services			Total Expenses
	International Fellowships	U. S. Fellowships	Ministry Focus Areas	Conferences	Creative Services	Total	Management & General	Fund Raising	Total	
Salaries and related benefits	\$ 114,395	182,740	241,226	126,688	265,031	930,080	427,466	61,380	488,846	1,418,926
Occupancy	22,224	33,336	33,336	22,224	44,448	155,568	78,799	11,112	89,911	245,479
Operational:										
Travel and transportation	-	119,263	3,945	1,784	-	124,992	-	380	380	125,372
Printing, postage, supplies	1,549	5,921	3,851	1,310	3,836	16,467	1,026	11,720	12,746	29,213
Communications	-	5,857	3,100	-	-	8,957	7,983	-	7,983	16,940
Insurance	-	12,420	-	12,420	-	24,840	47,997	-	47,997	72,837
Contracted services	-	-	3,243	-	18,604	21,847	44,169	-	44,169	66,016
State and property taxes	-	-	-	-	-	-	1,302	-	1,302	1,302
Interest	-	-	-	-	-	-	391	-	391	391
Promotion and marketing	-	-	-	-	-	-	2,520	10,353	12,873	12,873
Professional services	-	-	-	721	-	721	13,771	-	13,771	14,492
Miscellaneous	<u>940</u>	<u>10,381</u>	<u>3,806</u>	<u>163</u>	<u>-</u>	<u>15,290</u>	<u>21,987</u>	<u>154</u>	<u>22,141</u>	<u>37,431</u>
Total operational	<u>2,489</u>	<u>153,842</u>	<u>17,945</u>	<u>16,398</u>	<u>22,440</u>	<u>213,114</u>	<u>141,146</u>	<u>22,607</u>	<u>163,753</u>	<u>376,867</u>
Ministry:										
Conference costs	-	-	-	164,381	-	164,381	-	-	-	164,381
Translation	2,963	-	6,160	-	120	9,243	-	-	-	9,243
Donations to others	-	70,513	27,816	-	-	98,329	3,726	516	4,242	102,571
Working funds	<u>7,925</u>	<u>-</u>	<u>605</u>	<u>-</u>	<u>-</u>	<u>8,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,530</u>
Total ministry	<u>10,888</u>	<u>70,513</u>	<u>34,581</u>	<u>164,381</u>	<u>120</u>	<u>280,483</u>	<u>3,726</u>	<u>516</u>	<u>4,242</u>	<u>284,725</u>
Total expenses	<u>149,996</u>	<u>440,431</u>	<u>327,088</u>	<u>329,691</u>	<u>332,039</u>	<u>1,579,245</u>	<u>651,137</u>	<u>95,615</u>	<u>746,752</u>	<u>2,325,997</u>
Cost of goods sold	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,072</u>	<u>22,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,072</u>
Total functional expenses	<u>\$ 149,996</u>	<u>440,431</u>	<u>327,088</u>	<u>329,691</u>	<u>354,111</u>	<u>1,601,317</u>	<u>651,137</u>	<u>95,615</u>	<u>746,752</u>	<u>2,348,069</u>

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

AGLOW INTERNATIONAL
Statement of Functional Expenses
Year ended March 31, 2021

	Program Services					Supporting Services				Total Expenses
	International Fellowships	U. S. Fellowships	Ministry Focus Areas	Conferences	Creative Services	Total	Management & General	Fund Raising	Total	
Salaries and related benefits	\$ 98,353	172,031	272,484	124,989	257,052	924,909	474,654	60,414	535,068	1,459,977
Occupancy	20,944	31,415	31,415	20,944	41,888	146,606	74,550	10,471	85,021	231,627
Operational:										
Travel and transportation	20	29,989	1,219	-	-	31,228	-	-	-	31,228
Printing, postage, supplies	1,601	5,866	3,893	1,500	4,055	16,915	1,666	12,722	14,388	31,303
Telephone and utilities	-	5,974	3,080	-	-	9,054	7,832	-	7,832	16,886
Insurance	-	14,349	-	14,349	-	28,698	32,954	-	32,954	61,652
Contracted services	-	-	10,343	-	20,673	31,016	35,759	-	35,759	66,775
State and property taxes	-	-	-	-	-	-	1,291	-	1,291	1,291
Interest	-	-	-	-	-	-	-	-	-	-
Promotion and marketing	-	-	-	-	-	-	1,600	6,766	8,366	8,366
Professional services	-	-	-	-	-	-	14,907	-	14,907	14,907
Miscellaneous	833	8,855	3,171	100	-	12,959	23,168	12	23,180	36,139
Total operational	<u>2,454</u>	<u>65,033</u>	<u>21,706</u>	<u>15,949</u>	<u>24,728</u>	<u>129,870</u>	<u>119,177</u>	<u>19,500</u>	<u>138,677</u>	<u>268,547</u>
Ministry:										
Conference costs	-	-	-	16	-	16	-	-	-	16
Translation	3,025	-	1,380	-	-	4,405	-	-	-	4,405
Donations to others	201	32,590	46,229	-	-	79,020	3,203	439	3,642	82,662
Working funds	9,370	2,084	675	-	-	12,129	-	-	-	12,129
Total ministry	<u>12,596</u>	<u>34,674</u>	<u>48,284</u>	<u>16</u>	<u>-</u>	<u>95,570</u>	<u>3,203</u>	<u>439</u>	<u>3,642</u>	<u>99,212</u>
Total expenses	<u>134,347</u>	<u>303,153</u>	<u>373,889</u>	<u>161,898</u>	<u>323,668</u>	<u>1,296,955</u>	<u>671,584</u>	<u>90,824</u>	<u>762,408</u>	<u>2,059,363</u>
Cost of goods sold	-	-	-	-	21,661	21,661	-	-	-	21,661
Total functional expenses	<u>\$ 134,347</u>	<u>303,153</u>	<u>373,889</u>	<u>161,898</u>	<u>345,329</u>	<u>1,318,616</u>	<u>671,584</u>	<u>90,824</u>	<u>762,408</u>	<u>2,081,024</u>

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

AGLOW INTERNATIONAL
Statements of Cash Flows
Years ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 678,667	(211,491)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	10,266	11,612
Loan forgiveness income	(247,795)	-
Loss on disposal of property and equipment	-	2,821
Unrealized (gain)/loss on investment	-	(42,205)
(Increase) decrease in assets:		
Receivables	(507,438)	-
Inventories	732	4,593
Prepaid expenses and other current assets	(1,554)	(214)
Increase (decrease) in liabilities:		
Accounts payable	(7,213)	(20,408)
Deferred lease incentive	(500)	(2,000)
Accrued expenses and other liabilities	<u>(13,835)</u>	<u>10,312</u>
Total adjustments	<u>(767,337)</u>	<u>(35,489)</u>
Net cash provided (used) by operating activities	<u>(88,670)</u>	<u>(246,980)</u>
Cash flows from investing activities:		
(Purchases) sales of investments	139,325	(33,971)
Purchases of property and equipment	<u>-</u>	<u>(15,885)</u>
Net cash provided (used) by investing activities	<u>139,325</u>	<u>(49,856)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	274,187
Repayments on Paycheck Protection Program loan	<u>(26,392)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(26,392)</u>	<u>274,187</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	24,263	(22,649)
Cash, cash equivalents, and restricted cash at beginning of year	<u>256,379</u>	<u>279,028</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 280,642</u>	<u>256,379</u>
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 234,718	208,916
Regional funds held for affiliates	<u>45,924</u>	<u>47,463</u>
Total cash, cash equivalents, and restricted cash on statements of cash flows	<u>\$ 280,642</u>	<u>256,379</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash paid for interest	<u>\$ 391</u>	<u>-</u>
<u>NONCASH INVESTING AND FINANCING ACTIVITIES</u>		
Paycheck Protection Program loan forgiveness	<u>\$ 247,795</u>	<u>-</u>

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

AGLOW INTERNATIONAL
Notes to Financial Statements
Years ended March 31, 2022 and 2021

1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Aglow International (the Organization) is a Washington nonprofit corporation and the worldwide headquarters for approximately 2,900 groups (approximately 690 U.S. groups, and 2,205 international groups in 172 nations). The local groups are not controlled by the Organization. Instead, they are directed and overseen by 114 national leadership teams and appointed leaders. The Organization provides leadership and discipleship training through various means, publishes books, manuals, pamphlets, and other literature, offers national and international missionary travel opportunities, provides livestreaming of events and video/MP3s for shared vision and training, and provides other support services to national, regional, area and local leadership teams, groups, within and outside of Aglow, all for the furtherance of Christian fellowship, prayer, evangelism, and good works.

The vision of the Organization is to carry the truth of the Kingdom that restores people to a radiant place of relationship with God and one another, breaks the tyranny of oppression, and brings freedom and empowerment.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic No. 958, *Not-for-profit Entities*. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset classes according to donor-imposed restrictions. Accordingly, the net assets of the Organization have been reported as follows:

- *Net assets without donor restrictions* are those currently available at the discretion of the board for use in the activities of the organization.
- *Net assets with donor restrictions* are those stipulated by donors for certain purposes or in future periods. Other donor restrictions may be perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Net assets with donor restrictions are created only by donor-imposed restrictions on the use of funds. All other net assets, including board-designated or appropriated amounts, are reported as part of net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash balances consist of regional funds held for others, which represent cash and cash equivalents held for Aglow worldwide affiliates.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2022 and 2021

1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Inventories

Inventories consist of publications held for resale and merchandise. Inventories are stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out method.

Investments

Investments consist of certificates of deposit, valued at original cost plus accrued interest at year end, and mutual funds and equity securities which are classified as available-for-sale securities carried at fair value. Certificates of deposit held for investment that are not debt securities are reported as “short-term investments” if they have a remaining maturity of less than one year. Certificates of deposit with remaining maturities greater than one year are classified as “long-term investments.” Net unrealized investment gains (losses) related to available-for-sale securities are recorded in the total change in net assets in the statement of activities. Aglow International uses quoted market prices or public market information to determine the fair value of its investments. Interest and dividends earned are reported in other income.

Property and Equipment and Depreciation

Property and equipment are recorded at cost or, in the case of donated property, at its estimated fair market value at date of receipt. The Organization generally follows the practice of capitalizing expenditures for property and equipment in excess of \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Depreciation expense for the years ended March 31, 2022 and 2021 was \$10,266 and \$11,612, respectively.

Donated Assets and Services

Donations of property and equipment are recorded at their estimated fair market values at the date of receipt. The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the financial statements for donated services because no objective basis is available to measure the value of such services.

Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or, a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Membership dues are considered contributions to the Organization and recorded when received. Revenues from conference and event registrations are recognized when the conference or event takes place, and registration fees paid in advance of the event date are recorded as deferred revenues in the statement of financial position.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2022 and 2021

1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenues from sales of promotional merchandise and program-related materials are recognized at the point of sale and are reported in other income on the statement of activities, net of the cost of goods sold. The Organization recorded \$67,260 and \$66,162 of gross sales revenue, and \$22,072 and \$21,661 in costs of goods sold, for the years ended March 31, 2022 and 2021.

Restricted Support

The Organization has adopted the FASB Accounting Standards Codification Topic No. 958, *Not-for-profit Entities*. In accordance with this Topic, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Gifts for ministry which are received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. At March 31, 2022 and 2021, net assets with donor restrictions consisted of cash and cash equivalents and investments and are available for use in subsequent years' program services.

Employee Retention Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and the American Rescue Plan Act enacted by Congress, an Employee Retention Credit (ERC) was established, which is a refundable tax credit against the employer's share of social security taxes. The ERC is equal to 50% of qualified wages paid to employees during a quarter, for a maximum credit per employee of \$10,000 for each calendar quarter between March 12, 2020 and December 31, 2020, and is equal to 70% of qualified wages paid to employees during calendar year 2021 for a maximum credit per employee of \$7,000 for each calendar quarter through September 30, 2021.

During the year ended March 31, 2022, the Organization claimed ERCs of \$507,438 and identified the entire amount as a conditional contribution in accordance with FASB Accounting Standards Codification Topic No. 958-605. The Organization determined that the underlying conditions of the contribution were met in FY2022 and recognized \$507,438 as other income in the statement of activities. As of March 31, 2022, \$507,438 in employee retention credits was outstanding and receivable and was recorded in Employee Retention Credit receivables on the statement of financial position. These funds are subject to examination by the Internal Revenue Service for between 3 and 5 years from the payroll credit filing dates.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received. Salaries and related expenses and certain other overhead expenses are allocated based upon a study of time and effort.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2022 and 2021

1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Reclassifications

Certain amounts in the financial statements may have been reclassified to conform to the current financial statement presentation. These reclassifications did not affect the change in net assets for the years ended March 31, 2022 and 2021.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

Pursuant to a letter of determination from the Internal Revenue Service (IRS), the Organization is a not-for-profit ministry exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation under section 509(a)(1) of the Internal Revenue Code (IRC). Accordingly, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) of the Internal Revenue Code.

The Organization accounts for tax positions in accordance with the FASB Accounting Standards Codification Topic No. 740, *Income Taxes*. With few exceptions, the Organization is subject to U.S. federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed the Organization's tax positions and determined there were no uncertain tax positions as of March 31, 2022 and 2021.

The Organization recognizes income tax related interest and penalties in operational expenses. During the years ended March 31, 2022 and 2021, the Organization recognized no income tax interest or penalties.

Date of Management's Review

Subsequent events have been evaluated through January 23, 2023, which is the date the financial statements were available to be issued.

2. CONCENTRATIONS

The Organization places cash and cash equivalents with financial institutions. Accounts at each institution are insured up to \$250,000. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Aglow International invests primarily in exchange traded funds, which may subject it to market risk.

During the years ended March 31, 2022 and 2021, the Organization received contributions totaling \$225,000 and \$300,000, respectively (7% and 16% of total support and revenue, respectively) from one unrelated donor. Beginning in January 2022, this donor was no longer providing ongoing support and revenue to the Organization.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2022 and 2021

3. LIQUIDITY

The following represents the availability of Aglow International's financial assets at March 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 234,718	208,916
Investments	208,971	348,296
Employee Retention Credits Receivable	507,438	-
Other assets	25,317	25,317
Regional funds held for others	<u>45,924</u>	<u>47,463</u>
Total	1,022,368	629,992
Less amounts not available for general expenditures within one year:		
Liquid net assets held for others	(45,924)	(47,463)
Liquid net assets with donor restrictions	(37,452)	(23,277)
Investments with liquidity horizons greater than one year	<u>-</u>	<u>(132,092)</u>
Financial assets available for general expenditures within one year	<u>\$ 938,992</u>	<u>427,160</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization manages certificates of deposit for a total of over \$200,000 as of March 31, 2022, which can be sold to help meet cash flow needs. Further, management maintains a line of credit for up to \$100,000, which can be drawn upon to meet unanticipated cash flow needs.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification establishes a framework for measuring fair value. That 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 under this topic are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Aglow International has the ability to access.

Level 2: Inputs to the valuation methodology include:

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

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2022 and 2021

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

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 following is a description of the valuation methodologies used for assets measured at fair value:

Certificates of Deposit: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange traded funds, equity securities, and fixed income securities: Valued at the daily closing price as reported by the fund. These investments are registered with the SEC and are required to publish their daily net asset value (NAV) and to transact at that price.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Aglow International believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All investments are classified under Level 1 measurements within the fair value hierarchy.

Investments as of March 31, 2022 and 2021 were comprised of:

	<u>2022</u>	<u>2021</u>
Certificates of deposit - short-term	\$ 208,971	\$ 102,144
Certificates of deposit - long-term	-	132,092
Equity securities	-	71,069
Fixed income	-	22,098
Exchange traded funds and other	-	20,893
	<u>\$ 208,971</u>	<u>348,296</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the fiscal years ended March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net unrealized gain (loss)	\$ -	42,205
Net realized gain (loss)	541	-
Interest and dividends income	3,025	5,218
	<u>\$ 3,566</u>	<u>47,423</u>

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2022 and 2021

5. OPERATING LEASES

In 2015, the Organization entered into a five-year lease for office space which began June 1, 2016 and expires on May 31, 2021. Under the terms of this lease, annual increases to monthly rent rates of three percent are effective beginning January 1, 2018.

In 2018, the Organization received \$10,000 in lease incentives to be used for tenant improvements, of which \$500 and \$2,500 was recorded as deferred lease incentive at March 31, 2022 and 2021, respectively. During the years ended March 31, 2022 and 2021, lease incentive amortization of \$2,000 and \$2,000 was recorded to reduce occupancy expense, respectively.

In 2021, the Organization entered into a new three-year lease for office space which begins June 1, 2021 and expires May 31, 2024. Under the terms of this lease, rent payments of \$18,900 are due monthly.

Rent expense was \$222,606 and \$207,593 for the years ended March 31, 2022 and 2021, respectively.

Future minimum lease payments for the years ending March 31 are as follows:

2023	\$ 226,800
2024	226,800
2025	37,800
Thereafter	-
	<u>\$ 718,241</u>

6. LINE OF CREDIT

The Organization has a \$100,000 line of credit with a bank secured by a certificate of deposit. The line of credit matures on December 3, 2023. Interest is payable monthly at an interest rate of 3.10% per year. As of March 31, 2022 and 2021, there was \$0 and \$0 outstanding on the line of credit. Interest expense on the line of credit for the years ended March 31, 2022 and 2021 was \$0 and \$0, respectively.

7. PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN

Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. In May 2020, the Organization entered into a note payable for \$274,187 with Bank of America under the PPP loan program administered by the Small Business Administration. The loan is forgivable in its entirety, subject to the terms and conditions of the loan agreement.

In May 2021, the Organization received forgiveness on a portion of the outstanding loan balance totaling \$247,795 and paid the remaining balance outstanding on the loan of \$26,392 to the lender, resulting in the loan being paid in full during the year ended March 31, 2022. The Company's accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the revenue when the loan forgiveness application is accepted by the lender. Other income of \$247,795 and \$0 was recognized in the statement of activities during the years ended March 31, 2022 and 2021 resulting from the PPP loan forgiveness.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2022 and 2021

7. PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN, continued

As of March 31, 2022 and 2021, the Organization has presented the PPP loan balances of \$0 and \$274,187, respectively, as a current liability on the statement of financial position.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at March 31:

	<u>2022</u>	<u>2021</u>
Donor-restricted net assets for specified purpose:		
Aglow initiatives	\$ 35,445	23,277
Disaster relief	1,000	-
Other	<u>1,007</u>	<u>-</u>
	<u>\$ 37,452</u>	<u>23,277</u>

9. RELATED PARTY ACTIVITY

The Organization receives substantially all of its contributions and conference fees from affiliated individuals and fellowships. Furthermore, a substantial portion of its publications are purchased by affiliated individuals and fellowships. During the years ended March 31, 2022 and 2021, one Aglow International employee donated \$49,955 and \$120,212, respectively, to be used for general operations.

10. REGIONAL FUNDS HELD FOR AFFILIATES

The Organization currently holds funds for certain affiliates located in European, South American, and African nations who operate under the Aglow name. The Organization has no ownership in these monies and dispenses the funds held at the request of the respective affiliates' management. As of March 31, 2022, the Organization reported cash held on behalf of these entities of \$45,924 as an asset and as a corresponding liability. As of March 31, 2021, the Organization reported cash held on behalf of these entities of \$47,463 as an asset and as a corresponding liability.

11. 403(b) RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan. The Organization contributed \$12,687 and \$12,319 to the plan during the years ended March 31, 2022 and 2021, respectively.

12. COMMITMENTS AND CONTINGENCIES

As part of its ongoing ministry, the Organization organizes conferences on an annual basis. The Organization periodically executes contracts and commitments with hotels, convention facilities and event-coordination organizations for events scheduled to be held in subsequent years. The Organization cannot reasonably estimate the loss which it may experience if attendance at these events fails to reach projections.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2022 and 2021

13. IMPACT OF COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. In response to the pandemic, the Organization has suspended some activities, and moved others to teleconference and remote work only. This includes the Organization cancelling the fall 2020 national conference event, as well as several regional rally events, and pivoting to ensure the fall 2021 national conference event included both virtual and in-person attendance options. Changes to the operating environment may increase operating costs and change revenue sources. Additional impacts may include the cancellation of future events and activities. The future effects of these issues are unknown.