

AGLOW INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2018 AND 2017

AGLOW INTERNATIONAL
Years Ended March 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Aglow International

We have audited the accompanying financial statements of Aglow International (a nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2018 and 2017, 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.

Finney, Neill & Company, P.S.

Seattle, Washington
January 7, 2019

AGLOW INTERNATIONAL
Statements of Financial Position
March 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 161,488	268,106
Short term investments	83,456	150,193
Accounts receivable	2,008	1,557
Inventories	38,033	45,854
Regional funds held for affiliates	20,067	36,641
Prepaid expenses and other current assets	7,360	5,086
Total current assets	312,412	507,437
Property and equipment:		
Furniture and equipment	242,589	250,270
Leasehold improvements	32,187	32,187
	274,776	282,457
Less accumulated depreciation and amortization	(250,383)	(271,642)
Property and equipment, net	24,393	10,815
Other assets:		
Long-term investments	152,814	-
Other assets	25,317	25,317
Total other assets	178,131	25,317
Total assets	\$ 514,936	543,569
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 57,266	57,545
Accrued expenses	103,689	102,593
Deferred revenues	15,937	81,242
Regional funds held for affiliates	36,072	36,641
Total current liabilities	212,964	278,021
Deferred lease incentive	6,500	-
Total liabilities	219,464	278,021
Net assets:		
Unrestricted	196,268	240,493
Unrestricted - board designated	82,400	-
Temporarily restricted	16,804	25,055
Total net assets	295,472	265,548
Total liabilities and net assets	\$ 514,936	543,569

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

AGLOW INTERNATIONAL

Statement of Activities

Year ended March 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 2,304,042	174,289	2,478,331
Conference registration	606,974	-	606,974
Other income, net	231,690	-	231,690
Net assets released from restrictions	<u>182,540</u>	<u>(182,540)</u>	<u>-</u>
Total support and revenue	<u>3,325,246</u>	<u>(8,251)</u>	<u>3,316,995</u>
Expenses:			
Program services:			
International fellowships	307,506	-	307,506
United States fellowships	374,758	-	374,758
Ministry focus areas	622,389	-	622,389
Conferences	786,503	-	786,503
Creative services	<u>364,009</u>	<u>-</u>	<u>364,009</u>
Total program services	<u>2,455,165</u>	<u>-</u>	<u>2,455,165</u>
Supporting services:			
Management and general	715,665	-	715,665
Fund raising	<u>116,241</u>	<u>-</u>	<u>116,241</u>
Total supporting services	<u>831,906</u>	<u>-</u>	<u>831,906</u>
Total expenses	<u>3,287,071</u>	<u>-</u>	<u>3,287,071</u>
Change in net assets	38,175	(8,251)	29,924
Net assets at beginning of year	<u>240,493</u>	<u>25,055</u>	<u>265,548</u>
Net assets at end of year	<u>\$ 278,668</u>	<u>16,804</u>	<u>295,472</u>

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

AGLOW INTERNATIONAL
Statement of Activities
Year ended March 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 2,112,203	104,153	2,216,356
Conference registration	331,430	-	331,430
Other income, net	168,081	-	168,081
Net assets released from restrictions	<u>106,607</u>	<u>(106,607)</u>	<u>-</u>
Total support and revenue	<u>2,718,321</u>	<u>(2,454)</u>	<u>2,715,867</u>
Expenses:			
Program services:			
International fellowships	180,268	-	180,268
United States fellowships	436,541	-	436,541
Ministry focus areas	598,274	-	598,274
Conferences	542,862	-	542,862
Creative services	<u>300,465</u>	<u>-</u>	<u>300,465</u>
Total program services	<u>2,058,410</u>	<u>-</u>	<u>2,058,410</u>
Supporting services:			
Management and general	678,168	-	678,168
Fund raising	<u>120,779</u>	<u>-</u>	<u>120,779</u>
Total supporting services	<u>798,947</u>	<u>-</u>	<u>798,947</u>
Total expenses	<u>2,857,357</u>	<u>-</u>	<u>2,857,357</u>
Change in net assets	(139,036)	(2,454)	(141,490)
Net assets at beginning of year	<u>379,529</u>	<u>27,509</u>	<u>407,038</u>
Net assets at end of year	<u>\$ 240,493</u>	<u>25,055</u>	<u>265,548</u>

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

AGLOW INTERNATIONAL
Statement of Functional Expenses
Year ended March 31, 2018

	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	\$ 114,827	160,078	335,215	114,292	249,420	973,832	502,883	71,506	574,389	1,548,221
Occupancy	25,174	25,174	41,957	16,783	41,957	151,045	71,841	8,391	80,232	231,277
Operational:										
Travel and transportation	135,893	98,874	92,103	673	734	328,277	-	1,140	1,140	329,417
Printing, postage, supplies	2,575	7,641	12,374	1,463	6,137	30,190	12,553	14,743	27,296	57,486
Communications	-	4,655	3,808	-	-	8,463	8,064	-	8,064	16,527
Insurance	-	12,418	-	12,418	-	24,836	31,180	-	31,180	56,016
Contracted services	-	25	2,067	-	36,076	38,168	32,153	-	32,153	70,321
State and property taxes	-	-	-	-	-	-	1,220	-	1,220	1,220
Interest	-	-	-	-	-	-	448	-	448	448
Promotion and marketing	-	-	-	9,475	17,329	26,804	3,110	14,719	17,829	44,633
Professional services	-	-	33	-	-	33	15,656	-	15,656	15,689
Miscellaneous	3,723	6,270	13,136	1,981	199	25,309	32,736	4,835	37,571	62,880
Total operational	<u>142,191</u>	<u>129,883</u>	<u>123,521</u>	<u>26,010</u>	<u>60,475</u>	<u>482,080</u>	<u>137,120</u>	<u>35,437</u>	<u>172,557</u>	<u>654,637</u>
Ministry:										
Conference costs	10,504	7,701	45,193	629,418	12,116	704,932	-	-	-	704,932
Translation	6,495	-	4,383	-	41	10,919	-	-	-	10,919
Donations to others	-	49,022	66,930	-	-	115,952	3,821	907	4,728	120,680
Working funds	8,315	2,900	5,190	-	-	16,405	-	-	-	16,405
Total ministry	<u>25,314</u>	<u>59,623</u>	<u>121,696</u>	<u>629,418</u>	<u>12,157</u>	<u>848,208</u>	<u>3,821</u>	<u>907</u>	<u>4,728</u>	<u>852,936</u>
	<u>\$ 307,506</u>	<u>374,758</u>	<u>622,389</u>	<u>786,503</u>	<u>364,009</u>	<u>2,455,165</u>	<u>715,665</u>	<u>116,241</u>	<u>831,906</u>	<u>3,287,071</u>

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

AGLOW INTERNATIONAL
Statement of Functional Expenses
Year ended March 31, 2017

	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	\$ 113,722	159,289	333,756	127,322	193,524	927,613	477,725	69,773	547,498	1,475,111
Occupancy	26,208	26,208	43,681	17,473	34,945	148,515	76,075	8,736	84,811	233,326
Operational:										
Travel and transportation	22,953	144,544	112,055	1,137	1,645	282,334	2,505	-	2,505	284,839
Printing, postage, supplies	611	7,159	5,042	95	946	13,853	20,754	19,119	39,873	53,726
Telephone and utilities	-	4,587	3,400	-	-	7,987	8,079	-	8,079	16,066
Insurance	-	16,951	-	16,951	-	33,902	19,214	-	19,214	53,116
Contracted services	-	150	1,021	-	42,029	43,200	30,712	-	30,712	73,912
State and property taxes	-	-	-	-	-	-	1,255	-	1,255	1,255
Interest	-	-	-	-	-	-	332	-	332	332
Promotion and marketing	-	-	2,592	22,573	19,507	44,672	1,550	16,265	17,815	62,487
Professional services	-	-	32	1,178	-	1,210	12,408	-	12,408	13,618
Miscellaneous	1,171	10,923	18,860	495	109	31,558	24,356	5,964	30,320	61,878
Total operational	<u>24,735</u>	<u>184,314</u>	<u>143,002</u>	<u>42,429</u>	<u>64,236</u>	<u>458,716</u>	<u>121,165</u>	<u>41,348</u>	<u>162,513</u>	<u>621,229</u>
Ministry:										
Conference costs	2,178	8,345	22,952	355,638	7,658	396,771	-	-	-	396,771
Translation	5,175	-	-	-	102	5,277	-	-	-	5,277
Donations to others	-	56,585	48,519	-	-	105,104	3,203	922	4,125	109,229
Working funds	8,250	1,800	6,364	-	-	16,414	-	-	-	16,414
Total ministry	<u>15,603</u>	<u>66,730</u>	<u>77,835</u>	<u>355,638</u>	<u>7,760</u>	<u>523,566</u>	<u>3,203</u>	<u>922</u>	<u>4,125</u>	<u>527,691</u>
	<u>\$ 180,268</u>	<u>436,541</u>	<u>598,274</u>	<u>542,862</u>	<u>300,465</u>	<u>2,058,410</u>	<u>678,168</u>	<u>120,779</u>	<u>798,947</u>	<u>2,857,357</u>

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

AGLOW INTERNATIONAL
Statements of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
Years ended March 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 29,924	(141,490)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	5,449	5,801
Unrealized (gain)/loss on investment	(995)	-
(Increase) decrease in assets:		
Accounts receivable	(451)	131
Inventories	7,821	3,888
Prepaid expenses and other current assets	(2,274)	2,864
Funds held for affiliates	16,574	(14,770)
Increase (decrease) in liabilities:		
Accounts payable	(279)	30,956
Deferred lease incentive	6,500	-
Accrued expenses and other liabilities	(64,778)	104,349
Total adjustments	(32,433)	133,219
Net cash provided (used) by operating activities	(2,509)	(8,271)
Cash flows from investing activities:		
(Purchases) sales of certificates of deposit, net	(2,621)	(25,185)
(Purchases) sales of available-for-sale securities	(82,461)	-
Purchases of property and equipment	(19,027)	(4,073)
Net cash provided (used) by investing activities	(104,109)	(29,258)
Cash flows from financing activities:		
Borrowing on line of credit	100,000	100,000
Repayments on line of credit	(100,000)	(100,000)
Net cash provided (used) by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(106,618)	(37,529)
Cash and cash equivalents at beginning of year	268,106	305,635
Cash and cash equivalents at end of year	\$ 161,488	268,106

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest	\$ 448	332
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The accompanying notes are an integral part of these financial statements.

AGLOW INTERNATIONAL
Notes To Financial Statements
Years ended March 31, 2018 and 2017

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 3,000 groups (approximately 880 U.S. groups, and 2,120 international groups in 170 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, manual, 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:

- *Unrestricted net assets* are those currently available at the discretion of the board for use in the activities of the organization. Board designated net assets are designated for investment in stock market equities.
- *Temporarily restricted net assets* are those stipulated by donors for specific operating or ministry purposes.

Net assets of the temporarily restricted class are created only by donor-imposed restrictions on the use of funds. All other net assets, including Board-designated or appropriated amounts and are reported as part of the unrestricted class.

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.

Inventories

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

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

AGLOW INTERNATIONAL
Notes To Financial Statements, continued
Years ended March 31, 2018 and 2017

1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. 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, 2018 and 2017 was \$5,449 and \$5,801, respectively.

Restricted and Unrestricted Support and Revenue Recognition

Contributed support is recorded when cash is received or when ownership of donated assets is transferred. 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 unrestricted, temporarily restricted, or permanently restricted support, 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 temporarily restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At March 31, 2018 and 2017, temporarily restricted net assets consisted of cash and cash equivalents and investments and are available for use in subsequent years’ program services.

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.

Sales Revenue

Revenues from sales of promotional merchandise and program-related materials are reported in other income on the statement of activities, and are shown net of the cost of goods sold. The Organization recorded \$230,219 and \$154,776 of gross sales revenue, and \$107,330 and \$63,456 in costs of goods sold, for the years ended March 31, 2018 and 2017.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes To Financial Statements, continued
Years ended March 31, 2018 and 2017

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.

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.

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, 2018 and 2017.

The Organization recognizes income tax related interest and penalties in operational expenses. During the years ended March 31, 2018 and 2017, the Organization recognized no income tax interest or penalties.

Date of Management's Review

Subsequent events have been evaluated through January 7, 2019, 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.

During the years ended March 31, 2018 and 2017, the Organization received contributions totaling \$420,000 in each year (13% and 15% of total support and revenue) from one unrelated not-for-profit organization, respectively. Any reduction in funding from this donor could have a significant effect upon the future operations of the Organization.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes To Financial Statements, continued
Years ended March 31, 2018 and 2017

3. 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.

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, money market 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.

AGLOW INTERNATIONAL
Notes To Financial Statements, continued
Years ended March 31, 2018 and 2017

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

Investments as of March 31, 2018 and 2017 were comprised of:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 2,380	-
Certificates of deposit	152,814	150,193
Equities	49,994	-
Fixed income	23,572	-
Exchange traded funds and other	7,510	-
	<u>\$ 236,270</u>	<u>150,193</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the fiscal years ended March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Net unrealized gain (loss)	\$ 995	-
Net realized gain (loss)	2,189	-
Interest income	2,220	203
	<u>\$ 5,404</u>	<u>203</u>

4. OPERATING LEASES

The Organization entered into a four year lease for office space on June 1, 2012 which expired on May 31, 2016. In December 2015, the Organization entered into a five year lease for office space which begins 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.

During the year ended March 31, 2018, the Organization received \$10,000 in lease incentives to be used for tenant improvements, of which \$6,500 is recorded as deferred lease incentive. During the years ended March 31, 2018 and 2017, lease incentive amortization of \$3,500 and \$0 was recorded to reduce occupancy expense. Rent expense was \$207,746 and \$209,376 for the years ended March 31, 2018 and 2017, respectively.

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

2019	\$ 209,338
2020	215,618
2021	222,087
2022	37,841
Thereafter	-
	<u>\$ 684,884</u>

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes To Financial Statements, continued
Years ended March 31, 2018 and 2017

5. 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 May 20, 2019. Interest is payable monthly at an interest rate of 3.15% per year. As of March 31, 2018 and 2017, there was \$0 and \$0 outstanding on the line of credit. Interest expense on the line of credit for the years ended March 31, 2018 and 2017 was \$448 and \$332, respectively.

6. 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, 2018 and 2017, one Aglow International employee donated \$24,963 and \$123,140, respectively, to be used for general operations at the discretion of the finance committee of the Board.

7. 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. During the year ended March 31, 2018, the Organization used \$16,005 in regional funds to fund other activities, and intends to restore the funds to the entities' in a future period. As of March 31, 2018, the Organization reported cash held on behalf of these entities of \$20,067 as an asset and \$36,072 as a liability. As of March 31, 2017, the Organization reported cash held on behalf of these entities of \$36,641 as an asset and as a corresponding liability.

8. 403(b) RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan. The Organization contributed \$11,782 and \$11,737 to the plan during the years ended March 31, 2018 and 2017, respectively.

9. 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.