

AGLOW INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

AGLOW INTERNATIONAL
Years Ended March 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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
February 14, 2022

AGLOW INTERNATIONAL
Statements of Financial Position
March 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 208,916	236,198
Short term investments	216,204	201,497
Inventories, net	40,835	45,428
Regional funds held for affiliates	47,463	42,830
Prepaid expenses and other current assets	6,147	5,933
Total current assets	519,565	531,886
Property and equipment:		
Furniture and equipment	253,152	251,751
Leasehold improvements	32,187	32,187
	285,339	283,938
Less accumulated depreciation and amortization	(264,969)	(265,020)
Property and equipment, net	20,370	18,918
Other assets:		
Long-term investments	132,092	70,623
Other assets	25,317	25,317
Total other assets	157,409	95,940
Total assets	\$ 697,344	646,744
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 17,481	37,889
Accrued expenses	121,617	105,097
Deferred revenues	2,633	13,474
Regional funds held for affiliates	47,463	42,830
Paycheck Protection Program loan	274,187	-
Total current liabilities	463,381	199,290
Deferred lease incentive	500	2,500
Total liabilities	463,881	201,790
Net assets:		
Without donor restrictions	210,186	410,298
With donor restrictions	23,277	34,656
Total net assets	233,463	444,954
Total liabilities and net assets	\$ 697,344	646,744

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

AGLOW INTERNATIONAL
Statement of Activities
Year ended March 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>52,827</u>	<u>(52,827)</u>	<u>-</u>
Total support and revenue	<u>1,859,251</u>	<u>(11,379)</u>	<u>1,847,872</u>
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	<u>323,668</u>	<u>-</u>	<u>323,668</u>
Total program services	<u>1,296,955</u>	<u>-</u>	<u>1,296,955</u>
Supporting services:			
Management and general	671,584	-	671,584
Fund raising	<u>90,824</u>	<u>-</u>	<u>90,824</u>
Total supporting services	<u>762,408</u>	<u>-</u>	<u>762,408</u>
Total expenses	<u>2,059,363</u>	<u>-</u>	<u>2,059,363</u>
Change in net assets	(200,112)	(11,379)	(211,491)
Net assets at beginning of year	<u>410,298</u>	<u>34,656</u>	<u>444,954</u>
Net assets at end of year	<u>\$ 210,186</u>	<u>23,277</u>	<u>233,463</u>

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

AGLOW INTERNATIONAL
Statement of Activities
Year ended March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and tithes	\$ 1,915,443	75,477	1,990,920
Conference registration	408,047	-	408,047
Sales revenues, net of cost of goods sold	64,574	-	64,574
Investment income (loss)	(6,404)	-	(6,404)
Other income	129,845	-	129,845
Net assets released from restrictions	57,857	(57,857)	-
Total support and revenue	2,569,362	17,620	2,586,982
Expenses:			
Program services:			
International fellowships	132,734	-	132,734
United States fellowships	409,565	-	409,565
Ministry focus areas	446,436	-	446,436
Conferences	328,978	-	328,978
Creative services	296,270	-	296,270
Total program services	1,613,983	-	1,613,983
Supporting services:			
Management and general	685,999	-	685,999
Fund raising	90,762	-	90,762
Total supporting services	776,761	-	776,761
Total expenses	2,390,744	-	2,390,744
Change in net assets	178,618	17,620	196,238
Net assets at beginning of year	231,680	17,036	248,716
Net assets at end of year	\$ 410,298	34,656	444,954

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
Communications	-	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	2,454	65,033	21,706	15,949	24,728	129,870	119,177	19,500	138,677	268,547
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	12,596	34,674	48,284	16	-	95,570	3,203	439	3,642	99,212
Total expenses	134,347	303,153	373,889	161,898	323,668	1,296,955	671,584	90,824	762,408	2,059,363
Cost of goods sold	-	-	-	-	21,661	21,661	-	-	-	21,661
Total functional expenses	\$ 134,347	303,153	373,889	161,898	345,329	1,318,616	671,584	90,824	762,408	2,081,024

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

AGLOW INTERNATIONAL
Statement of Functional Expenses
Year ended March 31, 2020

	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	\$ 93,099	165,087	277,908	118,000	243,350	897,444	482,547	60,204	542,751	1,440,195
Occupancy	18,864	28,297	37,729	18,864	37,729	141,483	81,838	9,432	91,270	232,753
Operational:										
Travel and transportation	5,377	115,145	51,619	-	-	172,141	-	-	-	172,141
Printing, postage, supplies	1,318	6,561	6,581	1,033	2,700	18,193	3,955	12,130	16,085	34,278
Telephone and utilities	-	4,777	2,600	-	-	7,377	7,753	-	7,753	15,130
Insurance	-	15,813	-	15,813	-	31,626	29,129	-	29,129	60,755
Contracted services	-	-	8,478	-	12,048	20,526	32,667	-	32,667	53,193
State and property taxes	-	-	-	-	-	-	1,304	-	1,304	1,304
Interest	-	-	-	-	-	-	157	-	157	157
Promotion and marketing	-	-	-	1,000	-	1,000	1,555	8,591	10,146	11,146
Professional services	-	-	-	-	-	-	13,346	-	13,346	13,346
Miscellaneous	994	9,019	6,298	1,139	23	17,473	27,831	26	27,857	45,330
Total operational	<u>7,689</u>	<u>151,315</u>	<u>75,576</u>	<u>18,985</u>	<u>14,771</u>	<u>268,336</u>	<u>117,697</u>	<u>20,747</u>	<u>138,444</u>	<u>406,780</u>
Ministry:										
Conference costs	-	-	-	173,129	-	173,129	-	-	-	173,129
Translation	3,425	-	4,980	-	420	8,825	-	-	-	8,825
Donations to others	-	64,866	45,758	-	-	110,624	3,917	379	4,296	114,920
Working funds	9,657	-	4,485	-	-	14,142	-	-	-	14,142
Total ministry	<u>13,082</u>	<u>64,866</u>	<u>55,223</u>	<u>173,129</u>	<u>420</u>	<u>306,720</u>	<u>3,917</u>	<u>379</u>	<u>4,296</u>	<u>311,016</u>
Total expenses	<u>132,734</u>	<u>409,565</u>	<u>446,436</u>	<u>328,978</u>	<u>296,270</u>	<u>1,613,983</u>	<u>685,999</u>	<u>90,762</u>	<u>776,761</u>	<u>2,390,744</u>
Cost of goods sold	-	-	-	-	34,541	34,541	-	-	-	34,541
Total functional expenses	<u>\$ 132,734</u>	<u>409,565</u>	<u>446,436</u>	<u>328,978</u>	<u>330,811</u>	<u>1,648,524</u>	<u>685,999</u>	<u>90,762</u>	<u>776,761</u>	<u>2,425,285</u>

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

AGLOW INTERNATIONAL
Statements of Cash Flows
Years ended March 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (211,491)	196,238
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	11,612	9,260
Loss on disposal of property and equipment	2,821	-
Unrealized (gain)/loss on investment	(42,205)	(11,298)
(Increase) decrease in assets:		
Inventories	4,593	(10,215)
Prepaid expenses and other current assets	(214)	2,604
Increase (decrease) in liabilities:		
Accounts payable	(20,408)	14,140
Deferred lease incentive	(2,000)	(2,000)
Accrued expenses and other liabilities	10,312	(208,703)
Total adjustments	(35,489)	(206,212)
Net cash provided (used) by operating activities	(246,980)	(9,974)
Cash flows from investing activities:		
Purchases of investments	(33,971)	(50,932)
Purchases of property and equipment	(15,885)	(7,730)
Net cash provided (used) by investing activities	(49,856)	(58,662)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	274,187	-
Net cash provided (used) by financing activities	274,187	-
Net increase (decrease) in cash, cash equivalents, and restricted cash	(22,649)	(68,636)
Cash, cash equivalents, and restricted cash at beginning of year	279,028	347,664
Cash, cash equivalents, and restricted cash at end of year	\$ 256,379	279,028
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 208,916	236,198
Regional funds held for affiliates	47,463	42,830
Total cash, cash equivalents, and restricted cash on statements of cash flow	\$ 256,379	279,028
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash paid for interest	\$ -	157

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

AGLOW INTERNATIONAL
Notes to Financial Statements
Years ended March 31, 2021 and 2020

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:

- *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, 2021 and 2020

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, 2021 and 2020 was \$11,612 and \$9,260, 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, 2021 and 2020

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 \$66,162 and \$99,115 of gross sales revenue, and \$21,661 and \$34,541 in costs of goods sold, for the years ended March 31, 2021 and 2020.

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, 2021 and 2020, net assets with donor restrictions consisted of cash and cash equivalents and investments and are available for use in subsequent years' program services.

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.

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, 2021 and 2020.

New Accounting Pronouncements

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no changes to the way the Organization recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosure of revenue have been enhanced in accordance with the standard.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2021 and 2020

1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2021 and 2020.

The Organization recognizes income tax related interest and penalties in operational expenses. During the years ended March 31, 2021 and 2020, the Organization recognized no income tax interest or penalties.

Date of Management's Review

Subsequent events have been evaluated through February 14, 2022, 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, 2021 and 2020, the Organization received contributions totaling \$300,000 and \$420,000, respectively (16% and 16% of total support and revenue, respectively) from one unrelated not-for-profit organization. Any reduction in funding from this donor could have a significant effect upon the future operations of the Organization.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2021 and 2020

3. LIQUIDITY

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 208,916	236,198
Investments	348,296	272,120
Regional funds held for others	<u>47,463</u>	<u>42,830</u>
Total	604,675	551,148
Less amounts not available for general expenditures within one year:		
Liquid net assets held for others	(47,463)	(42,830)
Liquid net assets with donor restrictions	(23,277)	(34,656)
Investments with liquidity horizons greater than one year	<u>(132,092)</u>	<u>(70,623)</u>
Financial assets available for general expenditures within one year	<u>\$ 401,843</u>	<u>403,039</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 \$234,236 as of March 31, 2021, 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.

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.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2021 and 2020

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

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, 2021 and 2020 were comprised of:

	2021	2020
Certificates of deposit - short-term	\$ 102,144	130,369
Certificates of deposit - long-term	132,092	70,623
Equity securities	71,069	41,744
Fixed income	22,098	22,576
Exchange traded funds and other	20,893	6,808
	\$ 348,296	272,120

The following schedule summarizes the investment return and its classification in the statement of activities for the fiscal years ended March 31, 2021 and 2020:

	2021	2020
Net unrealized gain (loss)	\$ 42,205	(11,298)
Net realized gain (loss)	-	(535)
Interest and dividends income	5,218	5,429
	\$ 47,423	(6,404)

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2021 and 2020

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, 2021 and 2020, respectively. During the years ended March 31, 2021 and 2020, 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 \$207,593 and \$209,247 for the years ended March 31, 2021 and 2020, respectively.

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

2022	\$ 226,841
2023	226,800
2024	226,800
2025	37,800
Thereafter	<u>-</u>
	<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 May 25, 2022. Interest is payable monthly at an interest rate of 2.85% per year. As of March 31, 2021 and 2020, there was \$0 and \$0 outstanding on the line of credit. Interest expense on the line of credit for the years ended March 31, 2021 and 2020 was \$0 and \$157, respectively.

7. PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). 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 subsequent to March 31, 2021.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2021 and 2020

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

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. Revenue of \$0 and \$0 was recognized in the statement of activities during the years ended March 31, 2021 and 2020. As of March 31, 2021 and 2020, the Organization has presented the PPP loan balances of \$274,187 and \$0, 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>2021</u>	<u>2020</u>
Donor-restricted net assets for specified purpose:		
Aglow initiatives	\$ 23,277	32,766
Disaster relief	-	909
Other	-	981
	<u>\$ 23,277</u>	<u>34,656</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, 2021 and 2020, one Aglow International employee donated \$120,212 and \$63,290, 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, 2021, the Organization reported cash held on behalf of these entities of \$47,463 as an asset and as a corresponding liability. As of March 31, 2020, the Organization reported cash held on behalf of these entities of \$42,830 as an asset and as a corresponding liability.

11. 403(b) RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan. The Organization contributed \$12,319 and \$10,656 to the plan during the years ended March 31, 2021 and 2020, 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, 2021 and 2020

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.

14. SUBSEQUENT EVENTS

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit subject to certain criteria. In February 2022, the Organization filed for refunds of the employee retention credits of up to approximately \$459,000. No funds have been received under this program to date, and the Organization cannot reasonably estimate when it will receive any or all of the refunds.