

AGLOW INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

AGLOW INTERNATIONAL
Years Ended March 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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
March 17, 2021

AGLOW INTERNATIONAL
Statements of Financial Position
March 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 236,198	312,759
Short term investments	201,497	209,890
Accounts receivable	231	2,372
Inventories, net	45,428	35,213
Regional funds held for affiliates	42,830	34,905
Prepaid expenses and other current assets	5,702	6,165
Total current assets	531,886	601,304
Property and equipment:		
Furniture and equipment	251,751	244,021
Leasehold improvements	32,187	32,187
	283,938	276,208
Less accumulated depreciation and amortization	(265,020)	(255,760)
Property and equipment, net	18,918	20,448
Other assets:		
Long-term investments	70,623	-
Other assets	25,317	25,317
Total other assets	95,940	25,317
Total assets	\$ 646,744	647,069
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 37,889	23,749
Accrued expenses	105,097	100,854
Deferred revenues	13,474	234,345
Regional funds held for affiliates	42,830	34,905
Total current liabilities	199,290	393,853
Deferred lease incentive	2,500	4,500
Total liabilities	201,790	398,353
Net assets:		
Without donor restrictions	410,298	231,680
With donor restrictions	34,656	17,036
Total net assets	444,954	248,716
Total liabilities and net assets	\$ 646,744	647,069

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	\$ 1,915,443	75,477	1,990,920
Conference registration	408,047	-	408,047
Other income, net of cost of goods sold	188,015	-	188,015
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 Activities
Year ended March 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 2,070,012	84,538	2,154,550
Conference registration	459,661	-	459,661
Other income, net	212,511	-	212,511
Net assets released from restrictions	84,306	(84,306)	-
Total support and revenue	2,826,490	232	2,826,722
Expenses:			
Program services:			
International fellowships	151,059	-	151,059
United States fellowships	441,268	-	441,268
Ministry focus areas	576,912	-	576,912
Conferences	585,584	-	585,584
Creative services	317,248	-	317,248
Total program services	2,072,071	-	2,072,071
Supporting services:			
Management and general	698,456	-	698,456
Fund raising	102,951	-	102,951
Total supporting services	801,407	-	801,407
Total expenses	2,873,478	-	2,873,478
Change in net assets	(46,988)	232	(46,756)
Net assets at beginning of year	278,668	16,804	295,472
Net assets at end of year	\$ 231,680	17,036	248,716

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
Communications	-	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
Statement of Functional Expenses
Year ended March 31, 2019

	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	\$ 90,693	164,417	313,423	121,014	248,861	938,408	504,250	69,051	573,301	1,511,709
Occupancy	28,446	28,446	37,927	18,964	37,927	151,710	73,856	9,482	83,338	235,048
Operational:										
Travel and transportation	13,795	140,287	108,946	877	-	263,905	-	14,317	14,317	278,222
Printing, postage, supplies	2,089	6,288	7,652	1,238	2,991	20,258	4,847	-	4,847	25,105
Telephone and utilities	-	4,622	3,382	-	-	8,004	8,187	-	8,187	16,191
Insurance	-	14,170	-	14,170	-	28,340	31,560	-	31,560	59,900
Contracted services	-	-	5,766	-	15,861	21,627	34,630	-	34,630	56,257
State and property taxes	-	-	-	-	-	-	1,324	-	1,324	1,324
Interest	-	-	-	-	-	-	755	-	755	755
Promotion and marketing	-	-	-	8,346	5,000	13,346	-	6,901	6,901	20,247
Professional services	-	-	-	-	-	-	11,794	-	11,794	11,794
Miscellaneous	1,047	17,617	17,306	1,134	82	37,186	23,138	2,869	26,007	63,193
Total operational	<u>16,931</u>	<u>182,984</u>	<u>143,052</u>	<u>25,765</u>	<u>23,934</u>	<u>392,666</u>	<u>116,235</u>	<u>24,087</u>	<u>140,322</u>	<u>532,988</u>
Ministry:										
Conference costs	529	7,574	31,700	419,841	6,196	465,840	-	-	-	465,840
Translation	3,591	-	1,800	-	330	5,721	-	-	-	5,721
Donations to others	350	49,647	47,202	-	-	97,199	4,115	331	4,446	101,645
Working funds	10,519	8,200	1,808	-	-	20,527	-	-	-	20,527
Total ministry	<u>14,989</u>	<u>65,421</u>	<u>82,510</u>	<u>419,841</u>	<u>6,526</u>	<u>589,287</u>	<u>4,115</u>	<u>331</u>	<u>4,446</u>	<u>593,733</u>
Total expenses	<u>151,059</u>	<u>441,268</u>	<u>576,912</u>	<u>585,584</u>	<u>317,248</u>	<u>2,072,071</u>	<u>698,456</u>	<u>102,951</u>	<u>801,407</u>	<u>2,873,478</u>
Cost of goods sold	-	-	-	-	62,148	62,148	-	-	-	62,148
Total functional expenses	<u>\$ 151,059</u>	<u>441,268</u>	<u>576,912</u>	<u>585,584</u>	<u>379,396</u>	<u>2,134,219</u>	<u>698,456</u>	<u>102,951</u>	<u>801,407</u>	<u>2,935,626</u>

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

AGLOW INTERNATIONAL
Statements of Cash Flows
Years ended March 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 196,238	(46,756)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	9,260	9,112
Unrealized (gain)/loss on investment	(11,298)	(757)
(Increase) decrease in assets:		
Accounts receivable	2,141	(364)
Inventories	(10,215)	2,820
Prepaid expenses and other current assets	463	1,196
Increase (decrease) in liabilities:		
Accounts payable	14,140	(33,517)
Deferred lease incentive	(2,000)	(2,000)
Accrued expenses and other liabilities	<u>(208,703)</u>	<u>214,406</u>
Total adjustments	<u>(206,212)</u>	<u>190,896</u>
Net cash provided (used) by operating activities	<u>(9,974)</u>	<u>144,140</u>
Cash flows from investing activities:		
(Purchases) sales of certificates of deposit, net	(61,382)	24,502
(Purchases) sales of available-for-sale securities, net	10,450	2,635
Purchases of property and equipment	<u>(7,730)</u>	<u>(5,168)</u>
Net cash provided (used) by investing activities	<u>(58,662)</u>	<u>21,969</u>
Cash flows from financing activities:		
Borrowing on line of credit	50,000	115,000
Repayments on line of credit	<u>(50,000)</u>	<u>(115,000)</u>
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(68,636)	166,109
Cash, cash equivalents, and restricted cash at beginning of year	<u>347,664</u>	<u>181,555</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 279,028</u>	<u>347,664</u>
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 236,198	312,759
Regional funds held for affiliates	<u>42,830</u>	<u>34,905</u>
Total cash, cash equivalents, and restricted cash on statements of cash flow	<u>\$ 279,028</u>	<u>347,664</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash paid for interest	<u>\$ 157</u>	<u>755</u>

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

AGLOW INTERNATIONAL
Notes to Financial Statements
Years ended March 31, 2020 and 2019

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.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2020 and 2019

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. 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, 2020 and 2019 was \$9,260 and \$9,112, 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. The Organization received donated rents related to their office building lease in the amount of \$4,558 and \$0 during the years ended March 31, 2020 and 2019, respectively. No other 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.

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 \$99,115 and \$179,409 of gross sales revenue, and \$34,541 and \$62,148 in costs of goods sold, for the years ended March 31, 2020 and 2019.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2020 and 2019

1. MINISTRY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2020 and 2019, 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.

New Accounting Pronouncements

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The change in accounting principle was adopted on a modified prospective basis during the fiscal year ended March 31, 2020. Accordingly, there was no cumulative effect adjustment to the opening net assets without donor restrictions or opening net assets with donor restrictions as of April 1, 2019. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash*. The update clarifies the presentation of restricted cash in the statement of cash flows. A key change required by ASU 2016-18 is that restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. As a result, transfers between cash and restricted cash are not presented as a separate line item in the operating, investing, or financing sections of the cash flow statement. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2020 and 2019

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, 2020 and 2019.

The Organization recognizes income tax related interest and penalties in operational expenses. During the years ended March 31, 2020 and 2019, the Organization recognized no income tax interest or penalties.

Date of Management's Review

Subsequent events have been evaluated through March 17, 2021, 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 and money market funds, which may subject it to market risk.

During the years ended March 31, 2020 and 2019, the Organization received contributions totaling \$420,000 in each year (16% and 15% 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, 2020 and 2019

3. LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 236,198	312,759
Investments	272,120	209,890
Accounts receivable	231	2,372
Regional funds held for others	<u>42,830</u>	<u>34,905</u>
Total	551,379	559,926
Less amounts not available for general expenditures within one year:		
Liquid net assets held for others	(42,830)	(34,905)
Liquid net assets with donor restrictions	(34,656)	(17,036)
Investments with liquidity horizons greater than one year	<u>(70,623)</u>	<u>-</u>
Financial assets available for general expenditures within one year	<u>\$ 403,270</u>	<u>507,985</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 \$200,992 as of March 31, 2020, 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, 2020 and 2019

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, 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.

Investments as of March 31, 2020 and 2019 were comprised of:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 2,591	2,032
Certificates of deposit - short-term	130,369	128,312
Certificates of deposit - long-term	70,623	-
Equities	41,744	10,876
Fixed income	19,985	8,765
Exchange traded funds and other	6,808	59,905
	<u>\$ 272,120</u>	<u>209,890</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the fiscal years ended March 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net unrealized gain (loss)	\$ (11,298)	757
Net realized gain (loss)	(534)	(4,425)
Interest and dividends income	5,429	4,398
	<u>\$ (6,403)</u>	<u>730</u>

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
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5. OPERATING LEASES

In December 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 \$2,500 and \$4,500 was recorded as deferred lease incentive at March 31, 2020 and 2019, respectively. During the years ended March 31, 2020 and 2019, lease incentive amortization of \$2,000 and \$2,000 was recorded to reduce occupancy expense, respectively.

Rent expense was \$209,247 and \$209,246, including in-kind rent expense of \$0 and \$4,558, for the years ended March 31, 2020 and 2019, respectively.

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

2021	\$ 222,087
2022	37,841
Thereafter	-
	<u>\$ 259,928</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 November 25, 2020. Interest is payable monthly at an interest rate of 3.15% per year. As of March 31, 2020 and 2019, there was \$0 and \$0 outstanding on the line of credit. Interest expense on the line of credit for the years ended March 31, 2020 and 2019 was \$157 and \$755, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Donor-restricted net assets for specified purpose:		
Aglow initiatives	\$ 32,766	11,107
Disaster relief	909	4,444
Other	981	1,485
	<u>\$ 34,656</u>	<u>17,036</u>

8. 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, 2020 and 2019, one Aglow International employee donated \$63,290 and \$73,607, respectively, to be used for general operations.

These notes are an integral part of the financial statements.

AGLOW INTERNATIONAL
Notes to Financial Statements, continued
Years ended March 31, 2020 and 2019

9. 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, 2020, the Organization reported cash held on behalf of these entities of \$42,830 as an asset and as a corresponding liability. As of March 31, 2019, the Organization reported cash held on behalf of these entities of \$34,905 as an asset and as a corresponding liability.

10. 403(b) RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan. The Organization contributed \$10,656 and \$10,358 to the plan during the years ended March 31, 2020 and 2019, respectively.

11. 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.

12. 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. Changes to the operating environment may increase operating costs and change revenue sources. Additional impacts may include the cancellation of future events and activities, including fundraising events. The future effects of these issues are unknown.

13. SUBSEQUENT EVENTS

In May 2020, the Organization received a forgivable loan for \$274,187 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The loan is unsecured and includes interest at 1.0%. Monthly principal and interest payments are due beginning August 2021 and loan matures in February 2023. However, the Organization expects the entire amount of the loan will be forgivable under the terms of the loan agreement.

In September 2020, the Organization entered into an amended operating lease agreement for office space which begins June 1, 2021 and expires May 31, 2024. Under the terms of the amended lease agreement rents will be \$18,900 per month for the duration of the lease term.