

**ALPHA USA**  
*Naperville, Illinois*

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**(See independent auditors' report)**

**ALPHA USA**  
*Naperville, Illinois*

**FINANCIAL STATEMENTS**  
*December 31, 2020 and 2019*

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Alpha USA  
Naperville, Illinois

We have audited the accompanying financial statements of Alpha USA (a nonprofit organization), which comprise the statements of financial position as of December 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 audits 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 Alpha USA as of December 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.

## Report on Summarized Comparative Information

We have previously audited Alpha USA's 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated May 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mowery & Schoenfeld LLC*

Mowery & Schoenfeld, LLC

Lincolnshire, Illinois

July 8, 2021

**ALPHA USA**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2020 AND 2019**

<b><u>ASSETS</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,064,837	\$ 1,698,178
Accounts receivable	11,358	79,547
Unconditional promises to give (Note 5)	157,287	202,384
Prepaid expenses	56,029	94,218
Total current assets	<u>3,289,511</u>	<u>2,074,327</u>
<b>PROPERTY AND EQUIPMENT, net (Note 6)</b>	5,472	10,591
<b>OTHER ASSETS</b>		
Long-term unconditional promises to give (Note 5)	-	23,236
Total other assets	<u>-</u>	<u>23,236</u>
	<u>\$ 3,294,983</u>	<u>\$ 2,108,154</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 99,504	\$ 83,173
Pass-through contributions payable (Note 11)	15,064	11,020
Accrued wages and related expenses	83,549	196,691
Accrued expenses	10,591	18,622
Deferred revenue	60,331	150,481
Total current liabilities	<u>269,039</u>	<u>459,987</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,025,944	1,624,931
With donor restrictions	-	23,236
Total net assets	<u>3,025,944</u>	<u>1,648,167</u>
	<u>\$ 3,294,983</u>	<u>\$ 2,108,154</u>

See accompanying notes to financial statements.

ALPHA USA

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Unrestricted revenue and public support		
Sale of publications and royalties	\$ 114,102	\$ 169,764
Less cost of publications sold (Note 11)	17,948	33,908
Gross profit from the sale of publications	96,154	135,856
Conference registrations	192,796	166,423
Regional leadership teams	1,574,034	1,103,022
Alpha in prisons	466,719	168,929
Other specialty ministries	521,693	384,757
Contributions and fundraising	3,251,588	3,358,163
Pass-through to international affiliates (Note 11)	5,011,981	3,141,139
Paycheck Protection Program proceeds (Note 15)	691,177	-
Other income	1,862	9,153
Total unrestricted revenue and public support	<u>11,808,004</u>	<u>8,467,442</u>
Net assets released from restrictions		
Restrictions satisfied by payments	<u>23,236</u>	<u>22,129</u>
Total unrestricted revenue and public support	<u>11,831,240</u>	<u>8,489,571</u>
<b>EXPENSES</b>		
Program service expenses		
Publishing and marketing	347,074	354,124
Conferences	227,534	199,708
Regional leadership teams	2,338,932	2,250,182
Alpha in prisons	474,918	496,995
Other specialty ministries	808,137	919,730
Total program service expenses	<u>4,196,595</u>	<u>4,220,739</u>
General and administrative	296,066	315,405
Fundraising	925,585	627,519
Subtotal functional expenses	<u>5,418,246</u>	<u>5,163,663</u>
Pass-through contributions to international affiliates (Note 11)	5,011,981	3,141,139
Total expenses	<u>10,430,227</u>	<u>8,304,802</u>
Change in net assets without donor restrictions	<u>1,401,013</u>	<u>184,769</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Net assets released from donor restrictions	<u>(23,236)</u>	<u>(22,129)</u>
Change in net assets with donor restrictions	<u>(23,236)</u>	<u>(22,129)</u>
Change in net assets	1,377,777	162,640
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,648,167</u>	<u>1,485,527</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,025,944</u>	<u>\$ 1,648,167</u>

See accompanying notes to financial statements.

**ALPHA USA**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

With Summarized Financial Information for the Year Ended December 31, 2019

	<u>Program Services</u>					<u>Support Services</u>		<u>Pass Through Contributions</u>	<u>2020 Total</u>	<u>2019 Total</u>
	<u>Publishing and Marketing</u>	<u>Conferences</u>	<u>Regional Leadership Teams</u>	<u>Alpha in Prisons</u>	<u>Other Specialty Ministries</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>			
Payroll	\$ 263,897	\$ 32,814	\$ 2,068,776	\$ 421,798	\$ 681,201	\$ 244,077	\$ 415,349	\$ -	\$ 4,127,912	\$ 3,654,468
Occupancy	5,390	897	23,535	4,640	9,433	6,682	6,100	-	56,677	83,796
Telephone	1,696	341	11,785	2,047	5,085	1,755	1,965	-	24,674	23,952
Office	2,336	8,662	29,264	3,001	6,050	3,267	4,861	-	57,441	64,974
Insurance	397	66	1,656	331	696	493	1,726	-	5,365	9,313
Postage	998	472	4,227	1,223	486	263	4,562	-	12,231	13,540
Professional fees	9,678	1,613	40,324	8,065	16,936	11,998	10,481	-	99,095	57,308
Bank charges	243	51	1,052	203	435	301	4,363	-	6,648	6,084
Credit card fees	97	7	201	36	76	54	23,368	-	23,839	24,028
Travel and entertainment	7,353	61,465	47,058	17,381	21,889	9,067	18,842	-	183,055	524,539
Cost of publications sold	14,825	-	-	-	-	-	-	-	14,825	33,908
Training	153	25	636	127	267	188	173	-	1,569	-
Outside services	16,313	17,826	20,700	2,733	6,671	3,441	404,793	-	472,477	355,388
Printings	13,843	2,363	5,470	510	651	432	3,208	-	26,477	47,781
Advertising and marketing	16,018	24,644	22,282	4,140	43,089	6,159	13,123	-	129,455	66,180
Conferences	2,695	75,613	37,579	1,989	7,140	2,872	3,404	-	131,292	151,409
Website	2,184	351	12,264	1,769	4,586	2,613	4,503	-	28,270	25,920
Promotion	1,545	1	3,743	3,312	6	4	49	-	8,660	22,085
Other	1,740	240	6,308	1,198	2,569	1,783	4,152	-	17,990	23,446
Depreciation and amortization	498	83	2,072	415	871	617	563	-	5,119	6,152
Donations (Program and Support)	-	-	-	-	-	-	-	-	-	3,300
<b>Total Program and Support Services</b>	<b>361,899</b>	<b>227,534</b>	<b>2,338,932</b>	<b>474,918</b>	<b>808,137</b>	<b>296,066</b>	<b>925,585</b>	<b>-</b>	<b>5,433,071</b>	<b>5,197,571</b>
Donations (Pass Through)	-	-	-	-	-	-	-	5,011,981	5,011,981	3,141,139
<b>Total expenses by function</b>	<b>361,899</b>	<b>227,534</b>	<b>2,338,932</b>	<b>474,918</b>	<b>808,137</b>	<b>296,066</b>	<b>925,585</b>	<b>5,011,981</b>	<b>10,445,052</b>	<b>8,338,710</b>
Less expenses included with revenues on the statement of activities										
Cost of publications sold	(14,825)	-	-	-	-	-	-	-	(14,825)	(33,908)
<b>Total expenses - 2020</b>	<b>\$ 347,074</b>	<b>\$ 227,534</b>	<b>\$ 2,338,932</b>	<b>\$ 474,918</b>	<b>\$ 808,137</b>	<b>\$ 296,066</b>	<b>\$ 925,585</b>	<b>\$ 5,011,981</b>	<b>\$ 10,430,227</b>	<b>\$ 8,304,802</b>
<b>Total expenses - 2019</b>	<b>\$ 354,124</b>	<b>\$ 199,708</b>	<b>\$ 2,250,182</b>	<b>\$ 496,995</b>	<b>\$ 919,730</b>	<b>\$ 315,405</b>	<b>\$ 627,519</b>	<b>\$ 3,141,139</b>	<b>\$ 8,304,802</b>	

See accompanying notes to financial statements.

**ALPHA USA**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

With Summarized Financial Information for the Year Ended December 31, 2018

	Program Services					Support Services		Pass Through Contributions	2019 Total	2018 Total
	Publishing and Marketing	Conferences	Regional Leadership Teams	Alpha in Prisons	Other Specialty Ministries	General and Administrative	Fund-Raising			
Payroll	\$ 241,093	\$ 30,326	\$ 1,761,756	\$ 380,077	\$ 707,948	\$ 225,571	\$ 307,697	\$ -	\$ 3,654,468	\$3,145,020
Occupancy	8,011	1,335	34,051	6,676	14,726	9,931	9,066	-	83,796	79,191
Telephone	1,404	234	11,554	2,075	5,057	1,740	1,888	-	23,952	21,925
Office	4,721	3,774	26,496	8,286	8,368	4,881	8,448	-	64,974	45,089
Insurance	905	151	3,772	754	1,584	1,123	1,024	-	9,313	9,578
Postage	1,023	706	4,775	2,720	3,205	473	638	-	13,540	10,543
Professional fees	5,551	925	23,130	4,626	9,714	6,882	6,480	-	57,308	31,107
Bank charges	411	37	947	186	390	277	3,836	-	6,084	5,798
Credit card fees	2,618	9	358	47	101	71	20,824	-	24,028	22,833
Travel and entertainment	27,712	63,937	183,228	62,624	93,560	31,902	61,576	-	524,539	382,545
Cost of publications sold	33,908	-	-	-	-	-	-	-	33,908	27,036
Training	-	-	-	-	-	-	-	-	-	5,932
Outside services	27,431	5,372	71,321	13,244	29,929	19,130	188,961	-	355,388	428,367
Printings	18,729	9,159	10,085	1,875	3,005	1,593	3,335	-	47,781	47,766
Advertising and marketing	1,411	39,730	9,714	1,060	11,640	1,576	1,049	-	66,180	56,011
Conferences	3,913	43,196	73,952	4,570	13,919	4,302	7,557	-	151,409	191,277
Unfulfilled promises to give	-	-	-	-	-	-	-	-	-	(708)
Website	2,801	383	10,687	1,970	4,682	2,729	2,668	-	25,920	21,893
Promotion	4,287	91	10,805	4,230	1,182	675	815	-	22,085	22,488
Other	1,213	194	9,845	1,234	8,864	1,446	650	-	23,446	10,426
Depreciation and amortization	598	100	2,491	498	1,046	741	678	-	6,152	15,406
Donations (Program and Support)	292	49	1,215	243	810	362	329	-	3,300	1,696
<b>Total Program and Support Services</b>	<b>388,032</b>	<b>199,708</b>	<b>2,250,182</b>	<b>496,995</b>	<b>919,730</b>	<b>315,405</b>	<b>627,519</b>	<b>-</b>	<b>5,197,571</b>	<b>4,581,219</b>
Donations (Pass Through)	-	-	-	-	-	-	-	3,141,139	3,141,139	3,988,125
<b>Total expenses by function</b>	<b>388,032</b>	<b>199,708</b>	<b>2,250,182</b>	<b>496,995</b>	<b>919,730</b>	<b>315,405</b>	<b>627,519</b>	<b>3,141,139</b>	<b>8,338,710</b>	<b>8,569,344</b>
Less expenses included with revenues on the statement of activities										
Cost of publications sold	(33,908)	-	-	-	-	-	-	-	(33,908)	(27,036)
<b>Total expenses - 2019</b>	<b>\$ 354,124</b>	<b>\$ 199,708</b>	<b>\$ 2,250,182</b>	<b>\$ 496,995</b>	<b>\$ 919,730</b>	<b>\$ 315,405</b>	<b>\$ 627,519</b>	<b>\$ 3,141,139</b>	<b>\$ 8,304,802</b>	<b>\$ 8,542,308</b>
<b>Total expenses - 2018</b>	<b>\$ 432,806</b>	<b>\$ 158,677</b>	<b>\$ 2,054,099</b>	<b>\$ 497,044</b>	<b>\$ 860,137</b>	<b>\$ 113,132</b>	<b>\$ 438,288</b>	<b>\$ 3,988,125</b>	<b>\$ 8,542,308</b>	

See accompanying notes to financial statements.



**ALPHA USA**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,377,777	\$ 162,640
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,119	6,152
Changes in operating assets and liabilities:		
Accounts receivable	68,189	(66,149)
Unconditional promises to give	68,333	94,192
Prepaid expenses	38,189	(28,825)
Accounts payable	16,331	66,252
Pass-through contributions payable	4,044	(67,980)
Accrued expenses	(121,173)	78,489
Deferred revenue	(90,150)	77,486
Net cash provided by operating activities	<u>1,366,659</u>	<u>322,257</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(2,785)
Proceeds on sale of property and equipment	-	1,145
Net cash used in investing activities	<u>-</u>	<u>(1,640)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,366,659	320,617
Cash and cash equivalents, beginning of year	<u>1,698,178</u>	<u>1,377,561</u>
Cash and cash equivalents, end of year	<u>\$ 3,064,837</u>	<u>\$ 1,698,178</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the year for interest	\$	-	\$	139
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See accompanying notes to financial statements.

## ALPHA USA

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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#### **NOTE 1 – ORGANIZATION AND PURPOSE**

Alpha USA (“the Organization”) is a nonprofit corporation instituted under the laws of the State of New York. The Organization has established regional branches in various locations throughout the United States, with its management, general, and administrative operations centralized in Chicago.

The Organization’s mission is to provide a practical introduction to the Christian faith. The Organization offers courses at churches, schools, and prisons as a means of reaching out to individuals and helping them explore the relevance of the Christian faith in their daily lives.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Accounting**

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

##### **Basis of Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions—Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Contributions are recorded as revenue when an unconditional promise to give has been made. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

##### **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 may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Cash and Cash Equivalents**

The Organization presents its cash flows using the indirect method. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**ALPHA USA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Receivables and Credit Policies**

Accounts receivable are uncollateralized customer obligations due under normal trade terms typically requiring payment within 30 days from the invoice date and are stated at the amount billed to the customer. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Customer account balances with invoices dated past normal terms are considered delinquent. The Organization does not assess interest or finance charges on accounts which become past due.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that may not be collected. Management reviews all accounts receivable balances that become past due and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that may not be collected. As of December 31, 2020 and 2019, there was no allowance for doubtful accounts.

**Unconditional Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2020 and 2019, there was no allowance for uncollectable promises to give.

**Property and Equipment**

Property and equipment are recorded at cost, and contributed property and equipment are recorded at their estimated fair market value on the date of donation. Property and equipment are depreciated for financial reporting purposes using the straight-line method over estimated useful lives of five to seven years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for normal maintenance and repairs are charged to expense as incurred.

**Adoption of New Accounting Standards**

Effective January 1, 2019, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606"), according to which revenue from exchange transactions is recognized when performance obligations under the terms of the contract with each customer are satisfied. Prior to the adoption of ASC 606, the Organization recognized revenue from exchange transactions when persuasive evidence of an arrangement existed, services had been rendered, the fee was fixed or determinable, and collectability was reasonably assured.

***Adoption of Accounting Guidance for Revenue from Contracts with Customers***

The Organization has analyzed the provisions of ASC 606 and concluded that no changes are necessary to conform with the new standard, except for the adoption of specific elections detailed below and elsewhere in these notes. Please refer to Note 4 for a more detailed description of revenue policies and procedures from exchange transactions. The Organization utilized the modified retrospective method of adoption and made the following elections regarding practical expedients in connection with the transition to ASC 606:

**ALPHA USA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Adoption of New Accounting Standards (continued)**

*Adoption of Accounting Guidance for Revenue from Contracts with Customers (continued)*

- The Organization has made the election that taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, and that are collected by the Organization from a customer, are excluded from revenue.
- The Organization chose to apply the new standard only to contracts that were not completed contracts as of January 1, 2019 (the date of initial application). Completed contracts are those for which all or substantially all the revenue was recognized in accordance with the prior guidance.

Effective January 1, 2019, the Organization adopted FASB's Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard requires an entity to determine whether a transaction is a contribution or exchange transaction. In addition, once a transaction is deemed to be a contribution, the entity must determine if the contribution is conditional, which affects the timing of the revenue recognized. The adoption of this standard was under the modified prospective method and did not have a material effect on the result of operations for the year ended December 31, 2020.

**Impairment of Long-Lived Assets**

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairment losses recognized for the years ended December 31, 2020 and 2019.

**Advertising Costs**

Non-direct response advertising costs are expensed as incurred and totaled \$129,455 and \$66,180 for the years ended December 31, 2020 and 2019, respectively.

**Functional Expenses**

The costs of providing programs have been summarized on a functional basis in the statement of activities. Expenses are charged to program or supporting services based upon specific identification and allocation estimates. Indirect payroll and operational expenses have been allocated based on direct salary expenditures to various programs.

**Income Taxes**

The Organization received notification that it qualifies as a tax-exempt organization under section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, is not subject to federal or state income tax. There was no unrelated business income for the years ended December 31, 2020 and 2019. Accordingly, no provision for income tax has been included in the accompanying financial statements.

**ALPHA USA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Subsequent Events**

Events that occurred subsequent to December 31, 2020, have been evaluated by management through July 8, 2021, the date the financial statements were available to be issued.

**NOTE 3 – FUTURE CHANGES IN ACCOUNTING PRINCIPALS**

**Accounting for Leases**

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term, similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard is effective for annual periods beginning after December 15, 2021. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

**NOTE 4 – REVENUE RECOGNITION – EXCHANGE TRANSACTIONS**

In accordance with the revenue recognition requirements issued by the FASB, revenue from exchange transactions is measured based on consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. The Organization recognizes revenue from exchange transactions when it satisfies a performance obligation by transferring control over a product or service to a customer.

**Overview of Economic Factors and Their Effects**

Various economic factors may affect the nature, amount, timing, and uncertainty of revenues and cash flows. Examples of such factors include changes in regulations affecting the Organization or its customer base, recent events, or changes in general market conditions.

**Performance Obligations**

*Publication Sales*

For performance obligations related to the sales of publications, control transfers to the customer at a point in time. The Organization receives publication revenue, net of any costs, directly from a third-party, upon sale of the publications.

*Royalty Revenue*

For performance obligations related to royalties, control transfers to the customer at a point in time. The Organization receives royalties in propriety products sold by a third party. Royalties are considered earned when these products are sold and shipped. Royalty payments are received two months after each quarter end.

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**NOTE 4 – REVENUE RECOGNITION – EXCHANGE TRANSACTIONS (continued)**

**Performance Obligations (continued)**

*Conference Revenue*

For performance obligations related to conferences, control transfers to the customer over time. The Organization receives registration fees prior to their annual conference and recognizes the revenue over the period of time the conferences are held.

**Disaggregation of Revenue**

Revenue from performance obligations satisfied at a point in time consists of sales of publications and royalty revenue. Sales of publications are sold directly to consumer via a third-party. Royalty is collected through a third-party based on a percentage of sold publications. Revenue from performance obligations satisfied over time consists of conference registrations.

The following table shows revenue disaggregated by the timing of the satisfaction of performance obligations for the year ended December 31:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied at a point in time	\$ 114,102	\$ 169,764
Performance obligations satisfied over time	192,796	166,423
	<u>\$ 306,898</u>	<u>\$ 336,187</u>

**Significant Management Judgements**

In determining the amounts and timing of revenue to be recognized in the financial statements, management makes certain initial judgments when either party to a contract commences performance of its contractual obligations. These initial estimates are subject to reevaluation whenever management issues financial statements for subsequent interim and annual periods.

**Contract Balances**

Contract balances include accounts receivables and deferred revenue. Amounts are invoiced as control transfers to the customer and in accordance with agreed-upon contractual terms.

Contract balances were as follows at:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Receivables	\$ 11,358	\$ 79,547	\$ 13,398
Deferred revenue	60,331	150,481	72,995

No impairment losses were incurred from contracts with customers for the years ended December 31, 2020 and 2019.

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**NOTE 5 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give represent pledged contributions made by donors to support local offices, specialty ministries, and general operations. Designation of funds related to unconditional promises to give are comprised of the following at December 31, 2020:

	<b><u>Due in one year</u></b>
Regional leadership teams	\$ 25,000
General operations	132,287
Pledges receivable – 12/31/2020	<b><u>\$ 157,287</u></b>
Pledges receivable, net – 12/31/2019	<b><u>\$ 202,384</u></b>

During 2020 and 2019, the Organization focused on recurring annual donations from supporters rather than larger multi-year subscriptions.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment is stated at cost and is comprised of the following at December 31:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Computer equipment	\$ 31,499	\$ 31,499
Computer software	25,999	25,999
Furniture and fixtures	641	641
	<u>58,139</u>	<u>58,139</u>
Less accumulated depreciation	52,667	47,548
	<b><u>\$ 5,472</u></b>	<b><u>\$ 10,591</u></b>

Depreciation expense totaled \$5,119 and \$6,152 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 7 – LINE OF CREDIT**

The Organization has a \$500,000 line of credit facility with International Bank that matures on October 16, 2021. No borrowings were outstanding at December 31, 2020 and 2019. Interest is charged at the prime rate (3.25% at December 31, 2020) plus 1% and is payable monthly. The line of credit is secured by substantially all assets of the Organization.

**NOTE 8 – EMPLOYEE BENEFIT PLANS**

The Organization sponsors a 401(k) plan with an employer matching option, not to exceed 5% of gross compensation. This plan is qualified under Section 401(a) of the Internal Revenue Code and covers all employees who have met the plan participation requirements. Contributions to the plan totaled \$109,955 and \$96,385 in December 31, 2020 and 2019, respectively.

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**NOTE 9 – LEASE COMMITMENTS**

The Organization leases office facilities on short term and month-to-month bases and office equipment under non-cancelable operating lease agreements that expire through October 2021. Rent expense related to these operating leases totaled \$56,677 and \$79,083 in December 31, 2020 and 2019, respectively.

Minimum future rentals payable under non-cancelable operating leases, subsequent to December 31, 2020, total \$21,186.

**NOTE 10 – CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 11 – RELATED-PARTY TRANSACTIONS**

The Organization has a joint ministry agreement with Alpha Canada whereby the two entities pool resources to more effectively and economically carry on their common activities. The agreement allows Alpha Canada to appoint an *ex officio* member on the Organization's Board of Directors to represent its interest. This representative is also a member of the Joint Committee, created by the joint agreement to manage the joint activity of the Organization and Alpha Canada. The agreement requires that an audit report of the Organization, performed by an independent certified public accountant, be submitted to the Joint Committee annually.

Alpha International is the international licensor to the Organization. The Organization has a royalty agreement with Alpha International for Alpha publications created and copyrighted by Alpha International. The Organization pays a royalty fee to Alpha International on all publication sales that are copyrighted by Alpha International. Royalty expense totaled \$17,948 and \$32,621 as a result of this agreement for the years ended December 31, 2020 and 2019, respectively, and is included in cost of publications sold.

Royalty fees owed to Alpha International were \$4,024 and \$6,299 as of December 31, 2020 and 2019, respectively and are included in accounts payable in the accompanying statement of financial position.

In addition to the licensing agreements described above, the Organization collected \$5,011,981 and \$3,141,139 in contributions for Alpha International and affiliated organizations in 2020 and 2019, respectively, which are accounted for as pass-through revenue and expense items. As of December 31, 2020 and 2019, the Organization had pass-through contributions payable of \$15,064 and \$11,020, respectively.

**NOTE 12 – MAJOR DONORS**

The Organization is dependent upon continued contributions from various board members and other significant donors. Total contributions from board members totaled \$812,800 and \$950,355 for the years ended December 31, 2020 and 2019, respectively, and are included in the Statement of Activities as contributions and fundraising.



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**NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization’s financial assets as of December 31, reduced by amounts not available for general use within one year of December 31 because of contractual or donor-imposed restrictions.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,064,837	\$ 1,698,178
Accounts receivable, net	11,358	79,547
Unconditional promises to give, net	<u>157,287</u>	<u>225,620</u>
Total financial assets	3,233,482	2,003,345
Net assets with donor restrictions	<u>-</u>	<u>(23,236)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,233,482</u>	<u>\$ 1,980,109</u>

As part of the Organization’s liquidity management, it invests cash in excess of daily requirements in short-term, interest-bearing investments. In addition, a line of credit of \$500,000 with International Bank (Note 7) is maintained, which can be drawn upon as needed during the year to manage cash flow needs.

**NOTE 14 – EFFECTS OF THE COVID-19 PANDEMIC**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, substantial upheaval and an assortment of economic ramifications have arisen, both locally and globally. Different levels of government have responded with a range of measures, including event shutdowns, church closures, and capacity restrictions. Circumstances continue to evolve as the pandemic begins to reside and the economy begins to reopen.

The extent to which this unfolding situation may affect governmental measures, business activity, results of operations, and various types of financial reporting in 2021 and beyond will depend on future developments, which are highly uncertain and cannot be predicted reliably at this time.

As described more fully in Note 15, the Organization was able to procure a Paycheck Protection Program Loan that provided funding during this uncertain time.

**NOTE 15 – PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020, the Organization applied for and was approved for a loan pursuant to the Paycheck Protection Program (“PPP”), administered by the U.S. Small Business Administration. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The principal amount of the loan was \$691,977, and there were no collateral or guarantee requirements. Under the terms of the PPP, repayments would be deferred for six months, which was later extended to either the date the SBA remits the borrower’s loan forgiveness amount to the lender or – if the borrower does not apply for loan forgiveness – ten months after the end of the borrower’s loan forgiveness period; the loans would bear interest at 1% and would have a two-year maturity. Subject to certain eligibility and certification requirements, some or all of the loan amounts would be eligible for forgiveness.

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**NOTE 15 – PAYCHECK PROTECTION PROGRAM LOAN (continued)**

The FASB has not issued a specific accounting pronouncement on the treatment of PPP loans. However, after evaluating various methods, management believes that analogizing to the authoritative guidance on conditional contributions for not for profit entities contained in ASC 958-605 appropriately captures the underlying substance of the transactions and is consistent with the Organization’s existing accounting policies, as described in Note 2 of the financial statements. Accordingly, the loan funds were recorded as a conditional grant, designated as a refundable advance on the statement of financial position, when originally received.

In accordance with ASC 958-605, when all barriers (conditions) have been substantially met or explicitly waived so that the related right of refund or release has been satisfied, an entity may recognize the conditional grant as unconditional income. The Company received full forgiveness of the loan from the SBA in November 2020. Therefore, the full amount of the loan is treated as forgiven as of December 31, 2020, represented by a separate component in grant income on the statement of activities. It has been included in operating activities on the statement of cash flows.