

**ALPHA USA**  
*Naperville, Illinois*

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**(See independent auditors' report)**

**ALPHA USA**  
*Naperville, Illinois*

**FINANCIAL STATEMENTS**  
*December 31, 2021 and 2020*

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Alpha USA  
Naperville, Illinois

**Opinion**

We have audited the accompanying financial statements of Alpha USA (“the Organization”), which comprise the statements of financial position as of December 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.

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, 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.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited Alpha USA's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 20, 2020. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2019, 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  
September 3, 2022

**ALPHA USA**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2021 AND 2020**

<b><u>ASSETS</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,556,778	\$ 3,064,837
Accounts receivable	8,329	11,358
Unconditional promises to give (Note 5)	381,975	157,287
Prepaid expenses	93,472	56,029
Total current assets	<u>4,040,554</u>	<u>3,289,511</u>
<b>PROPERTY AND EQUIPMENT, net (Note 6)</b>	8,059	5,472
<b>OTHER ASSETS</b>		
Security Deposits	3,200	-
Total other assets	<u>3,200</u>	<u>-</u>
	<u>\$ 4,051,813</u>	<u>\$ 3,294,983</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 79,184	\$ 99,504
Pass-through contributions payable (Note 11)	78,096	15,064
Accrued wages and related expenses	117,030	83,549
Accrued expenses	48,111	10,591
Deferred revenue	179,177	60,331
Total current liabilities	<u>501,598</u>	<u>269,039</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,550,215	3,025,944
Total net assets	<u>3,550,215</u>	<u>3,025,944</u>
	<u>\$ 4,051,813</u>	<u>\$ 3,294,983</u>

See accompanying notes to financial statements.

**ALPHA USA**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Unrestricted revenue and public support		
Sale of publications and royalties	\$ 60,042	\$ 114,102
Less cost of publications sold (Note 11)	15,798	17,948
Gross profit from the sale of publications	44,244	96,154
Conference registrations	23,522	192,796
Contributions for regional leadership teams	2,360,295	1,574,034
Contributions for Alpha in prisons	378,830	466,719
Contributions for other specialty ministries	661,640	521,693
Contributions and fundraising	3,334,126	3,251,588
Pass-through to international affiliates (Note 11)	3,391,063	5,011,981
Paycheck Protection Program proceeds (Note 15)	-	691,177
Other income	4,925	1,862
Total unrestricted revenue and public support	<u>10,198,645</u>	<u>11,808,004</u>
Net assets released from restrictions		
Restrictions satisfied by payments	-	23,236
Total unrestricted revenue and public support	<u>10,198,645</u>	<u>11,831,240</u>
<b>EXPENSES</b>		
Program service expenses		
Publishing and marketing	435,408	347,074
Conferences	182,244	227,534
Regional leadership teams	2,889,117	2,338,932
Alpha in prisons	555,806	474,918
Other specialty ministries	803,115	808,137
Total program service expenses	4,865,690	4,196,595
General and administrative	419,048	296,066
Fundraising	998,573	925,585
Subtotal functional expenses	6,283,311	5,418,246
Pass-through contributions to international affiliates (Note 11)	3,391,063	5,011,981
Total expenses	<u>9,674,374</u>	<u>10,430,227</u>
Change in net assets without donor restrictions	<u>524,271</u>	<u>1,401,013</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Net assets released from donor restrictions	-	(23,236)
Change in net assets with donor restrictions	-	(23,236)
Change in net assets	524,271	1,377,777
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,025,944</u>	<u>1,648,167</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,550,215</u>	<u>\$ 3,025,944</u>

See accompanying notes to financial statements.

ALPHA USA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

With Summarized Financial Information for the Year Ended December 31, 2020

	Program Services				Support Services			2021 Total	2020 Total	
	Publishing and Marketing	Regional		Alpha in Prisons	Specialty Ministries	General and Administrative	Fund- Raising			Pass Through Contributions
		Conferences	Leadership Teams							
Payroll	\$ 301,596	\$ 17,011	\$ 2,353,473	\$ 444,081	\$ 597,412	\$ 292,007	\$ 634,583	\$ -	\$ 4,127,912	
Occupancy	4,823	804	20,910	4,207	8,439	5,979	7,158	-	56,677	
Telephone	2,237	330	13,002	2,290	4,879	2,352	2,883	-	24,674	
Office	3,565	4,803	21,018	4,346	6,251	4,326	5,155	-	57,441	
Insurance	344	57	1,433	287	602	427	2,176	-	5,365	
Postage	1,171	375	7,512	1,050	1,262	913	3,248	-	12,231	
Professional fees	6,494	-	4,140	5,412	11,364	8,051	7,349	-	99,095	
Bank charges	12	2	51	10	22	15	33,057	-	6,648	
Credit card fees	47	8	300	39	83	59	1,053	-	23,839	
Travel and entertainment	17,236	34,225	113,336	31,756	46,292	21,317	42,061	-	183,055	
Cost of publications sold	15,798	-	-	-	-	-	-	-	14,825	
Training	2,754	459	12,839	2,595	8,177	3,414	5,716	-	1,569	
Outside services	55,169	84,628	234,905	46,007	96,592	67,282	216,677	-	472,477	
Printings	8,491	1,168	6,269	842	641	341	7,099	-	26,477	
Advertising and marketing	3,241	14,177	9,863	1,732	5,237	2,577	5,852	-	129,455	
Events	10,610	20,574	71,893	6,899	10,249	6,026	17,808	-	131,292	
Website	3,038	425	13,455	2,138	4,480	3,159	4,429	-	28,270	
Promotion	13,734	20	2,520	1,675	210	149	611	-	8,660	
Other	573	42	1,059	212	445	317	1,349	-	17,990	
Depreciation and amortization	273	46	1,139	228	478	337	309	-	5,119	
Donations (Program)	-	3,090	-	-	-	-	-	-	3,090	
Total Program and Support Services	451,206	182,244	2,889,117	555,806	803,115	419,048	998,573	-	5,433,071	
Donations (Pass Through)	-	-	-	-	-	-	-	3,391,063	5,011,981	
Total expenses by function	451,206	182,244	2,889,117	555,806	803,115	419,048	998,573	3,391,063	10,445,052	
Less expenses included with revenues on the statement of activities										
Cost of publications sold	(15,798)	-	-	-	-	-	-	-	(14,825)	
Total expenses - 2021	\$ 435,408	\$ 182,244	\$ 2,889,117	\$ 555,806	\$ 803,115	\$ 419,048	\$ 998,573	\$ 3,391,063	\$ 10,430,227	
Total expenses - 2020	\$ 347,074	\$ 227,534	\$ 2,338,932	\$ 474,918	\$ 808,137	\$ 296,066	\$ 925,585	\$ 5,011,981	\$ 10,430,227	

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

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

See accompanying notes to financial statements.



**ALPHA USA**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 524,271	\$ 1,377,777
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,810	5,119
Changes in operating assets and liabilities:		
Accounts receivable	3,029	68,189
Unconditional promises to give	(224,688)	68,333
Prepaid expenses	(37,443)	38,189
Security Deposit	(3,200)	-
Accounts payable	(20,320)	16,331
Pass-through contributions payable	63,032	4,044
Accrued expenses	71,001	(121,173)
Deferred revenue	118,846	(90,150)
Net cash provided by operating activities	<u>497,338</u>	<u>1,366,659</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(5,397)</u>	-
Net cash used in investing activities	<u>(5,397)</u>	-
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	491,941	1,366,659
Cash and cash equivalents, beginning of year	<u>3,064,837</u>	<u>1,698,178</u>
Cash and cash equivalents, end of year	<u>\$ 3,556,778</u>	<u>\$ 3,064,837</u>

See accompanying notes to financial statements.

## ALPHA USA

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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

Alpha USA 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.

##### **Contributions and Financial Statement Preparation**

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, 2021 AND 2020**

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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, 2021 and 2020, 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, 2021 and 2020, 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 or amortized 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.

**Revenue Recognition**

The Organization recognizes revenue when, or as, performance obligations under the terms of the contract with each customer are satisfied. Please refer to Note 4 for a more detailed description of revenue policies and procedures.

The Organization has made the following elections regarding practical expedients in connection with revenue recognition:

**Assessed Taxes**

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.

**ALPHA USA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

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

**Revenue Recognition (continued)**

*Portfolios of Contracts*

The Organization applies the ASC 606 model to portfolios of contracts with similar characteristics when it reasonably expects that the effect(s) on the financial statements will not differ materially from the application of the model to individual contracts within the portfolios.

**Contributions Received and Contributions Made**

The Organization recognizes contributions under the Financial Accounting Standards Board (“FASB”) 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.

**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, 2021 and 2020.

**Advertising Costs**

Non-direct response advertising costs are expensed as incurred and totaled \$42,679 and \$129,455 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020. Accordingly, no provision for income tax has been included in the accompanying financial statements.

**ALPHA USA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

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

**Subsequent Events**

Management has evaluated subsequent events through September 3, 2022, the date on which the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in these financial statements.

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

**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 statement of financial position 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, or as, 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. Changes in regulations, recent events, or general market conditions may adversely affect the Organization's financial statements.

**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.

**ALPHA USA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

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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 years ended December 31:

	<u>2021</u>	<u>2020</u>
Performance obligations satisfied at a point in time	\$ 60,042	\$ 114,102
Performance obligations satisfied over time	23,522	192,796
	<u>\$ 83,564</u>	<u>\$ 306,898</u>

**Significant Management Judgments**

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, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Receivables	\$ 8,329	\$ 11,358	\$ 79,547
Deferred revenue	179,177	60,331	150,481

No impairment losses were incurred from contracts with customers for the years ended December 31, 2021 and 2020.

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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, due in one year, are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Regional leadership teams	\$ 95,340	\$ 25,000
Specialty ministry	48,750	-
General operations	237,885	132,287
Pledges receivable	<u>\$ 381,975</u>	<u>\$ 157,287</u>

The Organization has focused on recurring annual donations from supporters rather than larger multi-year subscriptions as in prior years.

**NOTE 6 – PROPERTY AND EQUIPMENT**

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

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 36,896	\$ 31,499
Computer software	25,999	25,999
Furniture and fixtures	641	641
	<u>63,536</u>	<u>58,139</u>
Less accumulated depreciation and amortization	55,477	52,667
	<u>\$ 8,059</u>	<u>\$ 5,472</u>

Depreciation and amortization expense totaled \$2,810 and \$5,119 for the years ended December 31, 2021 and 2020, respectively.

**NOTE 7 – LINE OF CREDIT**

The Organization has a \$500,000 line of credit facility with International Bank that matures on October 14, 2022. No borrowings were outstanding at December 31, 2021 and 2020. Interest is charged at the prime rate (3.25% at December 31, 2021) 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 \$129,712 and \$109,955 for the years ended December 31, 2021 and 2020, 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 September 2023. Rent expense related to these operating leases totaled \$52,319 and \$56,677 for the years ended December 31, 2021 and 2020, respectively.

Minimum future rentals payable under non-cancelable operating leases, subsequent to December 31, 2021, are as follows:

2022	\$	34,200
2023		16,200
Total	<u>\$</u>	<u>50,400</u>

**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 \$15,798 and \$17,948 as a result of this agreement for the years ended December 31, 2021 and 2020, respectively, and is included in cost of publications sold.

There were no royalty fees owed to Alpha International as of December 31, 2021. Royalty fees owed to Alpha International were \$4,024 as of December 31, 2020, and were included in accounts payable in the accompanying statement of financial position.

In addition to the licensing agreements described above, the Organization collected \$3,391,063 and \$5,011,981 in contributions for Alpha International and affiliated organizations in 2021 and 2020, respectively, which are accounted for as pass-through revenue and expense items. As of December 31, 2021 and 2020, the Organization had pass-through contributions payable of \$78,096 and \$15,064, respectively.

**NOTE 12 – MAJOR DONORS**

The Organization is dependent upon continued contributions from various board members and other significant donors. Contributions from board members totaled \$1,356,490 and \$812,800 for the years ended December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,556,778	\$ 3,064,837
Accounts receivable, net	8,329	11,358
Unconditional promises to give, net	381,975	157,287
Total financial assets	3,947,082	3,233,482
Net assets with donor restrictions	-	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,947,082</u>	<u>\$ 3,233,482</u>

As part of the Organization’s liquidity management, it prepares annual budgets and meets periodically with the Board of Directors to review financial statements to compare to budgeted amounts, 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**

The Organization is subject to risks associated with unforeseen or catastrophic events, including terrorist attacks, natural disasters, and the emergence of a pandemic, which could create economic, financial, and business disruptions. As an example, during 2020, COVID-19 developed rapidly and had an unpredictable adverse impact to the Organization’s results of operations through the report date. Given the uncertainty of COVID-19’s developing circumstances and outcomes, the future impacts are currently not quantifiable and could materially impact the Organization’s operations, liquidity, and its activities.

**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 (“SBA”). The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The principal amount of the loan was \$690,977, 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.

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.

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

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 Organization 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.