

ALPHA USA
Oswego, Illinois

FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(See independent auditors' report)

ALPHA USA
Oswego, Illinois

FINANCIAL STATEMENTS
December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Alpha USA
Oswego, 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, 2022 and 2021, 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, 2022 and 2021, 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 other 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 judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 judgment, 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Report on Summarized Comparative Information

We have previously audited Alpha USA's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 8, 2021. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2020, 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
December 29, 2023

ALPHA USA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,879,930	\$ 3,556,778
Accounts receivable	59,369	8,329
Unconditional promises to give (Note 4)	542,680	381,975
Prepaid expenses	209,977	93,472
Total current assets	<u>3,691,956</u>	<u>4,040,554</u>
PROPERTY AND EQUIPMENT, net (Note 5)	5,607	8,059
OTHER ASSETS		
Security deposits	3,200	3,200
Total other assets	<u>3,200</u>	<u>3,200</u>
	<u><u>\$ 3,700,763</u></u>	<u><u>\$ 4,051,813</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 128,127	\$ 79,184
Pass-through contributions payable (Note 9)	165,279	78,096
Accrued wages and related expenses	134,601	117,030
Accrued expenses	84,695	48,111
Deferred revenue	169,108	179,177
Total current liabilities	<u>681,810</u>	<u>501,598</u>
NET ASSETS		
Without donor restrictions	3,018,953	3,550,215
Total net assets	<u>3,018,953</u>	<u>3,550,215</u>
	<u><u>\$ 3,700,763</u></u>	<u><u>\$ 4,051,813</u></u>

See accompanying notes to financial statements.

ALPHA USA

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Unrestricted revenue and public support		
Sale of publications and royalties	\$ 126,766	\$ 60,042
Less cost of publications sold (Note 9)	<u>25,564</u>	<u>15,798</u>
Gross profit from the sale of publications	101,202	44,244
Conference registrations	238,494	23,522
Contributions for regional leadership teams	2,681,871	2,360,295
Contributions for Alpha in prisons	197,791	378,830
Contributions for other specialty ministries	182,110	661,640
Contributions and fundraising	3,847,496	3,334,126
Pass-through to international affiliates (Note 9)	3,004,913	3,391,063
Other income	<u>4,032</u>	<u>4,925</u>
Total unrestricted revenue and public support	<u>10,257,909</u>	<u>10,198,645</u>
 EXPENSES		
Program service expenses		
Publishing and marketing	508,279	435,408
Conferences	327,653	182,244
Regional leadership teams	3,707,124	2,889,117
Alpha in prisons	610,521	555,806
Other specialty ministries	<u>969,189</u>	<u>803,115</u>
Total program service expenses	6,122,766	4,865,690
General and administrative	482,352	419,048
Fundraising	<u>1,179,140</u>	<u>998,573</u>
Subtotal functional expenses	7,784,258	6,283,311
Pass-through contributions to international affiliates (Note 9)	<u>3,004,913</u>	<u>3,391,063</u>
Total expenses	<u>10,789,171</u>	<u>9,674,374</u>
 Change in net assets	(531,262)	524,271
 NET ASSETS, BEGINNING OF YEAR	<u>3,550,215</u>	<u>3,025,944</u>
 NET ASSETS, END OF YEAR	<u><u>\$ 3,018,953</u></u>	<u><u>\$ 3,550,215</u></u>

See accompanying notes to financial statements.

ALPHA USA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

With Summarized Financial Information for the Year Ended December 31, 2021

	Program Services					Support Services		Pass Through Contributions	2022 Total	2021 Total
	Publishing and Marketing	Conferences	Regional Leadership Teams	Alpha in Prisons	Other Specialty Ministries	General and Administrative	Fund-Raising			
Payroll	\$ 321,304	\$ 100,851	\$ 2,891,661	\$ 468,147	\$ 650,739	\$ 313,991	\$ 754,291	\$ -	\$ 5,500,984	\$ 4,640,163
Occupancy	8,096	(534)	33,732	6,076	21,474	10,036	10,152	-	89,032	52,320
Telephone	1,628	161	9,628	2,157	3,692	1,510	2,564	-	21,340	27,973
Office	4,735	7,013	30,398	5,070	8,298	5,259	6,704	-	67,477	49,464
Insurance	628	105	2,616	523	1,099	778	710	-	6,459	5,326
Postage	2,126	1,556	8,771	1,175	920	588	2,895	-	18,031	15,531
Professional fees	3,387	6,027	13,172	2,634	5,532	3,919	3,578	-	38,249	42,810
Bank charges	331	55	1,473	276	579	410	33,477	-	36,601	33,169
Credit card fees	340	146	213	42	88	62	19,336	-	20,227	1,589
Travel and entertainment	41,636	64,858	281,009	55,847	110,116	50,464	109,738	-	713,668	306,223
Cost of publications sold	25,564	-	-	-	-	-	-	-	25,564	15,798
Training	1,232	205	23,437	2,476	8,236	1,528	10,593	-	47,707	35,954
Outside services	60,568	67,214	260,391	49,774	122,200	72,838	173,000	-	805,985	801,260
Printings	29,282	7,824	11,534	1,080	1,425	998	14,774	-	66,917	24,851
Advertising and marketing	1,311	3,744	6,438	1,093	2,308	1,626	6,683	-	23,203	42,679
Events	16,786	65,741	93,302	6,357	18,292	8,496	17,167	-	226,141	144,059
Website	6,297	2,409	28,070	5,402	11,054	7,786	10,531	-	71,549	31,124
Promotion	6,663	11	4,616	1,059	113	80	95	-	12,637	18,919
Other	1,691	227	5,670	1,134	2,608	1,687	2,582	-	15,599	3,997
Depreciation and amortization	238	40	993	199	416	296	270	-	2,452	2,810
Donations (Program)	-	-	-	-	-	-	-	-	-	3,090
Total Program and Support Services	533,843	327,653	3,707,124	610,521	969,189	482,352	1,179,140	-	7,809,822	6,299,109
Donations (Pass Through)	-	-	-	-	-	-	-	3,004,913	3,004,913	3,391,063
Total expenses by function	533,843	327,653	3,707,124	610,521	969,189	482,352	1,179,140	3,004,913	10,814,735	9,690,172
Less expenses included with revenues on the statement of activities										
Cost of publications sold	(25,564)	-	-	-	-	-	-	-	(25,564)	(15,798)
Total expenses - 2022	\$ 508,279	\$ 327,653	\$ 3,707,124	\$ 610,521	\$ 969,189	\$ 482,352	\$ 1,179,140	\$ 3,004,913	\$ 10,789,171	\$ 9,674,374
Total expenses - 2021	\$ 435,408	\$ 182,244	\$ 2,889,117	\$ 555,806	\$ 803,115	\$ 419,048	\$ 998,573	\$ 3,391,063	\$ 9,674,374	

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		Pass Through Contributions	2021 Total	2020 Total
	Publishing and Marketing	Conferences	Regional Leadership Teams	Alpha in Prisons	Other Specialty Ministries	General and Administrative	Fund- Raising			
Payroll	\$ 301,596	\$ 17,011	\$ 2,353,473	\$ 444,081	\$ 597,412	\$ 292,007	\$ 634,583	\$ -	\$ 4,640,163	\$ 4,127,912
Occupancy	4,823	804	20,910	4,207	8,439	5,979	7,158	-	52,320	56,677
Telephone	2,237	330	13,002	2,290	4,879	2,352	2,883	-	27,973	24,674
Office	3,565	4,803	21,018	4,346	6,251	4,326	5,155	-	49,464	57,441
Insurance	344	57	1,433	287	602	427	2,176	-	5,326	5,365
Postage	1,171	375	7,512	1,050	1,262	913	3,248	-	15,531	12,231
Professional fees	6,494	-	4,140	5,412	11,364	8,051	7,349	-	42,810	99,095
Bank charges	12	2	51	10	22	15	33,057	-	33,169	6,648
Credit card fees	47	8	300	39	83	59	1,053	-	1,589	23,839
Travel and entertainment	17,236	34,225	113,336	31,756	46,292	21,317	42,061	-	306,223	183,055
Cost of publications sold	15,798	-	-	-	-	-	-	-	15,798	14,825
Training	2,754	459	12,839	2,595	8,177	3,414	5,716	-	35,954	1,569
Outside services	55,169	84,628	234,905	46,007	96,592	67,282	216,677	-	801,260	472,477
Printings	8,491	1,168	6,269	842	641	341	7,099	-	24,851	26,477
Advertising and marketing	3,241	14,177	9,863	1,732	5,237	2,577	5,852	-	42,679	129,455
Events	10,610	20,574	71,893	6,899	10,249	6,026	17,808	-	144,059	131,292
Website	3,038	425	13,455	2,138	4,480	3,159	4,429	-	31,124	28,270
Promotion	13,734	20	2,520	1,675	210	149	611	-	18,919	8,660
Other	573	42	1,059	212	445	317	1,349	-	3,997	17,990
Depreciation and amortization	273	46	1,139	228	478	337	309	-	2,810	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	-	6,299,109	5,433,071
Donations (Pass Through)	-	-	-	-	-	-	-	3,391,063	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	9,690,172	10,445,052
Less expenses included with revenues on the statement of activities										
Cost of publications sold	(15,798)	-	-	-	-	-	-	-	(15,798)	(14,825)
Total expenses - 2021	<u>\$ 435,408</u>	<u>\$ 182,244</u>	<u>\$ 2,889,117</u>	<u>\$ 555,806</u>	<u>\$ 803,115</u>	<u>\$ 419,048</u>	<u>\$ 998,573</u>	<u>\$ 3,391,063</u>	<u>\$ 9,674,374</u>	<u>\$ 10,430,227</u>
Total expenses - 2020	<u>\$ 347,074</u>	<u>\$ 227,534</u>	<u>\$ 2,338,932</u>	<u>\$ 474,918</u>	<u>\$ 808,137</u>	<u>\$ 296,066</u>	<u>\$ 925,585</u>	<u>\$ 5,011,981</u>	<u>\$ 10,430,227</u>	

See accompanying notes to financial statements.

ALPHA USA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (531,262)	\$ 524,271
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,452	2,810
Changes in operating assets and liabilities:		
Accounts receivable	(51,040)	3,029
Unconditional promises to give	(160,705)	(224,688)
Prepaid expenses	(116,505)	(37,443)
Security deposit	-	(3,200)
Accounts payable	48,943	(20,320)
Pass-through contributions payable	87,183	63,032
Accrued expenses	54,155	71,001
Deferred revenue	(10,069)	118,846
Net cash provided by (used in) operating activities	<u>(676,848)</u>	<u>497,338</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(5,397)</u>
Net cash used in investing activities	<u>-</u>	<u>(5,397)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(676,848)	491,941
Cash and cash equivalents, beginning of year	<u>3,556,778</u>	<u>3,064,837</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,879,930</u></u>	<u><u>\$ 3,556,778</u></u>

See accompanying notes to financial statements.

ALPHA USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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 the 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, 2022 AND 2021

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, 2022 and 2021, 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, 2022 and 2021, 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.

Leases

Adoption of Accounting Guidance for Leases

In February 2016 and as subsequently amended, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, expanded disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ALPHA USA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Adoption of Accounting Guidance for Leases (continued)

The Organization has adopted the standard effective as of January 1, 2022. Leases that have a term of twelve months or less at the commencement date are expensed on a straight-line basis over the lease term and do not result in the recognition of a ROU asset or a lease liability. The Organization has not identified any qualifying leases requiring the recognition of a ROU asset or lease liability under ASC 842. Short term lease expense for the years ended December 31, 2022 and 2021, was \$89,031 and \$52,319, respectively.

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 3 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.

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 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, 2022 and 2021.

ALPHA USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Non-direct response advertising costs are expensed as incurred and totaled \$23,203 and \$42,679 for the years ended December 31, 2022 and 2021, respectively.

Functional Expenses

The costs of providing programs have been summarized on a functional basis in the statement of activities. Expenses are charged to programs 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, 2022 and 2021. Accordingly, no provision for income tax has been included in the accompanying financial statements.

Subsequent Events

Management has evaluated subsequent events through December 29, 2023, 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 – 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.

ALPHA USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 3 – REVENUE RECOGNITION – EXCHANGE TRANSACTIONS (continued)

Performance Obligations (continued)

Royalty Revenue

For performance obligations related to royalties, control transfers to the customer at a point in time. The Organization receives royalties on 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.

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 consumers via third parties. Royalties are 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>2022</u>	<u>2021</u>
Performance obligations satisfied at a point in time	\$ 126,766	\$ 60,042
Performance obligations satisfied over time	238,494	23,522
	<u>\$ 365,260</u>	<u>\$ 83,564</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.

ALPHA USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 3 – REVENUE RECOGNITION – EXCHANGE TRANSACTIONS (continued)

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, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Receivables	\$ 59,369	\$ 8,329	\$ 11,358
Deferred revenue	169,108	179,177	60,331

No impairment losses were incurred from contracts with customers for the years ended December 31, 2022 and 2021.

NOTE 4 – 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>2022</u>	<u>2021</u>
Regional leadership teams	\$ 146,751	\$ 95,340
Specialty ministry	45,108	48,750
General operations	350,821	237,885
Pledges receivable	<u>\$ 542,680</u>	<u>\$ 381,975</u>

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

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 34,656	\$ 36,896
Computer software	25,999	25,999
Furniture and fixtures	641	641
	<u>61,296</u>	<u>63,536</u>
Less accumulated depreciation and amortization	55,689	55,477
	<u>\$ 5,607</u>	<u>\$ 8,059</u>

Depreciation and amortization expense totaled \$2,452 and \$2,810 for the years ended December 31, 2022 and 2021, respectively.

ALPHA USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 6 – LINE OF CREDIT

The Organization has a \$500,000 line of credit facility with International Bank that matures on January 13, 2024. No borrowings were outstanding at December 31, 2022 and 2021. Interest is charged at the prime rate (7.50% at December 31, 2022) plus 1% and is payable monthly. The line of credit is secured by substantially all assets of the Organization.

NOTE 7 – 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 \$163,312 and \$129,712 for the years ended December 31, 2022 and 2021, respectively.

NOTE 8 – 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 9 – 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 \$25,564 and \$15,798 as a result of this agreement for the years ended December 31, 2022 and 2021, respectively, and is included in cost of publications sold.

There were no royalty fees owed to Alpha International as of December 31, 2022 and 2021.

In addition to the licensing agreements described above, the Organization collected \$3,004,913 and \$3,391,063 in contributions for Alpha International and affiliated organizations in 2022 and 2021, respectively, which are accounted for as pass-through revenue and expense items. As of December 31, 2022 and 2021, the Organization had pass-through contributions payable of \$165,279 and \$78,096, respectively.

NOTE 10 – MAJOR DONORS

The Organization is dependent upon continued contributions from various board members and other significant donors. Contributions from board members totaled \$1,389,093 and \$1,356,490 for the years ended December 31, 2022 and 2021, respectively, and are included in the Statement of Activities as contributions and fundraising.

ALPHA USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 11 – 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,879,930	\$ 3,556,778
Accounts receivable, net	59,369	8,329
Unconditional promises to give, net	<u>542,680</u>	<u>381,975</u>
Total financial assets	3,481,979	3,947,082
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,481,979</u>	<u>\$ 3,947,082</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, and 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 6) is maintained, which can be drawn upon as needed during the year to manage cash flow needs.