

ALPHA USA
Carol Stream, Illinois

FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(See independent auditors' report)

ALPHA USA
Carol Stream, Illinois

FINANCIAL STATEMENTS
December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Alpha USA
Carol Stream, 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, 2023 and 2022, 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, 2023 and 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 3, 2022. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2021, 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
August 19, 2024

ALPHA USA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,324,932	\$ 2,879,930
Accounts receivable	60,012	59,369
Unconditional promises to give (Note 4)	399,603	542,680
Prepaid expenses and other current assets	206,102	209,977
Total current assets	<u>2,990,649</u>	<u>3,691,956</u>
PROPERTY AND EQUIPMENT, net (Note 5)	3,429	5,607
OTHER ASSETS		
Security deposits	3,600	3,200
Operating lease right-of-use asset, net (Note 6)	32,003	-
Total other assets	<u>35,603</u>	<u>3,200</u>
	<u><u>\$ 3,029,681</u></u>	<u><u>\$ 3,700,763</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 78,466	\$ 128,127
Current portion of operating lease liability (Note 6)	23,799	-
Pass-through contributions payable (Note 10)	-	165,279
Accrued wages and related expenses	174,283	134,601
Accrued expenses	51,452	84,695
Due to related-parties (Note 10)	377,039	-
Deferred revenue	26,145	169,108
Total current liabilities	<u>731,184</u>	<u>681,810</u>
OPERATING LEASE LIABILITIES, NET OF CURRENT PORTION (NOTE 6)	8,204	-
NET ASSETS		
Without donor restrictions	<u>2,290,293</u>	<u>3,018,953</u>
Total net assets	<u>2,290,293</u>	<u>3,018,953</u>
	<u><u>\$ 3,029,681</u></u>	<u><u>\$ 3,700,763</u></u>

See accompanying notes to financial statements.

ALPHA USA

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Unrestricted revenue and public support		
Sale of publications and royalties	\$ 116,221	\$ 126,766
Less cost of publications sold (Note 10)	<u>21,070</u>	<u>25,564</u>
Gross profit from the sale of publications	95,151	101,202
Conference registrations	275,577	238,494
Contributions for regional leadership teams	1,868,560	2,681,871
Contributions for Alpha in prisons	306,821	197,791
Contributions for other specialty ministries	150,647	182,110
Contributions and fundraising	11,393,463	3,847,496
Pass-through to international affiliates (Note 10)	1,575,707	3,004,913
Other income	<u>12,619</u>	<u>4,032</u>
Total unrestricted revenue and public support	<u>15,678,545</u>	<u>10,257,909</u>
 EXPENSES		
Program service expenses		
Publishing and marketing	543,674	508,279
Conferences	1,055,750	327,653
Regional leadership teams	4,299,524	3,707,124
Alpha in prisons	665,153	610,521
Other specialty ministries	966,350	969,189
Donations (Global Campaign) (Note 10)	<u>5,115,590</u>	<u>-</u>
Total program service expenses	12,646,041	6,122,766
General and administrative	521,499	482,352
Fundraising	<u>1,663,958</u>	<u>1,179,140</u>
Subtotal functional expenses	14,831,498	7,784,258
Pass-through contributions to international affiliates (Note 10)	<u>1,575,707</u>	<u>3,004,913</u>
Total expenses	<u>16,407,205</u>	<u>10,789,171</u>
 Change in net assets	(728,660)	(531,262)
 NET ASSETS, BEGINNING OF YEAR	<u>3,018,953</u>	<u>3,550,215</u>
 NET ASSETS, END OF YEAR	<u><u>\$ 2,290,293</u></u>	<u><u>\$ 3,018,953</u></u>

See accompanying notes to financial statements.

ALPHA USA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

With Summarized Financial Information for the Year Ended December 31, 2022

	Program Services						Support Services		Pass	2023	2022
	Publishing and Marketing	Conferences	Regional Leadership Teams	Alpha in Prisons	Other Specialty Ministries	Global Campaign	General and Administrative	Fund- Raising	Through Contributions	Total	Total
Payroll	\$ 364,086	\$ 647,080	\$ 3,395,620	\$ 533,015	\$ 699,643	\$ -	\$ 364,049	\$ 1,078,243	\$ -	\$ 7,081,736	\$ 5,500,984
Occupancy	8,992	2,073	43,391	7,494	15,737	-	7,020	12,380	-	97,087	89,032
Telephone	1,963	2,272	15,212	2,915	4,460	-	1,888	5,916	-	34,626	21,340
Office	5,134	1,460	32,137	6,141	8,779	-	5,804	6,509	-	65,964	67,477
Insurance	460	127	1,918	384	805	-	571	521	-	4,786	6,459
Postage	1,204	1,712	7,910	1,271	1,228	-	316	4,677	-	18,318	18,031
Professional fees	5,718	11,603	21,030	4,206	8,833	-	6,257	5,712	-	63,359	38,249
Bank charges	3	1	52	3	6	-	4	13,391	-	13,460	36,601
Credit card fees	301	19	81	16	34	-	24	51,211	-	51,686	20,227
Travel and entertainment	39,877	128,829	283,263	48,492	91,451	-	48,239	150,136	-	790,287	713,668
Cost of publications sold	21,070	-	-	-	-	-	-	-	-	21,070	25,564
Training	2,126	184	23,898	1,730	4,727	-	1,365	10,133	-	44,163	47,707
Outside services	54,189	157,451	261,601	42,026	91,812	-	62,521	281,207	-	950,807	805,985
Printings	35,682	9,833	9,095	948	1,691	-	601	15,192	-	73,042	66,917
Advertising and marketing	2,143	348	10,397	1,738	3,659	-	2,586	2,360	-	23,231	23,203
Events	4,786	30,349	143,545	4,480	18,359	-	5,647	14,724	-	221,890	226,141
Website	8,096	6,350	36,643	6,777	14,502	-	10,037	11,243	-	93,648	71,549
Promotion	8,605	8	2,444	760	84	-	59	54	-	12,014	12,637
Other	-	-	-	-	-	-	-	-	-	-	15,599
Lease expense	-	-	-	-	-	-	4,128	-	-	4,128	-
Depreciation and amortization	212	35	882	176	370	-	262	239	-	2,176	2,452
Donations (Program)	97	56,016	10,405	2,581	170	-	121	110	-	69,500	-
Donations (Global Campaign)	-	-	-	-	-	5,115,590	-	-	-	5,115,590	-
Total Program and Support Services	564,744	1,055,750	4,299,524	665,153	966,350	5,115,590	521,499	1,663,958	-	14,852,568	7,809,822
Donations (Pass Through)	-	-	-	-	-	-	-	-	1,575,707	1,575,707	3,004,913
Total expenses by function	564,744	1,055,750	4,299,524	665,153	966,350	5,115,590	521,499	1,663,958	1,575,707	16,428,275	10,814,735
Less expenses included with revenues on the statement of activities											
Cost of publications sold	(21,070)	-	-	-	-	-	-	-	-	(21,070)	(25,564)
Total expenses - 2023	<u>\$ 543,674</u>	<u>\$ 1,055,750</u>	<u>\$ 4,299,524</u>	<u>\$ 665,153</u>	<u>\$ 966,350</u>	<u>\$ 5,115,590</u>	<u>\$ 521,499</u>	<u>\$ 1,663,958</u>	<u>\$ 1,575,707</u>	<u>\$ 16,407,205</u>	<u>\$ 10,789,171</u>
Total expenses - 2022	<u>\$ 508,279</u>	<u>\$ 327,653</u>	<u>\$ 3,707,124</u>	<u>\$ 610,521</u>	<u>\$ 969,189</u>	<u>\$ -</u>	<u>\$ 482,352</u>	<u>\$ 1,179,140</u>	<u>\$ 3,004,913</u>	<u>\$ 10,789,171</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	2022	2021
	Publishing and		Regional	Alpha in	Other	General and	Fund-	Through	Total	Total
	Marketing	Conferences	Leadership	Prisons	Specialty	Administrative	Raising	Contributions		
			Teams		Ministries					
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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (728,660)	\$ (531,262)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	2,178	2,452
Non-cash operating lease expense	3,851	-
Changes in operating assets and liabilities:		
Accounts receivable	(643)	(51,040)
Unconditional promises to give	143,077	(160,705)
Prepaid expenses	3,875	(116,505)
Security deposit	(400)	-
Payments on operating lease liabilities	(3,851)	-
Accounts payable	(49,661)	48,943
Pass-through contributions payable	(165,279)	87,183
Accrued expenses	6,439	54,155
Related party	377,039	-
Deferred revenue	(142,963)	(10,069)
Net cash used in operating activities	<u>(554,998)</u>	<u>(676,848)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(554,998)	(676,848)
Cash and cash equivalents, beginning of year	<u>2,879,930</u>	<u>3,556,778</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,324,932</u></u>	<u><u>\$ 2,879,930</u></u>

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Recognition of operating lease right-of-use assets and operating lease liabilities	\$ 35,854	\$ -
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See accompanying notes to financial statements.

ALPHA USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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.

ALPHA USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Adoption of Accounting Guidance for Financial Instruments

On January 1, 2023, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard replaced the incurred loss model with an expected loss model that is referred to as the current expected credit loss (“CECL”) model. The CECL model requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts of future economic conditions.

This standard generally applies to financial assets measured at amortized cost, including trade receivables, loan receivables and held-to-maturity debt securities. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The adoption of this standard did not have a material impact on the financial statements.

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 term are considered delinquent. The Organization does not assess interest or finance charges on accounts which become past due.

The amortized cost of accounts receivable is reduced by management’s best estimate of an allowance for credit losses that results in the financial statements reflecting the net amount expected to be collected. The allowance for credit losses represents the estimated portion, if any, of the amortized cost basis that management does not expect to collect due to credit over the receivable’s contractual life, taking into consideration past historical loss experience, current conditions, and forecasts of future economic conditions.

At December 31, 2023 and 2022, there was no allowance for credit losses.

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, 2023 and 2022, there was no allowance for uncollectable promises to give.

ALPHA USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying amount of financial instruments, including cash and cash equivalents, receivables, and accounts payable, approximated fair values as of December 31, 2023 and 2022, due to their short-term nature or because interest rates are consistent with current market rates.

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

Specific Considerations for Leases

The Organization accounts for leases in accordance with FASB Accounting Standards Codification (“ASC”) 842, *Leases*, which generally requires the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position.

The Organization determines if an arrangement contains a lease in whole or in part at the inception of the contract. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if there is an identified underlying asset, if the Organization has obtained substantially all of the rights to the asset throughout the period of use, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

ROU assets represent the right to use an underlying asset for the lease term while lease liabilities represent the obligation to make lease payments arising from the lease. All leases with an expected term greater than twelve months result in the recognition of a ROU asset and a liability at the lease commencement date based on the present value of the lease payments over the lease term. Therefore, the Organization used a risk-free rate based on the U.S. Treasury’s daily yield curve rate that has a similar timeframe to the commencement terms of the lease for those leases which did not include an implicit rate. The risk-free rate was taken from the date of commencement. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

The lease term includes all non-cancellable periods and may include options to extend (or to not terminate) the lease when it is reasonably certain that the Organization will exercise the option. 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 lease liability.

ALPHA USA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Specific Considerations for Leases (continued)

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. Variable lease payments are expensed in the period in which the obligation for those payments is incurred.

When necessary to allocate consideration in a contract to separate lease and non-lease components, the Organization uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment. The Organization has not elected to combine lease and non-lease components, such as fixed maintenance costs, as a single lease component in calculating ROU assets and lease liabilities for all classes of leased assets.

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 ASU 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.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023 and 2022.

Advertising Costs

Non-direct response advertising costs are expensed as incurred and totaled \$23,231 and \$23,203 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022. Accordingly, no provision for income tax has been included in the accompanying financial statements.

Subsequent Events

Management has evaluated subsequent events through August 19, 2024, 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.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 3 – REVENUE RECOGNITION – EXCHANGE TRANSACTIONS (continued)

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 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>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time	\$ 116,221	\$ 126,766
Performance obligations satisfied over time	275,577	238,494
	<u>\$ 391,798</u>	<u>\$ 365,260</u>

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NOTES TO FINANCIAL STATEMENTS

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NOTE 3 – REVENUE RECOGNITION – EXCHANGE TRANSACTIONS (continued)

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, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Receivables	\$ 60,012	\$ 59,369	\$ 8,329
Deferred revenue	26,145	169,108	179,177

No impairment losses were incurred from contracts with customers for the years ended December 31, 2023 and 2022.

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>2023</u>	<u>2022</u>
Regional leadership teams	\$ 116,178	\$ 146,751
Specialty ministry	2,773	45,108
General operations	280,652	350,821
Pledges receivable	<u>\$ 399,603</u>	<u>\$ 542,680</u>

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NOTES TO FINANCIAL STATEMENTS

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NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 34,656	\$ 34,656
Computer software	25,999	25,999
Furniture and fixtures	641	641
	<u>61,296</u>	<u>61,296</u>
Less accumulated depreciation and amortization	57,867	55,689
	<u>\$ 3,429</u>	<u>\$ 5,607</u>

Depreciation and amortization expense totaled \$2,178 and \$2,452 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6 – LEASES

The Organization entered into an operating lease effective November 1, 2023 for office space with an unrelated party, with the lease period expiring in April 2025. The lease agreement provides for base monthly rental payments of \$2,064. The lease agreement does not include an option for renewal. There were no operating leases with a term of more than twelve months at December 31, 2022.

For the year ended December 31, 2023, the Organization recorded lease operating expense of \$4,128 within general and administrative expenses on the consolidated statements of functional expenses.

Short term lease expense for the years ended December 31, 2023 and 2022, was \$97,087 and \$89,031, respectively.

The following table presents supplemental cash flow information related to leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows paid for operating leases	\$ 4,128
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Non-cash investing and financing activities:

Recognition of right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$ 35,854
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Recognition of lease obligations:

Operating leases	35,854
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As of December 31, 2023, the remaining lease term for the operating lease was 1.33 years. As of December 31, 2023, the discount rate associated with the operating lease was 5.07%.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 6 – LEASES (continued)

ROU assets, net are presented in a separate line under non-current assets for operating leases on the statement of financial position. Current and non-current lease liabilities are presented in separate lines for operating leases on the statement of financial position.

The following table presents supplemental statement of financial position information related to leases as of December 31, 2023:

ROU assets, net	\$ 32,003
Lease liabilities:	
Current lease liabilities	23,799
Lease liabilities, non-current	8,204
Total lease liabilities	<u>\$ 32,003</u>

Future maturities of operating lease liabilities are as follows as of December 31, 2023:

2024	\$ 24,769
2025	8,256
Total undiscounted lease payments	<u>33,025</u>
Less imputed interest	<u>(1,022)</u>
Total lease liabilities	<u>\$ 32,003</u>

As of December 31, 2023, the Organization did not have any operating or finance leases that had not yet commenced.

NOTE 7 – LINE OF CREDIT

The Organization has a \$500,000 line of credit facility with International Bank that matures on January 11, 2025. No borrowings were outstanding at December 31, 2023 and 2022. Interest is charged at the prime rate (8.50% at December 31, 2023) 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 \$196,001 and \$163,312 for the years ended December 31, 2023 and 2022, respectively.

NOTE 9 – 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.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 10 – 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 \$21,070 and \$25,564 as a result of this agreement for the years ended December 31, 2023 and 2022, respectively, and is included in cost of publications sold.

There were no royalty fees owed to Alpha International as of December 31, 2023 and 2022.

In addition to the licensing agreements described above, the Organization collected \$1,575,707 and \$3,004,913 in contributions for Alpha International and affiliated organizations in 2023 and 2022, respectively, which were accounted for as pass-through revenue and expense items. As of December 31, 2022, the Organization had pass-through contributions payable of \$165,279. There are no pass-through contributions payable as of December 31, 2023. The balances due to Alpha International and Alpha International USA were \$321,039 and \$56,000 at December 31, 2023, respectively.

During 2023, the Organization developed a global ministry plan with Alpha International to collaborate for the purpose of the Alpha Global Campaign in which the Organization will raise funds to be used for its own ministry needs supporting the global campaign internationally. The Organization received contributions for the Alpha Global Campaign and allocated \$5,115,590 to other organizations participating in the global campaign for the year ended December 31, 2023.

NOTE 11 – MAJOR DONORS

The Organization is dependent upon continued contributions from various board members and other significant donors. Contributions from board members totaled \$1,443,133 and \$1,389,093 for the years ended December 31, 2023 and 2022, respectively, and are included in the Statements of Activities as contributions and fundraising.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 12 – 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,324,932	\$ 2,879,930
Accounts receivable	60,012	59,369
Unconditional promises to give	399,603	542,680
Total financial assets	<u>2,784,547</u>	<u>3,481,979</u>
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,784,547</u>	<u>\$ 3,481,979</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 7) is maintained, which can be drawn upon as needed during the year to manage cash flow needs.