

**AWANA CLUBS INTERNATIONAL AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Awana Clubs International and Affiliates
St. Charles, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Awana Clubs International and Affiliates (ACI) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of June 30, 2025 and 2024, and the change in their net assets and their 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ACI 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 ACI'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ACI'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.



CliftonLarsonAllen LLP

Oak Brook, Illinois
October 31, 2025

AWANA CLUBS INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 6,097,384	\$ 5,165,547
Investments and Trust Assets	6,195,514	6,091,272
Accounts Receivable, Net	244,847	83,914
Inventory, Net	3,732,708	3,836,782
Prepaid Expenses and Other Assets	448,044	556,705
Investment in Captive Insurance Company	495,791	511,619
Beneficial Interest in Trusts	525,220	726,568
Land, Buildings, and Equipment, Net	29,821	36,103
Operating Right-of-Use Lease Asset	183,918	394,101
	\$ 17,953,247	\$ 17,402,611
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 1,348,711	\$ 1,327,468
Funds Held for Others	30,000	17,000.00
Accrued Expenses	617,542	574,070.00
Deferred Revenue	891,708	702,917.00
Annuities and Trusts Payable	99,372	97,089.00
Operating Lease Liability	187,413	394,846.00
Total Liabilities	3,174,746	3,113,390
NET ASSETS		
Net Assets Without Donor Restrictions:		
Undesignated, Available for General Activities	9,670,616	8,865,219
Board Designated Capital Reserve	1,917,115	1,917,115
Total Net Assets Without Donor Restrictions	11,587,731	10,782,334
Net Assets With Donor Restrictions:		
Restricted by Purpose or Time	3,090,020	3,406,137
Restricted in Perpetuity	100,750	100,750
Total Net Assets With Donor Restrictions	3,190,770	3,506,887
Total Net Assets	14,778,501	14,289,221
Total Liabilities and Net Assets	\$ 17,953,247	\$ 17,402,611

See accompanying Notes to Consolidated Financial Statements.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Sales of Ministry Materials	\$ 14,437,803	\$ -	\$ 14,437,803	\$ 13,831,446	\$ -	\$ 13,831,446
Contributions	4,114,677	11,523,014	15,637,691	2,979,823	10,878,467	13,858,290
Registration and Event Fees	1,038,380	-	1,038,380	1,049,216	-	1,049,216
Investment Income	652,839	7,469	660,308	651,812	-	651,812
Change in Value of Annuities and Trusts	48,793	(2,100)	46,693	99,458	50,872	150,330
Change in Value of SIL Equity	(15,828)	-	(15,828)	(164,011)	-	(164,011)
Other Income	11,313	-	11,313	10,300	-	10,300
Total Revenues	<u>20,287,977</u>	<u>11,528,383</u>	<u>31,816,360</u>	<u>18,458,044</u>	<u>10,929,339</u>	<u>29,387,383</u>
RECLASSIFICATIONS						
Net Assets Released from Restrictions:						
Satisfaction of Purpose Restrictions	11,844,500	(11,844,500)	-	11,237,454	(11,237,454)	-
Total Reclassifications	<u>11,844,500</u>	<u>(11,844,500)</u>	<u>-</u>	<u>11,237,454</u>	<u>(11,237,454)</u>	<u>-</u>
EXPENSES						
Program Services:						
Ministry Programs and Support	24,350,647	-	24,350,647	24,270,654	-	24,270,654
Total Program Services	<u>24,350,647</u>	<u>-</u>	<u>24,350,647</u>	<u>24,270,654</u>	<u>-</u>	<u>24,270,654</u>
Supporting Activities:						
Management and General	2,636,053	-	2,636,053	2,825,195	-	2,825,195
Fundraising	4,340,380	-	4,340,380	3,890,466	-	3,890,466
Total Supporting Activities	<u>6,976,433</u>	<u>-</u>	<u>6,976,433</u>	<u>6,715,661</u>	<u>-</u>	<u>6,715,661</u>
Total Expenses	<u>31,327,080</u>	<u>-</u>	<u>31,327,080</u>	<u>30,986,315</u>	<u>-</u>	<u>30,986,315</u>
CHANGE IN NET ASSETS	805,397	(316,117)	489,280	(1,290,817)	(308,115)	(1,598,932)
Net Assets - Beginning of Year	<u>10,782,334</u>	<u>3,506,887</u>	<u>14,289,221</u>	<u>12,073,151</u>	<u>3,815,002</u>	<u>15,888,153</u>
NET ASSETS - END OF YEAR	<u>\$ 11,587,731</u>	<u>\$ 3,190,770</u>	<u>\$ 14,778,501</u>	<u>\$ 10,782,334</u>	<u>\$ 3,506,887</u>	<u>\$ 14,289,221</u>

See accompanying Notes to Consolidated Financial Statements.

**AWANA CLUBS INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Cost of Goods Sold	\$ 5,178,112	\$ -	\$ -	\$ 5,178,112
Grants	4,540,987	-	-	4,540,987
Salaries and Wages	7,561,930	1,366,978	2,105,476	11,034,384
Benefits	1,870,210	158,215	310,072	2,338,497
Professional Fees	-	106,792	-	106,792
Contracted Services (Contract Labor)	2,552,947	261,222	773,539	3,587,708
Advertising and Promotion	361,142	643	227,102	588,887
Office Expenses	279,712	38,505	81,541	399,758
Information Technology	399,685	167,271	118,950	685,906
Occupancy	73,426	69,712	69,125	212,263
Travel and Meals	1,162,662	87,239	614,105	1,864,006
Conferences and Meetings	320,584	10,252	39,496	370,332
Depreciation	4,305	7,531	1,927	13,763
Insurance	-	357,995	-	357,995
Equipment	44,945	3,698	10,315	58,958
Less: Expenses Netted Against Revenues on the Statement of Activities	<u>-</u>	<u>-</u>	<u>(11,268)</u>	<u>(11,268)</u>
Total Expenses	<u><u>\$ 24,350,647</u></u>	<u><u>\$ 2,636,053</u></u>	<u><u>\$ 4,340,380</u></u>	<u><u>\$ 31,327,080</u></u>

See accompanying Notes to Consolidated Financial Statements.

**AWANA CLUBS INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Cost of Goods Sold	\$ 5,388,628	\$ -	\$ -	\$ 5,388,628
Grants	4,375,749	-	-	4,375,749
Salaries and Wages	7,288,877	1,405,045	2,096,156	10,790,078
Benefits	1,723,180	164,747	289,900	2,177,827
Professional Fees	-	98,585	-	98,585
Contracted Services				
(Contract Labor)	2,748,054	253,822	817,040	3,818,916
Advertising and Promotion	434,851	12,006	153,651	600,508
Office Expenses	269,783	55,656	91,163	416,602
Information Technology	357,252	243,979	119,937	721,168
Occupancy	65,263	63,585	60,421	189,269
Travel and Meals	1,271,439	106,388	213,173	1,591,000
Conferences and Meetings	285,026	12,587	41,588	339,201
Depreciation	4,348	5,354	1,597	11,299
Insurance	-	386,310	-	386,310
Equipment	58,204	17,131	20,335	95,670
Less: Expenses Netted Against Revenues on the Statement of Activities	<u>-</u>	<u>-</u>	<u>(14,495)</u>	<u>(14,495)</u>
Total Expenses	<u><u>\$ 24,270,654</u></u>	<u><u>\$ 2,825,195</u></u>	<u><u>\$ 3,890,466</u></u>	<u><u>\$ 30,986,315</u></u>

See accompanying Notes to Consolidated Financial Statements.

**AWANA CLUBS INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 489,280	\$ (1,598,932)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	13,763	11,299
Net Realized and Unrealized Gain on Investments	(269,563)	(199,850)
Allowance for Credit Losses	-	25,000
Noncash Lease Expense	2,750	(245)
Reduction in Equity in Captive Insurance Company	15,828	164,011
Change in Value of Trusts	2,468	8,265
Change in Value of Annuities	11,084	(29,137)
Change in:		
Accounts Receivable	(160,933)	(98,206)
Receivables from Trusts	201,348	(121,608)
Inventory	104,074	140,841
Prepaid Expenses and Other Assets	108,661	(141,676)
Accounts Payable and Accrued Expenses	64,715	(346,940)
Funds Held for Others	13,000	(63,000)
Deferred Revenue	188,791	(78,340)
Net Cash Provided (Used) by Operating Activities	785,266	(2,328,518)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(23,728,389)	(305,146)
Proceeds from Sale of Investments	23,893,710	2,000,000
Purchase of Land, Building, and Equipment	(7,481)	(21,081)
Net Cash Provided by Investing Activities	157,840	1,673,773
CASH FLOWS FROM FINANCING ACTIVITIES		
Annuity and Trust Payments	(11,269)	(14,495)
Net Cash Used by Financing Activities	(11,269)	(14,495)
CHANGE IN CASH AND CASH EQUIVALENTS	931,837	(669,240)
Cash and Cash Equivalents - Beginning of Year	5,165,547	5,834,787
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,097,384	\$ 5,165,547

See accompanying Notes to Consolidated Financial Statements.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Awana Clubs International and Affiliates (ACI) is a nonprofit Christian ministry classified by the Internal Revenue Service as a tax-exempt, publicly supported religious organization. Accordingly, ACI is exempt from federal and state income taxes, and contributions to ACI are tax deductible within the limitations prescribed under Section 501(c)(3) of the Internal Revenue Code.

The purpose of ACI is to evangelize and disciple children and youth throughout the world to know, love, and serve the Lord Jesus Christ. ACI's ministry is funded from the sale of Bible-based children and youth ministry program materials, contributions from donors, and fees from church registrations and events.

Principles of Consolidation

The consolidated financial statements of ACI include the transactions and balances of The Awana Foundation which is a controlled affiliated organization of ACI. The Awana Foundation is an Illinois nonprofit organization established during fiscal year 2019 as a supporting organization to further the purposes of Awana Clubs International.

Awana International, a Colorado nonprofit corporation, was merged into Awana International LLC, an Illinois limited liability corporation, in 2013. Awana International LLC is a disregarded entity, without a board of directors or employees. The sole member, Awana Clubs International, manages Awana International LLC.

All intercompany transactions are eliminated upon consolidation.

Basis of Accounting

The consolidated financial statements of ACI have been prepared on the accrual basis of accounting. The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are described below.

Cash and Cash Equivalents

Cash and cash equivalents include checking, savings, and money market accounts. Certificates of deposit with a maturity of three months or less when purchased are considered cash equivalents. Certain items that meet the definition of cash equivalents, but are part of a larger pool of investments, are included in investments.

ACI maintains cash balances at several financial institutions. From time-to-time cash accounts may exceed federally insured limits. At June 30, 2025 and 2024, ACI's cash balances exceeded federally insured limits by \$5,483,572 and \$4,284,839, respectively. ACI does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Trust Assets

Investments and trust assets are reported at fair value as further described in Note 2. ACI reports investment income and gains and losses on investments as increases or decreases in net assets without donor restrictions unless a donor or law temporarily or permanently restricts their use. Realized and unrealized gains and losses are included in investment income in the consolidated statements of activities.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of ACI's investments and total net assets balance could fluctuate materially.

Accounts Receivable and Allowance for Expected Credit Losses

Accounts receivable primarily arise from the sale of children's and youth ministry materials to churches for their local programs. Included in the accounts receivable balance on the consolidated statements of financial position is an allowance for expected credit losses of \$50,000 as of June 30, 2025 and 2024. Trade accounts receivable become past due when they exceed their contractual due dates, usually 30 days from the date of sale. The allowance for expected credit losses is maintained at a level that, in management's judgment, is adequate to absorb probable losses. The amount is based upon an analysis of overall trade receivables by management. Management's evaluation of the allowance for expected credit losses includes, but is not limited to, the historical experience of payment patterns of ACI, financial condition of ACI, other known facts and circumstances, and general current and future economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for credit losses in the period in which they become known. ACI does not assess finance charges or other late payment fees.

Inventory

Inventory consists of various products held for sale to churches, such as uniforms and curriculum, and are stated at the lower of weighted average cost or net realizable value. Included in the inventory balance on the consolidated statements of financial position is a reserve for obsolescence of \$825,000 and \$850,000 as of June 30, 2025 and 2024, respectively. Due to the unknown factors which may affect the obsolescence of the inventory, it is reasonably possible that the reserve for obsolescence could increase or decrease by a material amount in the near term.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of prepaid insurance expense and prepaid expenses related to service agreements.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Trusts

Charitable remainder trusts have been established naming ACI as the beneficiary. The irrevocable charitable remainder trusts, which are administrated by outside trustees, provide for the payment of distributions to the donors over their lifetimes. At the time of the donors' deaths, ACI will receive the remaining assets. The present value of future benefits expected to be received by ACI is estimated using applicable mortality tables at an average discount rate of 5% and total \$525,220 and \$726,568 at June 30, 2025 and 2024, respectively. Amortization of the discount on the estimated present value of future benefits has been included in change in value of trusts in the consolidated statements of activities. Changes in beneficial interest in trusts are substantially due to changes in fair value of the underlying investments.

ACI also administers irrevocable charitable trusts. These trusts provide the payment of lifetime distributions to the donor or other designated beneficiaries. The present value of the estimated future payments is calculated using an average discount rate of 5% and applicable mortality tables and is reported as trusts payable in the consolidated statements of financial position. At the death of the lifetime beneficiaries, the remaining assets are available for use by ACI.

The present value of the remainder interest is reported as a contribution with donor restrictions in the period received and as net assets with donor restrictions until a reclassification to net assets without donor restrictions is made upon maturity of the trust. The resulting actuarial gain or loss is recorded as a component of the change in value of trusts in the consolidated statements of activities. Trust assets with respect to these trusts consist of nonexpendable amounts invested, pursuant to ACI's trust agreements, and are included in investments as further disclosed in Note 2.

Land, Buildings, Equipment, and Depreciation

Expenditures for land, buildings, and equipment in excess of \$5,000 are capitalized at cost; all computers are expensed in the year purchased. Donated assets are capitalized at their fair market value on the date of donation. Depreciation is recorded on the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 30 years. The cost of normal repairs and maintenance is charged to expense as incurred. Expenditures that increase the life of an asset are capitalized and depreciated over the estimated remaining useful life of the asset.

Deferred Revenue

Income received from church registration, digital curriculum subscriptions, and events fees is deferred and recognized over the periods to which the fees relate.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annuity Agreements

ACI has established a gift annuity program whereby donors may contribute assets to ACI for the right to receive a fixed dollar annual return during their lifetime. A portion of the transfer is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuity and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift. Upon the death of the annuitant, income distributions cease. The actuarial liability for annuities payable is calculated annually using published mortality rate tables adopted by the Internal Revenue Service at an assumed rate of return of 5%. The resulting actuarial gain or loss is recorded as a component of the change in value of annuities in the consolidated statements of activities. Assets funding annuity agreements are included with investments.

Net Assets

The consolidated financial statements report amounts separately by classes of net assets:

Net Assets Without Donor Restrictions – are those currently available for ministry purposes under the direction of the board of directors and those designated by the board for capital reserve.

Net Assets With Donor Restrictions, Restricted by Purpose or Time – are those contributed with donor stipulations for specific operating purposes or programs, those with time restrictions or those not currently available for use in ACI's ministries until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased. When a purpose restriction is accomplished or when a stipulated time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Net Assets With Donor Restriction, Restricted in Perpetuity – are those contributed with donor restrictions requiring they be held in perpetuity as endowments. Income from these endowments is available for restricted purposes as stipulated by the donor. The disclosure required by the *Reporting Endowment Funds* topic of the Accounting Standards Codification have not been included in these consolidated financial statements due to immateriality.

Support and Revenue

Sales revenue is recognized when earned, which is when goods are shipped to customers. All other noncontribution revenues are recorded when earned. Support is recognized when contributions are made, which may be when cash is received, an unconditional promise to give is made, or when ownership of donated assets is transferred.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (Continued)

Gifts of cash or other assets are reported as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. If donor restrictions are met in the same period in which the gift is received, the contribution is reported as contributions without donor restrictions. Otherwise, when donor stipulated time and/or purpose restrictions are met or accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Sales revenue is recognized at a point in time when goods are shipped or otherwise delivered to customers. Revenues and expenses from registration and event fees are deferred until the event occurs. Recognition is over time. Revenues from subscriptions are recognized over the period of the subscription. Recognition is also over time. All other revenues are recognized when earned and expenses when incurred, in accordance with the accrual basis of accounting.

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities of ACI have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The supporting activities are indispensable to the conduct of the program services and to ACI's existence. All expenses are recorded when incurred in accordance with the accrual basis of accounting. The expenses allocated include salaries and benefits, depreciation, and occupancy, which are allocated based on an estimate of time and effort.

Leases

ACI determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in right-of-use (ROU) assets – financing and lease liability – financing in the consolidated statements of activities.

ROU assets represent ACI's right to use an underlying asset for the lease term and lease liabilities represent ACI's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that ACI will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. ACI has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of activities.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, ACI has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

ACI has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Shipping and Handling Costs

Total costs for shipping and handling were \$1,399,491 and \$1,386,139 for the years ended June 30, 2025 and 2024, respectively. These costs are included in costs of goods sold and contracted services which is a component of ministry programs and supplies expense in the consolidated statements of activities.

Advertising and Promotion Expenses

Promotion costs are expensed as incurred and consist of direct mail, magazine advertisements, and digital promotions. Total promotion expenses were \$588,888 and \$600,508 for the years ended June 30, 2025 and 2024, respectively.

Subsequent Events

Subsequent events have been evaluated through October 31, 2025, which is the date the consolidated financial statements were available to be issued and has considered any relevant matters in the preparation of the consolidated financial statements and footnotes.

Reclassification

Certain amounts have been reclassified for the year ended June 30, 2024, to confirm to the presentation for the year ended June 30, 2025. The reclassifications had no impact on previously reported net assets.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 INVESTMENTS AND TRUST ASSETS

Investments and trust assets consist of the following as of June 30:

	<u>2025</u>	<u>2024</u>
Investments:		
Cash and Money Market Funds	\$ 1,488,118	\$ 2,035,204
Certificates of Deposit	148,847	199,896
Government securities	2,095,228	993,450
Corporate Bonds	400,834	774,836
Equity-Mutual Funds	1,823,037	1,676,810
Exchange Traded Products	121,932	271,700
Real Estate	27,653	25,354
Mineral Interests	4,200	4,200
Total Investments	<u>6,109,849</u>	<u>5,981,450</u>
Investments Held in Trust:		
Cash and Money Market Funds	12,000	11,361
Government Securities	73,665	-
Corporate Bonds	-	29,924
Equity-Mutual Funds	-	7,040
Exchange Traded Products	-	61,497
Total Investments Held in Trust	<u>85,665</u>	<u>109,822</u>
 Total Investments and Trust Assets	 <u><u>\$ 6,195,514</u></u>	 <u><u>\$ 6,091,272</u></u>

In determining fair value, ACI uses various valuation approaches within the fair value measurements framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820-10 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets,

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 INVESTMENTS AND TRUST ASSETS (CONTINUED)

Fair value of assets measured on a recurring basis as of June 30 are as follows:

	2025			Total
	Level 1	Level 2	Level 3	
Investments and Trust Assets:				
Certificates of Deposit	\$ -	\$ 148,847	\$ -	\$ 148,847
Government Securities	-	2,168,893	-	2,168,893
Corporate Bonds	-	400,834	-	400,834
Equity-Mutual Funds	1,823,037	-	-	1,823,037
Exchange Traded Products	121,932	-	-	121,932
Real Estate	27,653	-	-	27,653
Mineral Rights	-	-	4,200	4,200
Total	<u>\$ 1,972,622</u>	<u>\$ 2,718,574</u>	<u>\$ 4,200</u>	4,695,396
Money Market Funds				1,500,118
Total Investments at Fair Value				<u>\$ 6,195,514</u>
Beneficial Interest in Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,220</u>	<u>\$ 525,220</u>
	2024			
	Level 1	Level 2	Level 3	Total
Investments and Trust Assets:				
Certificates of Deposit	\$ -	\$ 199,896	\$ -	\$ 199,896
Government Securities	-	993,450	-	993,450
Corporate Bonds	-	804,760	-	804,760
Equity-Mutual Funds	1,683,850	-	-	1,683,850
Exchange Traded Products	333,197	-	-	333,197
Real Estate	25,354	-	-	25,354
Mineral Rights	-	-	4,200	4,200
Total	<u>\$ 2,042,401</u>	<u>\$ 1,998,106</u>	<u>\$ 4,200</u>	4,044,707
Money Market and Cash Funds				2,046,565
Total Investments at Fair Value				<u>\$ 6,091,272</u>
Beneficial Interest in Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 726,568</u>	<u>\$ 726,568</u>

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 INVESTMENTS AND TRUST ASSETS (CONTINUED)

The following table provides further details of Level 3 fair value measurements:

	Beneficial Interest in Trusts	Mineral Interests	Total
Balance - July 1, 2023	\$ 604,960	\$ 4,200	\$ 609,160
Change in Value of Beneficial Interest in Trusts	121,608	-	121,608
Balance - June 30, 2024	726,568	4,200	730,768
Change in Value of Beneficial Interest in Trusts	(201,348)	-	(201,348)
Balance - June 30, 2025	<u>\$ 525,220</u>	<u>\$ 4,200</u>	<u>\$ 529,420</u>

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Mutual Funds, Exchange Traded Products, and Real Estate Funds – The fair value is based on quoted market prices.

Government Securities, Bonds, and Certificates of Deposit – The fair value is based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets.

Mineral Interests – The fair value of mineral interests is determined based on a three-year average of annual production income multiplied by industry specific factors.

Beneficial Interest in Trusts – is based on calculating the present value of future benefits expected to be received by ACI using federal discount rates and applicable mortality tables at an average discount rate of 5%.

Changes in valuation techniques: None.

NOTE 3 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following as of June 30:

	2025	2024
Buildings and Improvements	\$ 92,145	\$ 92,145
Furniture and Equipment	421,596	414,114
Total	513,741	506,259
Less: Accumulated Depreciation	(483,920)	(470,156)
Net Land, Buildings, and Equipment	<u>\$ 29,821</u>	<u>\$ 36,103</u>

Depreciation expense was \$13,763 and \$11,299 for the years ended June 30, 2025 and 2024, respectively.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 INVESTMENT IN CAPTIVE INSURANCE COMPANY

ACI is part owner of a captive insurance company, Stewardship Insurance, Ltd. (SIL), which insures and reinsures some of ACI's own risk. SIL is organized as an offshore entity, domiciled in Bermuda. SIL has a subsidiary, Stewardship Reinsurance, Ltd., which operates as a reinsurance subsidiary. SIL's board of directors includes a representative from each of the nine owners. SIL derives its funds from the owners' premiums, interest earned on premium and claim reserves, and captured underwriting profit, as well as from the initial startup capital (on the initial purchase of shares by the owners). SIL allocates premiums and losses on an entity-specific basis. SIL reinsures the insurance carrier for ACI's own risk for workers' compensation, general liability, sexual misconduct, and automobile liability and physical damages. As of June 30, 2025 and 2024, ACI owns approximately 1.71% and 1.64%, respectively, of SIL, and accounts for its investment using the equity method. The investment in SIL is \$495,791 and \$511,619 as of June 30, 2025 and 2024, respectively. Summary financial information (unaudited) of SIL is as follows:

	2025	2024
Total Assets	<u>\$ 63,820,832</u>	<u>\$ 62,667,982</u>
Total Liabilities	<u>\$ 34,761,790</u>	<u>\$ 31,411,687</u>
Results of Operations	<u>\$ 3,208,799</u>	<u>\$ 3,030,998</u>

NOTE 5 ANNUITIES AND TRUSTS PAYABLE

Annuities and trusts payable consist of the following at June 30:

	2025	2024
Annuities Payable	\$ 84,548	\$ 79,415
Irrevocable Trust Obligations	14,824	17,674
Total	<u>\$ 99,372</u>	<u>\$ 97,089</u>
Change in Value of Annuities Consists of:		
Interest and Dividend Income	\$ 6,659	\$ 6,596
Actuarial Change	48,085	100,266
Annuity Payments	(5,951)	(7,404)
Total	<u>\$ 48,793</u>	<u>\$ 99,458</u>
Change in Value of Trusts Consists of:		
Interest and Dividend Income	\$ 3,218	\$ 57,963
Payments to Beneficiaries	(5,318)	(7,091)
Total	<u>\$ (2,100)</u>	<u>\$ 50,872</u>

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 6 DEFERRED REVENUE

Deferred revenue at June 30, 2025 and 2024, consists of the following:

	2025	2024
Deferred Revenue:		
Sales of Ministry Materials	\$ 37,066	\$ 20,507
Registration and Event Fees	854,642	682,410
Total Deferred Revenue	\$ 891,708	\$ 702,917

ACI's deferred revenue for product sales is recognized at a point in time. ACI's deferred revenue for registration and event fees is recognized over time. Deferred revenue was \$781,257 at June 30, 2023.

NOTE 7 CONTRACT REVENUE

The following table shows ACI's revenues from contracts with customers disaggregated according to the timing of the transfer of goods or services:

	2025	2024
Revenue Recognized at a Point in Time:		
Sales of Ministry Materials	\$ 13,622,774	\$ 13,469,218
Revenue Recognized Over Time:		
Registration, Subscriptions, and Event Fees	1,853,857	1,411,444
Total Contract Revenue	\$ 15,476,631	\$ 14,880,662

ACI's contract liabilities are detailed in Note 6 above. ACI has no contract assets at June 30, 2025 and 2024.

NOTE 8 LEASES

ACI leases certain office facilities for various terms under long-term, noncancelable operating lease agreements. The leases expire at various dates through 2027. In the normal course of business, it is expected that these leases will be renewed or replaced by a similar lease. Subsequent to year end, a new office lease was entered into commencing on September 1, 2025. The new lease is for a 36-month term with monthly rent of \$7,406 per month. The office lease terminates in 2028.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8 LEASES (CONTINUED)

The following tables provide quantitative information concerning ACI's leases for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Operating Lease Costs	\$ 180,891	\$ 155,025
Other Information:		
Operating Cash Flows	\$ 178,458	\$ 155,171
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ -	\$ 473,058
Weighted-Average Remaining Lease Term	1.6 Years	2.4 Years
Weighted-Average Discount Rate	4.50%	4.58%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 115,821
2027	78,246
Less: Imputed Interest	(6,654)
Total Present Value	<u>\$ 187,413</u>
Lease Liability	<u>\$ 187,413</u>

NOTE 9 EMPLOYEE RETIREMENT PLAN

ACI has a discretionary match 401(k) plan covering all eligible employees. Employer contributions of \$226,416 and \$225,197 were made in 2025 and 2024, respectively.

**AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Restricted by Purpose:		
International Projects	\$ 786,325	\$ 994,644
U.S. Ministry Projects	1,638,885	1,657,172
Endowment Fund	68,749	-
Restricted by Time:		
Charitable Remainder Trusts	70,841	84,462
Beneficial Interest in Trusts	525,220	669,859
Total	<u>\$ 3,090,020</u>	<u>\$ 3,406,137</u>

Net assets restricted in perpetuity total \$100,750 at both June 30, 2025 and 2024, and consist of endowment funds for which only the investment return is expendable.

NOTE 11 RESTRICTED ENDOWMENTS

ACI's Endowment Fund consists of four individual endowments that have been established by donors to provide annual funding to specific ministry projects and general operations. Net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions. ACI manages its endowments on a pooled basis, and earnings on the pooled investments are allocated on a pro-rata basis to each of the funds. See Note 2 for investments held as of June 30, 2025 and 2024.

ACI has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, ACI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

In Accordance with UPMIFA, ACI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: a) the duration and preservation of the fund; b) the purposes of the ministry and the donor-restricted endowment fund; c) general economic conditions; d) the possible effect of inflation and deflation; e) the expected total return of income and the appreciation of investments; f) other resources of ACI; and g) the investment policies of ACI.

AWANA CLUBS INTERNATIONAL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 11 RESTRICTED ENDOWMENTS (CONTINUED)

The change in endowment net assets for the fiscal years ended June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Endowment Net Assets at Beginning of Year	\$ 162,030	\$ 140,253
Investment Return	10,832	25,075
Appropriation of Endowment Assets for Expenditure	<u>(3,363)</u>	<u>(3,298)</u>
Endowment Net Assets at End of Year	<u>\$ 169,499</u>	<u>\$ 162,030</u>

NOTE 12 AFFILIATED INTERNATIONAL ORGANIZATIONS

The ACI ministry extends throughout the world to reach children and youth with the Gospel of Jesus Christ. The ministry is conducted internationally through ACI branch offices and affiliated ACI national entities. ACI provided approximately \$5,495,000 and \$5,557,000 for the support of these organizations during the years ended June 30, 2025 and 2024, respectively.

NOTE 13 LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects ACI's consolidated financial assets as of June 30, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, under contractual or donor-imposed restrictions, or because the governing board has set aside the funds for specific contingency reserves and projects. These board designations could be drawn upon if the board approves such action.

	<u>2025</u>	<u>2024</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 6,097,384	\$ 5,165,547
Investments	6,195,514	6,091,272
Financial Assets - Year-End	<u>12,292,898</u>	<u>11,256,819</u>
Less: Those Unavailable for General Expenditures within One Year Due to:		
Restricted by Time or Purpose	(3,090,020)	(3,406,137)
Board Designated Capital Reserve	(1,917,115)	(1,917,115)
Restricted in Perpetuity	<u>(100,750)</u>	<u>(100,750)</u>
Total Unavailable for General Expenditures within One Year	<u>(5,107,885)</u>	<u>(5,424,002)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 7,185,013</u>	<u>\$ 5,832,817</u>

ACI structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.



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