

**UNITED STATES DIVISION OF IRIS GLOBAL
AND RELATED ENTITIES**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

UNITED STATES DIVISION OF IRIS GLOBAL AND RELATED ENTITIES
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FOR THE YEAR ENDED SEPTEMBER 30, 2021

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CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
United States Division of Iris Global
and Related Entities
Redding, California

We have audited the accompanying consolidated financial statements of the United States Division of Iris Global (a California nonprofit organization) and related entities, which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Division of Iris Global and related entities as of September 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As further discussed in Note 10 to the consolidated financial statements, these consolidated financial statements include only the United States Division of Iris Global and related entities. Our opinion is not modified with respect to this matter.

DH Scott & Company LLP

Redding, California
January 13, 2022

UNITED STATES DIVISION OF IRIS GLOBAL AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

ASSETS

Current assets	
Cash and cash equivalents	\$ 3,919,807
Investments	896,630
Inventory	101,370
Prepaid expenses	<u>31,547</u>
Total current assets	<u>4,949,354</u>
Property and equipment	
Aircraft and aviation equipment	\$ 1,341,564
Boat and nautical equipment	232,516
Computers and software	127,327
Furniture and equipment	38,235
Vehicles	<u>32,115</u>
Total property and equipment	1,771,757
Less accumulated depreciation	<u>(465,545)</u>
Property and equipment, net	<u>1,306,212</u>
Total assets	<u>\$ 6,255,566</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 65,465
Accrued payroll and accrued liabilities	127,228
Unearned revenue	<u>77,236</u>
Total current liabilities	269,929
Long-term liabilities	
Note payable	<u>403,570</u>
Total liabilities	<u>673,499</u>
Net assets	
Without donor restrictions	3,757,539
With donor restrictions	<u>1,824,528</u>
Total net assets	<u>5,582,067</u>
Total liabilities and net assets	<u>\$ 6,255,566</u>

The accompanying notes are an integral part of these financial statements.

UNITED STATES DIVISION OF IRIS GLOBAL AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions	\$ 6,720,036	\$ 5,816,328	\$ 12,536,364
School income	209,507	-	209,507
Online courses and content	23,818	-	23,818
Sale of Christian materials	7,339	-	7,339
Donated goods and services	16,917	-	16,917
Investment income	6,299	-	6,299
Paycheck Protection Program debt extinguishment	403,570	-	403,570
Other income	26,333	-	26,333
Unrealized gain on investments	209,047	-	209,047
Total revenue and other support	7,622,866	5,816,328	13,439,194
Net assets released from restrictions			
Satisfaction of purpose requirements	5,313,197	(5,313,197)	-
Total revenue and support allocated	12,936,063	503,131	13,439,194
Ministry expenses			
Missions	8,236,332	-	8,236,332
Children's services	1,123,164	-	1,123,164
Education	653,793	-	653,793
Community development	279,347	-	279,347
Total ministry expenses	10,292,636	-	10,292,636
Support activities expenses			
Administration	1,289,981	-	1,289,981
Fundraising	209,442	-	209,442
Total support activities expenses	1,499,423	-	1,499,423
Total expenses	11,792,059	-	11,792,059
Change in net assets	1,144,004	503,131	1,647,135
Net assets at beginning of year	2,613,535	1,321,397	3,934,932
Net assets at end of year	\$ 3,757,539	\$ 1,824,528	\$ 5,582,067

The accompanying notes are an integral part of these financial statements.

UNITED STATES DIVISION OF IRIS GLOBAL AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Ministry				Support Activities		Total
	Missions	Children's Services	Education	Community Development	Administration	Fundraising	
Expenses							
Advertising	\$ 2,147	\$ 5,745	\$ 2,392	\$ -	\$ -	\$ -	\$ 10,284
Aviation and nautical operations	44,887	-	-	-	-	-	44,887
Bank charges	1,890	26,274	857	2	168,415	75	197,513
Cost of goods sold	11,593	-	-	-	-	-	11,593
Depreciation	86,260	660	-	-	7,905	536	95,361
Equipment	20,708	487	4,335	-	9,108	961	35,599
Fees and licenses	15,078	4,439	4,127	-	62,836	5,220	91,700
Grants and other disbursements	7,028,832	1,022,509	297,446	276,567	2,754	2,311	8,630,419
Honorariums	5,700	-	62,460	1,000	3,000	-	72,160
Insurance	42,655	-	-	-	32,047	-	74,702
Meals and entertainment	2,588	-	4,329	-	2,592	505	10,014
Media and web design	171	7,007	18,768	-	408	32,397	58,751
Office expense	2,610	12	2,335	-	4,324	381	9,662
Other	403	-	-	-	17,778	-	18,181
Outreach expenses	-	-	33,665	-	-	-	33,665
Postage and shipping	5,499	1,183	37	-	2,896	6,376	15,991
Printing and copying	400	2,618	333	-	935	5,196	9,482
Professional services	20,723	-	4,500	1,778	99,512	-	126,513
Rent	5,660	-	-	-	-	-	5,660
Repairs and maintenance	8,247	-	38	-	1,251	171	9,707
Salaries and related costs	717,476	51,555	143,984	-	852,468	146,120	1,911,603
School food and kitchen	-	-	36,204	-	-	-	36,204
School housing	-	-	11,646	-	-	-	11,646
School transportation	-	-	3,898	-	-	-	3,898
Solar and audio bibles	83,238	-	-	-	-	-	83,238
Supplies	487	-	5,102	-	-	109	5,698
Training and education	1,673	-	-	-	1,822	-	3,495
Travel	113,053	-	12,860	-	12,361	5,858	144,132
Utilities	14,354	675	4,477	-	7,569	3,226	30,301
Total expenses	\$ 8,236,332	\$ 1,123,164	\$ 653,793	\$ 279,347	\$ 1,289,981	\$ 209,442	\$ 11,792,059

The accompanying notes are an integral part of these financial statements.

UNITED STATES DIVISION OF IRIS GLOBAL AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Cash flows from operating activities	
Cash received from contributions, tuition, and material sales	\$ 12,757,557
Cash paid to employees, vendors, grant recipients and foreign division	(11,656,262)
Dividend income received	5,150
	<u>1,106,445</u>
Net cash provided by (used in) operating activities	
Cash flows from investing activities	
Proceeds from sale of investments	48,783
Purchase of investments	(3,195)
Purchases of equipment	(30,914)
Proceeds from disposition of assets	1,258
	<u>15,932</u>
Net cash provided by (used in) investing activities	
Cash flows from financing activities	
Borrowings from long-term debt	<u>403,570</u>
Net cash provided by (used in) financing activities	
	<u>403,570</u>
Net increase (decrease) in cash and cash equivalents	1,525,947
Cash and cash equivalents, beginning of year	<u>2,393,860</u>
Cash and cash equivalents, end of year	\$ <u><u>3,919,807</u></u>

Schedule of non-cash investing and financing activities

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets</u>
Donated securities	\$ <u>61,895</u>	\$ <u>-</u>	\$ <u>61,895</u>
Forgiveness of Paycheck Protection Program Loan	\$ <u>-</u>	\$ <u>403,520</u>	\$ <u>403,520</u>

The accompanying notes are an integral part of these financial statements.

UNITED STATES DIVISION OF IRIS GLOBAL AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Reconciliation of change in net assets to net cash provided by (used in) operating activities

Change in net assets	\$ <u>1,647,135</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	95,361
Unrealized gain on investments	(209,047)
Contribution of securities	(61,895)
Paycheck Protection Program debt extinguishment	(403,570)
Decrease (increase) in assets	
Inventory	5,214
Prepaid expenses	(14,208)
Increase (decrease) in liabilities	
Accounts payable	25,809
Accrued payroll and accrued liabilities	23,621
Unearned revenue	<u>(1,975)</u>
Total adjustments	<u>(540,690)</u>
Net cash provided by (used in) operating activities	\$ <u><u>1,106,445</u></u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The accompanying consolidated financial statements include only the United States Division of Iris Global and related entities (the Organization). Iris Global is a holistic Christian organization which funds ongoing and expanding programs in underdeveloped nations. Since inception, Iris Global has been expressing the love of God through providing education and basic needs for orphans, children at risk, widows, vulnerable women, and the disabled. Iris Global's programs include education, healthcare, community development, well drilling, low-cost housing, cottage industries, micro and macro agricultural projects, arts and media, and faith-based leadership training. Iris Global Churches was established to develop a network of ministers and churches committed to seeing the advancement of the Gospel. Iris Air, LLC and Iris Nautical, LLC are holding companies of an airplane and a boat, respectively. Iris Global, Iris Global Churches, and Iris Relief are organized as non-profit organizations under the laws of the state of California and are tax-exempt under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Iris Air and Iris Nautical are single-member LLCs incorporated under the laws of the state of Delaware. For tax purposes, Iris Air and Iris Nautical are disregarded entities under Iris Global. Iris Relief discontinued operations and was dissolved in February, 2021.

See Note 10 for details on the foreign division.

Principles of Consolidation

The consolidated statements include the accounts of the United States Division of Iris Global and its related entities, Iris Relief, Iris Global Churches, Iris Air, and Iris Nautical. All intercompany balances and transactions have been eliminated in consolidation.

Adoption of New Accounting Standards

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue Recognition (Topic 606): Revenue from Contracts with Customers. This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization implemented ASU 2014-09 effective October 1, 2020. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The FASB issued this ASU to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The Organization adopted ASU 2018-08 effective October 1, 2020. There was no impact to net assets or changes in net assets.

Basis of Accounting

The financial statements are prepared in accordance with generally accepted accounting principles, using the accrual basis of accounting which recognizes revenue when earned and obligations for goods and services when received or rendered.

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restrictions	Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
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Net Assets With Donor Restrictions	Net assets whose use is limited by donor-imposed time/and or purpose restrictions.
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Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed 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. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Cash and Cash Equivalents

The Organization considers all liquid investments, with maturity of 90 days or less when purchased, to be cash equivalents.

The Organization places its cash and temporary cash investments with high quality credit institutions. At times, such investments may be in excess of the FDIC insurance limit; however, the Organization believes that the credit risk is nominal. As of September 30, 2021, the Organization had cash and cash equivalents in excess of the FDIC insured limit of \$3,642,690.

Investments

The Organization's investments in marketable equity securities are classified as available for sale because they are being held for an indefinite period of time. Available-for-sale securities are recorded at fair value as investments on the consolidated statement of financial position, with unrealized gains and losses included in the change in net assets in the consolidated statement of activities.

The Organization's investments, which are all held in one security, are exposed to various risks, such as interest rate, market, currency and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the consolidated financial statements.

Inventories

Inventories consist of books, CDs, DVDs, jewelry, artwork, and stationery. Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 25 years. Significant improvements and renewals are capitalized, while maintenance and repairs are expensed as incurred. When property and equipment are retired or disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in the current period. Equipment having a cost of \$1,500 or less is expensed in the year of acquisition. Depreciation expense for the year ended September 30, 2021 was \$95,361.

Revenue Recognition

The Organization recognizes revenue in accordance with FASB ASC Subtopic 958-605, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are unconditionally pledged or when they are received.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-term assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-term assets are reported as restricted support. Absent explicit donor stipulations about how these long-term assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-term assets are placed in service.

Tuition revenue is recognized in the year in which the related educational instruction is performed. Accordingly, tuition fees received for a future year are deferred until the instruction commences. Registration fees are non-refundable and recognized when they are paid.

Revenues from sales of inventory are recognized at the time the product is sold.

In-Kind Contributions of Services and Materials

Contributed services are recognized as contributions in accordance with FASB ASC Subtopic 958-605-25-16, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. It is the policy of the Organization to record the estimated fair value of contributed services as contribution revenue and operating expense. Contributed services and materials, if any, are reflected in the financial statements as donated goods and services. At September 30, 2021, the Organization has recorded \$16,917 of donated goods and services included in the accompanying statement of activities.

Income Taxes

The United States Division of Iris Global, Iris Global Churches, and Iris Global Relief are non-profit corporations exempt under the provisions of Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the Revenue and Taxation Code of California. Iris Air and Iris Nautical are single-member LLCs incorporated under the laws of the state of Delaware and are considered disregarded entities under Iris Global.

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (continued)**

Functional Expense Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting service based on estimates of employees' time incurred and on usage of resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF ASSETS

The Organization's financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consist of the following at September 30, 2021.

Cash and cash equivalents	\$ 3,919,807
Investments	<u>896,630</u>
Financial assets, year-end	4,816,437
Less those unavailable for general expenditures within one year due to:	
Time or purpose restrictions by donor	<u>(1,824,528)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,991,909</u>

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

Operating costs of the Organization total about \$550,000 per month. Management's practice is to keep as much undesignated cash on hand as possible to cover operating costs with a goal of setting aside 60 days of operating costs. To meet this goal, the Organization has a liquidity reserve bank account which may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. The balance of the account was \$1,256,401 as of September 30, 2021.

NOTE 3 – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2- Inputs to the valuation methodology include:
 Quoted prices for similar assets or liabilities in active markets;
 Quoted prices for identical or similar assets or liabilities in inactive markets;
 Inputs other than quoted prices that are observable for the asset or liability;
 Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2021:

Common Stock: Common stock is valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, within the fair value hierarchy, the Organization’s assets as of September 30, 2021:

	Level 1	Level 2	Level 3	Total
Common Stock	\$ 896,630	\$ -	\$ -	\$ 896,630

As of September 30, 2021 the Organization’s investment portfolio was comprised of investments in one company thus exposing the Organization to certain market risks.

UNITED STATES DIVISION OF IRIS GLOBAL AND RELATED ENTITIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4 – INVESTMENTS

Investments consist of the following unrestricted net assets at September 30, 2021:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gains</u>
Stocks	\$ 99,993	\$ 896,630	\$ 796,637

The Organization's investment activities for the year ended September 30, 2021 resulted in dividend income of \$5,149 and realized and unrealized gains on investments of \$210,197. For the year ended September 30, 2021, direct custodial fees and investment advisory fees were zero.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2021:

	<u>Total</u>
Well drilling projects	\$ 796,101
Base program designations	606,612
Crisis response	126,165
Missionary support	108,624
Child sponsorship	83,843
Bible distribution	53,054
Other	<u>50,129</u>
Total net assets with donor restrictions	<u>\$ 1,824,528</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization paid \$115,830 to various organizations which are considered related by virtue of association between senior leaders who also serve as members on Iris Global's board. The majority of these payments are reported on the consolidated statement of activities as direct program expenses for missions. Honorariums paid to board members amounted to \$1,000 for the year ended September 30, 2021. See Note 10 for details on transactions with the foreign divisions.

NOTE 7 – PAYCHECK PROTECTION PROGRAM

Iris Global was granted a loan from Bank of America under the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization had elected to treat this as a loan in accordance with ASC 470 Debt. During the year ended September 30, 2021, this loan was forgiven and resulted in a gain on extinguishment of debt of \$403,570.

NOTE 7 – PAYCHECK PROTECTION PROGRAM (continued)

Iris Global was eligible and received the second round of funding under the PPP through Bank of America on February 18, 2021 in the amount of \$403,570. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes. The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first ten months. The Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan in whole.

NOTE 8 – SALES TAX COLLECTED

The Organization collects sales tax at the point of sale on items sold. The sales tax is included in accrued liabilities and has not been included in gross revenues.

NOTE 9 – INCOME TAXES

Generally accepted accounting principles prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management of the Organization has evaluated its uncertain tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. The Organization's tax returns are subject to examination by Federal tax authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

NOTE 10 – FOREIGN DIVISION

Ministerial bases located in Mozambique and Madagascar are legally operated as a division of Iris Global and are not considered a related entity. Operationally, the Organization treated payments to the Mozambican and Madagascan operations as unrelated entities and recorded all payments as grant expense. For the year ended September 30, 2021 total grant expenses paid to Mozambican and Madagascan bases were \$6,121,268 and \$81,934, respectively. Those grant expense are included in grants and other disbursements on the accompanying Statement of Functional Expenses. The financial position as of September 30, 2021 of the foreign divisions, and the results of those operations and cash flows for the year then ended have not been included in these financial statements.

NOTE 11 – RETIREMENT PLAN

In January 2018, the Organization established a retirement plan under Internal Revenue Code Section 403(b), which is an employer sponsored retirement plan that allows employees to contribute pre-tax dollars to the plan. All employees are eligible to participate in the plan by making contributions that are tax deferred. A summary plan describing the various rules of the plan is available. At this time, the Organization does not make any discretionary or matching contributions to the Plan.

NOTE 12 – CONTINGENCIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the economy; such potential impact is unknown at this time.

NOTE 13 – EMPLOYEE RETENTION CREDIT

The Organization is currently exploring its options related to applying for the Employee Retention Credits under section 2301 of the CARES Act as it relates to the year ended September 30, 2021. At this time the impact to the financial statements and allowable grant costs is unknown.

NOTE 14 – SUBSEQUENT EVENTS

Iris Global has evaluated subsequent events through January 13, 2022, which is the date the financial statements were available to be issued.