

**DEAFWAY GLOBAL**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

(With Independent Auditor's Report Thereon)

**DEAFWAY GLOBAL**  
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**DECEMBER 31, 2020**

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## PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
DeafWay Global

We have audited the accompanying financial statements of DeafWay Global (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related 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 these 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of DeafWay Global as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Patterson Hardee & Ballentine*

May 18, 2021

**DEAFWAY GLOBAL**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

**ASSETS**

|                                      |    |                          |
|--------------------------------------|----|--------------------------|
| Current Assets:                      |    |                          |
| Cash                                 | \$ | 104,113                  |
| Restricted cash                      |    | 150,000                  |
| Contributions receivable             |    | 242,500                  |
| Total current assets                 |    | <u>\$ 496,613</u>        |
| <br>                                 |    |                          |
| Property and Equipment:              |    |                          |
| Equipment                            |    | 20,229                   |
| Less: accumulated depreciation       |    | <u>(5,619)</u>           |
| Total property and equipment         |    | 14,610                   |
| <br>                                 |    |                          |
| Assets Whose Use Is Limited:         |    |                          |
| Contributions receivable, current    |    | 43,857                   |
| Contributions receivable, noncurrent |    | <u>82,080</u>            |
| Total assets whose use is limited    |    | <u>125,937</u>           |
| <br>                                 |    |                          |
| Total Assets                         |    | <u><u>\$ 637,160</u></u> |

**LIABILITIES & NET ASSETS**

|                                  |    |                          |
|----------------------------------|----|--------------------------|
| Current Liabilities:             |    |                          |
| Accounts payable                 | \$ | 3,061                    |
| Total current liabilities        |    | <u>\$ 3,061</u>          |
| <br>                             |    |                          |
| Total liabilities                |    | 3,061                    |
| <br>                             |    |                          |
| Net Assets:                      |    |                          |
| Without donor restrictions       |    | 358,162                  |
| With donor restrictions          |    | <u>275,937</u>           |
| <br>                             |    |                          |
| Total net assets                 |    | <u>634,099</u>           |
| <br>                             |    |                          |
| Total Liabilities and Net Assets |    | <u><u>\$ 637,160</u></u> |

See accompanying notes and independent accountant's review report.

**DEAFWAY GLOBAL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                                       | Without donor<br>restrictions | With donor<br>restrictions | Total      |
|---------------------------------------|-------------------------------|----------------------------|------------|
| Public Support and Revenue:           |                               |                            |            |
| Contributions                         | \$ 531,516                    | \$ 152,817                 | \$ 684,333 |
| In-kind contributions                 | 207,009                       | 123,120                    | 330,129    |
| Other income                          | 112                           | -                          | 112        |
| Net assets released from restrictions | -                             | -                          | -          |
| Total public support and revenue      | 738,637                       | 275,937                    | 1,014,574  |
| Expenses:                             |                               |                            |            |
| Program activities:                   |                               |                            |            |
| Program services                      | 262,595                       | -                          | 262,595    |
| Supporting services:                  |                               |                            |            |
| Management and general                | 116,592                       | -                          | 116,592    |
| Fundraising                           | 1,288                         | -                          | 1,288      |
| Total supporting services             | 117,880                       | -                          | 117,880    |
| Total expenses                        | 380,475                       | -                          | 380,475    |
| Change in net assets                  | 358,162                       | 275,937                    | 634,099    |
| Net assets - beginning of year        | -                             | -                          | -          |
| Net assets - end of year              | \$ 358,162                    | \$ 275,937                 | \$ 634,099 |

See accompanying notes and independent account's review report.

**DEAFWAY GLOBAL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                                      | <u>Supporting Services</u>  |                                   |                    |                           |
|--------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------------|
|                                      | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total<br/>Expenses</u> |
| Salaries, payroll taxes and benefits | \$ 140,906                  | \$ 20,158                         | \$ -               | \$ 161,064                |
| In-kind expense                      | 102,251                     | 84,529                            | -                  | 186,780                   |
| Depreciation                         | 5,619                       | -                                 | -                  | 5,619                     |
| Information technology               | 3,221                       | 506                               | 1,288              | 5,015                     |
| Office expenses                      | 3,148                       | 13                                | -                  | 3,161                     |
| Professional fees                    | 523                         | 3,503                             | -                  | 4,026                     |
| Travel, conference and meetings      | 326                         | 4,133                             | -                  | 4,459                     |
| Communications                       | 6,601                       | 275                               | -                  | 6,876                     |
| Marketing                            | -                           | 3,475                             | -                  | 3,475                     |
| Total expenses by function           | <u>\$ 262,595</u>           | <u>\$ 116,592</u>                 | <u>\$ 1,288</u>    | <u>\$ 380,475</u>         |

See accompanying notes and independent accountant's review report.

**DEAFWAY GLOBAL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|  |           |                          |
|--|-----------|--------------------------|
| Cash Flows From Operating Activities:  |           |                          |
| Change in net assets   |           | \$ 634,099               |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |           |                          |
| Depreciation   | \$ 5,619  |                          |
| Donated equipment - noncash  | (20,229)  |                          |
| Changes in:  |           |                          |
| Contributions receivable   | (286,357) |                          |
| Assets whose use is limited  | (82,080)  |                          |
| Accounts payable   | 3,061     |                          |
|  |           | <u>(379,986)</u>         |
| Net cash provided by operating activities  |           | <u>254,113</u>           |
| Net change in cash   |           | 254,113                  |
| Cash and restricted cash - beginning of year   |           | <u>-</u>                 |
| Cash and restricted cash - end of year   |           | <u><u>\$ 254,113</u></u> |

See accompanying notes and independent accountant's review report.

**DEAFWAY GLOBAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 - Summary of Significant Accounting Policies**

**Nature of Activities and Program Description**

The terms “the Organization”, “we”, “us”, or “our” are used throughout these notes to the financial statements to identify DeafWay Global, a Tennessee not-for-profit organization incorporated on March 11, 2020. We were formed with the mission of transforming lives through deaf-driven, innovative approaches to Bible translation, thereby empowering deaf persons to utilize and share God’s Message in their natural language.

**Basis of Presentation**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes, therein, are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Revenue Recognition**

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

**Contributions**

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.



**DEAFWAY GLOBAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

**Contributions (continued)**

The Organization has adopted Accounting Standards Update ("ASU") No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) during 2020, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

**Contributions Receivable**

The Organization records pledges receivable which represent unconditional promises to give as revenue when the promise is received. On a periodic basis, the Organization evaluates pledges receivable balances and makes collection efforts for receivables aging 90 days or over. Accounts receivable are written off when all reasonable collection efforts have been exhausted. During the year ended December 31, 2020, there were no pledges receivable written off. The Organization believes all pledges receivable at December 31, 2020, will be fully collected. Accordingly, no allowance for doubtful accounts is required.

**Cash**

For purposes of the Statement of Cash Flows, we consider all cash and investment instruments purchased with original maturities of three months or less to be cash equivalents. At December 31, 2020, there were no cash equivalents.

**Property and Equipment**

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is calculated using the straight line basis over the estimated useful lives of the respective assets. Purchases or donations of equipment over \$2,500 are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. For the years ended December 31, 2020, no assets were considered to be impaired.

**Donated Goods, Facilities, and Services**

The Organization recognizes and records contributions of donated non-cash assets at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. The following were recorded as in-kind donations for the year ended December 31, 2020:

|   |                   |
|---|-------------------|
| Donated equipment, capitalized at fair value                                      | \$ 20,229         |
| Contributed payroll for certain employees   | 150,000           |
| Current year rent and utilities   | 36,780            |
| Donated rent and utilities contributions receivable for<br>years ending 2021-2023 | 123,120           |
|   | <u>\$ 330,129</u> |

**DEAFWAY GLOBAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

**Income Tax Status**

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

**Advertising**

Amounts expended on advertising costs are immediately expensed when incurred. For the year ending December 31, 2020, we expensed \$3,475 related to marketing costs as shown on the Statement of Functional Expenses as marketing.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Where practicable, expenses are directly classified to specific program or supporting service categories. Costs that are not specifically identifiable within functional categories are classified using allocation methods. Allocated costs and methods include salaries and payroll taxes.

**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. Actual results could differ from those estimates.

**Fair Values of Financial Instruments**

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

**Concentrations and Contingencies**

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, and receivables. At times during the year, cash of the Organization deposited in financial institutions exceeds the FDIC limit of \$250,000. The management of the Organization deposits cash funds in high quality institutions to mitigate the risk due to uninsured exposure.

The Organization receives 94% of our contributions from 2 donors, those of which are related parties as described in NOTE 6.

**DEAFWAY GLOBAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 - Availability and Liquidity**

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended

|                                   |                   |
|-----------------------------------|-------------------|
| Cash                              | \$ 104,113        |
| Restricted cash                   | 150,000           |
| Contributions receivable, current | <u>286,357</u>    |
|                                   | <u>\$ 540,470</u> |

The Organization has certain donor imposed assets limited to use that are not available within one year in the normal course of business and are described in NOTE 4.

In the next fiscal year, we plan to receive the same level of contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in one bank account. This cash is readily available. We manage our liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

**NOTE 3 - Contributions Receivable**

The pledges receivable represent donated rent and utilities (in-kind) for our location along with general public support. Restricted pledges will be released as time elapses for the donated rent as the funding is received, as discussed in NOTE 4.

|                              |                   |
|------------------------------|-------------------|
| Due within one year          | \$ 286,357        |
| Due within two to five years | <u>82,080</u>     |
|                              | <u>\$ 368,437</u> |

The Organization has not discounted the contributions receivable to be collected in future years as the related discount is not considered material to the financial statements.

**NOTE 4 – Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following at December 31, 2020:

|   |                   |
|---|-------------------|
| Cash restricted for use in 2021           | \$ 150,000        |
| Donated rent receivable (time restricted) | 123,120           |
| Other restricted receivable               | <u>2,817</u>      |
|   | <u>\$ 275,937</u> |

**DEAFWAY GLOBAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 5 - Office Lease**

We lease our office under a month-to-month lease agreement, including utilities, with a related party as described in NOTE 6. Current monthly lease payments are at a discounted rate, in addition to all utilities being covered by the lessor. In accordance with generally accepted accounting principles, and using a market value estimate, we recognized in-kind revenue, including contribution receivable and related restrictions of net assets discussed in NOTE 3 and 4, and expense for donated rent and utilities. All of these have been included as in-kind items as discussed in NOTE 1. The future maturities for the donated office space and utilities, including the portion paid by the Organization will be \$41,040 each year until December 31, 2023.

**NOTE 6 – Related Party Transactions**

The Organization has a significant amount of board members who are associated with two related entities. These two entities, through a collaborative effort, operated a program that became an official nonprofit with DeafWay Global during 2020. These two entities are also significant donors to our Organization and contributed 94% of the 2020 total public support, of which \$205,000 is due from one related party at year end and is included in contributions receivable on the statement of financial position.

These related parties also pay the salaries for the Executive Director, provide accounting services, and donate rent and utilities for the Organization. The approximate fair value of donated rent and utilities from the related party for the year ended December 31, 2020, was approximately \$41,040. The fair value is recorded as a contribution and as an expense in the accompanying statement of activities. These contributed amounts have been properly recorded as in-kind donations as discussed in both NOTE 1 and NOTE 5.

**NOTE 7 - New Pronouncements**

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

**NOTE 8 - Subsequent Events**

We have evaluated events subsequent to the year ended December 31, 2020. As of May 18, 2021, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.