

2021
Financial Statements
With
Auditor's Letters

DEAFWAY GLOBAL
FINANCIAL STATEMENTS
DECEMBER 31, 2021

(With Independent Auditor's Report Thereon)

DEAFWAY GLOBAL
FINANCIAL STATEMENTS
DECEMBER 31, 2021

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Audited Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
DeafWay Global

Opinion

We have audited the accompanying financial statements of DeafWay Global (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DeafWay Global as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DeafWay Global and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 7 to the financial statements, net assets with donor restrictions were previously overstated in previously issued financial statements. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the 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 DeafWay Global's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DeafWay Global'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.

Patterson Harder & Ballentine

September 22, 2022

DEAFWAY GLOBAL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current Assets:

Cash	\$ 100,229	
Restricted cash	50,240	
Contributions receivable	138,750	
Total current assets		\$ 289,219

Property and Equipment:

Equipment	20,229	
Less: accumulated depreciation	(12,364)	
Total property and equipment		7,865

Assets Whose Use Is Limited:

Restricted contributions receivable, current	243,440	
Restricted contributions receivable, noncurrent	41,040	
Total assets whose use is limited		284,480

Total Assets		<u>\$ 581,564</u>
--------------	--	-------------------

LIABILITIES & NET ASSETS

Current Liabilities:

Accounts payable	\$ 9,813	
Total current liabilities		<u>\$ 9,813</u>

Total liabilities		9,813
-------------------	--	-------

Net Assets:

Without donor restrictions	237,031	
With donor restrictions	334,720	

Total net assets		<u>571,751</u>
------------------	--	----------------

Total Liabilities and Net Assets		<u>\$ 581,564</u>
----------------------------------	--	-------------------

DEAFWAY GLOBAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenue:			
Contributions	\$ 440,432	\$ 256,530	\$ 696,962
In-kind contributions	334,892	-	334,892
Other income	3,632	-	3,632
Net assets released from restrictions	47,747	(47,747)	-
Total public support and revenue	826,703	208,783	1,035,486
Expenses:			
Program activities:			
Program services	551,880	-	551,880
Supporting services:			
Management and general	444,333	-	444,333
Fundraising	101,621	-	101,621
Total supporting services	545,954	-	545,954
Total expenses	1,097,834	-	1,097,834
Change in net assets	(271,131)	208,783	(62,348)
Net assets - beginning of year, as previously reported	358,162	275,937	634,099
Prior period adjustment	150,000	(150,000)	-
Net assets - beginning of year, restated	508,162	125,937	634,099
Net assets - end of year	\$ 237,031	\$ 334,720	\$ 571,751

See accompanying notes and independent account's review report.

DEAFWAY GLOBAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries, payroll taxes and benefits	\$ 384,203	\$ 109,153	\$ 60,034	\$ 553,390
In-kind expense	117,932	258,000	-	375,932
Professional fees	2,964	46,637	28,171	77,772
Information technology	21,965	9,467	2,176	33,608
Travel, conference and meetings	11,415	7,337	8,032	26,784
Office expenses	8,565	874	93	9,532
Depreciation	-	6,745	-	6,745
Reimbursable expenses	4,830	1,166	135	6,132
Entertainment	-	2,246	421	2,667
Marketing	-	-	2,559	2,559
Repairs & maintenance	-	1,080	-	1,080
Miscellaneous	6	715	-	720
Insurance	-	571	-	571
Rent expense	-	342	-	342
Total expenses by function	<u>\$ 551,880</u>	<u>\$ 444,333</u>	<u>\$ 101,621</u>	<u>\$ 1,097,834</u>

See accompanying notes and independent accountant's review report.

DEAFWAY GLOBAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows From Operating Activities:		
Change in net assets	\$	(62,348)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	\$	6,745
Changes in:		
Contributions receivable		(95,833)
Assets whose use is limited		41,040
Accounts payable		6,752
		<u>(41,296)</u>
Net cash used in operating activities		<u>(103,644)</u>
Net change in cash		(103,644)
Cash and restricted cash - beginning of year		<u>254,113</u>
Cash and restricted cash - end of year	\$	<u><u>150,469</u></u>

See accompanying notes and independent accountant's review report.

DEAFWAY GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 and 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, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2021, there were no pledges receivable written off. The Organization believes all pledges receivable at December 31, 2021, 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, 2021, 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, 2021, 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, 2021:

Contributed payroll for certain employees	\$ 255,740
Current year rent and utilities	70,152
Other	<u>9,000</u>
	<u>\$ 334,892</u>

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.

DEAFWAY GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Advertising

Amounts expended on advertising costs are immediately expensed when incurred. For the year ending December 31, 2021, we expensed \$2,559 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 70% of our contributions from 2 donors, those of which are related parties as described in NOTE 6.

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	\$ 100,229
Contributions receivable	138,750
	<u>\$ 238,979</u>

The Organization has certain donor-imposed assets limited to use that are described in NOTE 3.

DEAFWAY GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - Availability and Liquidity (continued)

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 – Restricted Contributions Receivable

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

Due within one year	\$ 243,440
Due within two to five years	<u>41,040</u>
	<u>\$ 284,480</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, 2021:

Restricted cash – Deaf Balkans	\$ 50,240
Contribution receivable – Deaf Balkans	47,400
Donated rent receivable (time restricted)	82,080
Pledge receivable (time restricted)	<u>155,000</u>
	<u>\$ 334,720</u>

NOTE 5 - Office Lease

We lease our office under a lease agreement, including utilities, from a related party as described in NOTE 6. Current monthly lease payments are at a discounted rate. In accordance with generally accepted accounting principles, and using market value estimates, we recognized in-kind revenue, including contribution receivable and related restrictions of net assets discussed in NOTE 3 and 4, and in-kind 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 \$44,040 for the next fiscal year and \$44,040 for the year ended December 31, 2023.

DEAFWAY GLOBAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 63% of the 2021 total public support, of which \$193,500 remained due 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 and other administrative personnel, provide accounting services, and donate rent and utilities for the Organization. The fair value of donated rent and utilities from the related party for the year ended December 31, 2021, was approximately \$41,040, which is included in in-kind expenses on the statement of activities and as a reduction to contributions receivable. Amounts paid by related parties for donated salaries for the year ended December 31, 2021 was \$252,000. These amounts are recorded as in-kind revenue and expense on the accompanying statement of activities. See NOTE 5.

NOTE 7 – Prior Period Adjustment

Beginning net assets with restrictions were reduced by \$150,000 and net assets without restrictions were increased by \$150,000 to correct errors in previously reported balances.

NOTE 8 - 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 9 - Subsequent Events

We have evaluated events subsequent to the year ended December 31, 2021. As of September 22, 2022, 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.