



Deaf Bible Society

Financial Statements
March 31, 2020 and 2019

Deaf Bible Society

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Independent Auditors' Report

To the Board of Directors of Deaf Bible Society

We have audited the accompanying financial statements of Deaf Bible Society, a nonprofit organization, which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 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 Deaf Bible Society as of March 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
August 17, 2020

Deaf Bible Society
Statements of Financial Position
March 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 1,749,383	\$ 1,594,166
Pledges receivable	-	225,699
Prepaid expenses	-	34,311
Inventory	6,038	6,038
Total current assets	1,755,421	1,860,214
Deposits	26,474	25,528
Property and equipment, net	1,023,435	1,002,104
Total assets	\$ 2,805,330	\$ 2,887,846
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 128,033	\$ 283,307
Accrued expenses and other liabilities	75,366	53,184
Refundable advance	261,680	232,020
Deferred rent	46,682	44,804
Total current liabilities	511,761	613,315
Net assets:		
Without donor restrictions	1,263,403	1,262,308
With donor restrictions	1,030,166	1,012,223
Total net assets	2,293,569	2,274,531
Total liabilities and net assets	\$ 2,805,330	\$ 2,887,846

See notes to financial statements.

Deaf Bible Society
Statement of Activities
Year Ended March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 5,721,349	\$ 741,018	\$ 6,462,367
In-kind contributions	256,482	-	256,482
Other revenue	3,567	-	3,567
Net assets released from restrictions	723,075	(723,075)	-
Total revenue and support	6,704,473	17,943	6,722,416
Expenses:			
Program services	4,724,527	-	4,724,527
Fundraising	1,003,482	-	1,003,482
Management and general	975,369	-	975,369
Total expenses	6,703,378	-	6,703,378
Change in net assets	1,095	17,943	19,038
Net assets at beginning of year	1,262,308	1,012,223	2,274,531
Net assets at end of year	\$ 1,263,403	\$ 1,030,166	\$ 2,293,569

See notes to financial statements.

Deaf Bible Society
Statement of Activities
Year Ended March 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 5,410,048	\$ 878,223	\$ 6,288,271
In-kind contributions	199,230	-	199,230
Other revenue	5,130	-	5,130
Net assets released from restrictions	439,854	(439,854)	-
Total revenue and support	6,054,262	438,369	6,492,631
Expenses:			
Program services	4,352,703	-	4,352,703
Fundraising	816,344	-	816,344
Management and general	653,331	-	653,331
Total expenses	5,822,378	-	5,822,378
Change in net assets	231,884	438,369	670,253
Net assets at beginning of year	1,030,424	573,854	1,604,278
Net assets at end of year	\$ 1,262,308	\$ 1,012,223	\$ 2,274,531

See notes to financial statements.

Deaf Bible Society
Statement of Functional Expenses
Year Ended March 31, 2020

	Program services	Fundraising	Management and general	Total
Advertising and promotions	\$ 2,952	\$ 65,781	\$ 420	\$ 69,153
Translations and ministry services	1,522,725	-	-	1,522,725
Depreciation and amortization	69,422	26,237	25,833	121,492
Insurance, accounting fees and professional services	376,019	96,359	110,440	582,818
Loss on disposal intellectual property projects	94,086	-	-	94,086
Miscellaneous	766	4,483	116,199	121,448
Payroll taxes and fringe benefits	334,723	83,146	83,591	501,460
Salaries and wages	1,799,462	473,912	376,273	2,649,647
Equipment expense	15,564	17,539	25,005	58,108
Supplies and office expense	35,095	18,710	84,483	138,288
Telephone and internet	12,496	2,938	3,499	18,933
Occupancy	193,399	63,901	63,901	321,201
Travel, meetings and entertainment	267,818	150,476	85,725	504,019
Total expenses	\$ 4,724,527	\$ 1,003,482	\$ 975,369	\$ 6,703,378

See notes to financial statements.

Deaf Bible Society
Statement of Functional Expenses
Year Ended March 31, 2019

	Program services	Fundraising	Management and general	Total
Advertising and promotions	\$ 9,379	\$ 25,639	\$ 366	\$ 35,384
Translations and ministry services	1,934,740	-	-	1,934,740
Depreciation and amortization	112,306	11,255	6,150	129,711
Insurance, accounting fees and professional services	333,460	111,212	65,094	509,766
Miscellaneous	12,963	4,744	2,017	19,724
Payroll taxes and fringe benefits	206,738	44,820	61,780	313,338
Salaries and wages	1,095,726	355,047	339,497	1,790,270
Equipment expense	117,297	25,963	23,065	166,325
Supplies and office expense	52,273	39,039	35,825	127,137
Telephone and internet	18,001	6,672	3,443	28,116
Occupancy	162,407	52,334	52,334	267,075
Travel, meetings and entertainment	297,413	139,619	63,760	500,792
Total expenses	\$ 4,352,703	\$ 816,344	\$ 653,331	\$ 5,822,378

See notes to financial statements.

Deaf Bible Society
Statements of Cash Flows
Years Ended March 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 19,038	\$ 670,253
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	121,492	129,711
Gain on disposal of assets	(341)	-
Noncash donations of intellectual property	(142,197)	(77,374)
Loss on disposal of intellectual property projects	94,086	-
Changes in operating assets and liabilities:		
Accounts receivable	-	10,385
Pledges receivable	225,699	(225,699)
Prepaid expenses	34,311	(10,224)
Deposits	(946)	-
Accounts payable	(155,274)	191,049
Accrued expenses and other liabilities	22,182	(28,790)
Refundable advance	29,660	68,024
Deferred rent	1,878	44,804
Net cash provided by operating activities	249,588	772,139
Cash flows from investing activities:		
Proceeds from sale of property and equipment	1,778	-
Purchases of property and equipment	(96,149)	(198,682)
Purchases of intellectual property	-	(247,198)
Net cash used by investing activities	(94,371)	(445,880)
Net increase in cash	155,217	326,259
Cash at beginning of year	1,594,166	1,267,907
Cash at end of year	\$ 1,749,383	\$ 1,594,166

See notes to financial statements.

Deaf Bible Society

Notes to Financial Statements

1. Organization

Deaf Bible Society (DBS) is a for-purpose Christian ministry dedicated to making the Bible freely available and easily accessible in every sign language. We are also committed to training leaders on how to use sign language scripture and engage their communities with the Bible. The ministry works in cooperation with Bible societies, churches, and mission groups worldwide. Deaf Bible Society is exempt from income taxes under the Internal Revenue Code (IRC) Section 501(c)(3) and is governed by a board of directors. DBS is primarily supported by contributions from individuals and other organizations.

DBS's primary exempt purpose is to offer free access to the Bible in every sign language. DBS believes that the Great Commission is true for all people, including the Deaf. We believe the Deaf have a right to access the Bible in their sign language resulting in a personal relationship with God and community within the Church.

DBS's mission is to provide God's Word in every sign language. Our vision is to create locally sustainable Great Commission initiatives amongst the Deaf to reveal the hope of the Gospel, so that every Deaf person has the opportunity to receive, experience, and share it.

Through partnership, DBS has actively developed a global directory of advocates for the Deaf. We provide many Deaf an opportunity to see the Gospel in their sign languages, so they can come to know and understand the ultimate Advocate-Jesus Christ.

We balance these efforts by keeping the following organizational core values in mind to advance sign language Bible translation and engagement.

- God First
- Servant Hearted
- Deaf Centric
- Legacy
- Innovation
- Stewardship

Of the more than 400 known sign languages, not one has a full Bible. We know that Christian communities thrive when they have access to and encouragement with God's Word. This is why DBS exists. From developing the Deaf Bible App in 2012, to launching as an independent 501(c)(3) nonprofit organization in 2015, Deaf Bible Society diligently works with partners far and wide in the following areas to reach the world's Deaf with the Gospel:

- Accelerate the translation of Scripture into sign languages.
- Create new tools and technology for Deaf people to access and engage with God's Truth.
- Train and equip new Deaf leaders to develop Scripture-engaged communities.

Deaf Bible Society

Notes to Financial Statements

Translation Acceleration

DBS bridges the divide between partners with written translation expertise and the unique needs of sign language translation. Nearly 30 sign languages have some Scripture translated. In fiscal year ended March 31, 2020, we were able to engage/embark/establish five new and 17 ongoing sign language Bible Translation projects. Our goal over the next three years is to see Scripture available in 38 more sign languages to Deaf communities worldwide.

Tools and Technology

There are many challenges in trying to reach the intended audience. One that has been overlooked, ignored, or hidden away. This year updates were made to the Deaf Bible app and online platform, Deaf Bible Network, Deaf Church Where, and Chameleon. These are just a few of the emerging tools and technology being worked on to reach the Deaf with the Gospel. In 2019-2020, thousands of people were engaged with the Deaf Bible via our mobile application and online resources. We were able to offer a directory of over 400 Deaf churches/ministries within the United States.

Scripture Engagement

For continued Scripture engagement efforts to be sustainable among Deaf communities, future leaders will need to be trained and equipped. In 2019-2020 we were able to train over 250 Deaf Leaders. We also distributed content in 28 sign languages in more than 20 countries, these languages have the capacity to reach more than 20 million Deaf with the opportunity of heart language Bible access. As these Deaf leaders rise up, a solid foundation is being built for them to lead the way in establishing sign language Scripture engagement programs.

Being that the Deaf people groups are among the most unengaged with Gospel and that only 2% of the world's 70 Million Deaf people have ever experience the Gospel message in their heart language, the above-mentioned efforts are changing these starting statistics. A unified movement has begun and continues to function as to ensure the Deaf are part of the Great Commission command.

This past year, DBS served as an ally for Deaf communities around the world with one goal in mind: providing opportunities for the Deaf to see God's Word in their sign language.

2. Summary of Significant Accounting Policies

Basis of Accounting

DBS prepares the financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Deaf Bible Society

Notes to Financial Statements

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of DBS and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting DBS to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board approved spending policy. As of March 31, 2020 and 2019, no such net asset restrictions existed.

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. Expirations of net assets with donor restrictions (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. DBS chooses to show restricted contributions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and pledges receivable. Cash is placed with high credit quality financial institutions to minimize risk. Pledges receivable are unsecured and are due from various donors. DBS continually evaluates the collectability of pledges receivable and maintains allowances for potential losses based on historical experience.

DBS maintains its cash balances with high credit quality financial institutions located in Texas, which at times may exceed federally insured limits. Balances at financial institutions exceeded federally insured amounts by \$1,515,506 at March 31, 2020. DBS has not incurred any losses in these accounts, and does not believe that they are exposed to any significant credit risk on cash.

Deaf Bible Society

Notes to Financial Statements

Property and Equipment

Property and equipment that is purchased is recorded at cost and depreciated over the estimated useful lives using the straight-line method over a life of 3 to 20 years.

Donations of property and equipment are recorded as support at their fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, DBS reports expirations of donor restrictions when the donated or acquired assets are placed in service. DBS reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment exceeding \$1,000 are capitalized and are stated at cost less accumulated depreciation. Maintenance and repairs that do not significantly improve or extend the lives of the furniture and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reported in the statements of activities.

Internally Developed Software

DBS develops internal software for use in their programs. DBS capitalizes direct costs associated with the development of the software. Costs incurred subsequent to the software being placed into service are charged to program expense. Capitalized costs are amortized over the estimated useful life on a straight-line basis. Unamortized costs are carried at the lower of book value or net realizable value.

Revenue Recognition

DBS recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Donated services are reflected as contributions at their estimated fair values at date of receipt. DBS recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized

Deaf Bible Society

Notes to Financial Statements

skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, a portion of depreciation, and amortization expense, which are allocated on approximate space usage basis of the building as well as fixed assets and equipment that each department uses. Salaries and wages, benefits and payroll taxes, professional services, office expenses, equipment expense, insurance, and other expenses are allocated on the basis of time, effort, and intent.

Estimates and Assumptions

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

Income Taxes

DBS is exempt from federal income taxes under Section 501(a) of the IRC as an organization described in IRC Section 501(c)(3), except to the extent it has unrelated business income. In addition, DBS has been determined by the Internal Revenue Service (IRS) not to be a private foundation within the meaning of Section 509(a) of the IRC. For the years ended March 31, 2020 and 2019, DBS had no unrelated business income. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing DBS's tax return and recognition of a tax liability (or asset) if DBS has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by DBS, and has concluded that as of March 31, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification. DBS considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the DBS's financial position and changes in net assets.

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Notes to Financial Statements

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2021.

DBS is currently assessing the impact that adopting this new guidance will have on the financial statements.

Accounting Pronouncements Adopted

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that 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 entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. DBS adopted this ASU as of and for the year ended March 31, 2020.

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. DBS adopted this ASU as of and for the year ended March 31, 2020.

Analysis of various provisions of the adopted ASUs resulted in no significant changes in the way DBS recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

Deaf Bible Society
Notes to Financial Statements

3. Property and Equipment

Property and equipment consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 290,324	\$ 245,686
Website	155,106	155,106
Video recordings	300,300	300,300
Furniture and fixtures	43,142	37,626
Building	97,440	56,108
Intellectual property	105,224	105,224
Video asset management - in progress	-	26,800
Software - in progress	304,867	331,954
Database - in progress	-	40,199
Aveditz - in progress	179,346	66,999
SLTT - in progress	29,850	-
	<u>1,505,599</u>	<u>1,366,002</u>
Less accumulated depreciation and amortization	<u>(482,164)</u>	<u>(363,898)</u>
	<u>\$ 1,023,435</u>	<u>\$ 1,002,104</u>

Depreciation and amortization expense for the years ended March 31, 2020 and 2019, totaled \$121,492 and \$129,711, respectively.

During the year ended March 31, 2020, in progress intellectual property projects were cancelled and written off resulting in a loss totaling \$94,086 and is included in the statement of functional expenses.

4. In-Kind Contributions

During the years ended March 31, 2020 and 2019, DBS received in-kind donations as follows:

	<u>2020</u>	<u>2019</u>
Professional services	\$ 256,482	\$ 199,230
	<u>\$ 256,482</u>	<u>\$ 199,230</u>

The estimated fair market value of these donations is reflected in the accompanying statements as in-kind contributions, intellectual property assets and translation and ministry services expense.

Deaf Bible Society
Notes to Financial Statements

5. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of March 31:

	2020	2019
Translation	\$ 618,031	\$ 204,665
Scripture engagement	169,026	667,069
Institute for sign language engagement and training	243,109	140,489
	\$ 1,030,166	\$ 1,012,223

6. Lease Commitments

DBS entered into a non-cancelable operating lease agreement for office space. The lease includes rent abatements and rent escalations, which are amortized and recorded over the lease term on a straight-line basis. Required minimum rental payments on an annual basis are as follows for the years ending March 31:

2021	247,712
2022	255,280
2023	262,972
2024	88,512

Occupancy expense related to this lease agreement totaled \$300,603 and \$244,549 for the years ended March 31, 2020 and 2019, respectively.

7. Liquidity and Availability of Resources

DBS's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2020	2019
Cash	\$ 1,749,383	\$ 1,594,166
Pledges receivable	-	225,699
Total financial assets available to meet cash needs for general expenditures within one year	\$ 1,749,383	\$ 1,819,865

DBS receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year.

Deaf Bible Society

Notes to Financial Statements

DBS is supported by donor restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, DBS must maintain sufficient resources to meet those responsibilities to its donors. Additionally, DBS typically maintains approximately \$400,000 to \$600,000 in unrestricted cash available for its general operations throughout the year. Restricted cash will fluctuate based upon program activities related to that cash. DBS does have a revolving credit line of \$75,000 but this is used to fund activity on a more secure basis than cash. DBS avoids using any type of credit other than the aforementioned line of credit to engage in ongoing activity for reason that there is no tangible economic benefit to incurring interest charges on credit for a nonprofit.

8. Subsequent Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity worldwide. In April 2020, DBS secured a forgivable loan totaling \$431,371 under the Paycheck Protection Program. Given the uncertainty of the spread of the coronavirus, the related financial impact to DBS, if any, cannot be determined at this time.

DBS evaluated subsequent events after the statement of financial position date through the date the financial statements were available to be issued, and concluded that no additional disclosures are required.