



UNFOLDINGWORD

Financial Statements
With Independent Auditors' Report

December 31, 2021 and 2020

UNFOLDINGWORD

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INDEPENDENT AUDITORS' REPORT

Board of Directors
unfoldingWord
Orlando, Florida

Opinion

We have audited the accompanying financial statements of unfoldingWord (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years 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 unfoldingWord as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of unfoldingWord 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.

Responsibilities of Management 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, 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 unfoldingWord's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
unfoldingWord
Orlando, Florida

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 unfoldingWord'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 unfoldingWord'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.

Capin Crouse LLP

Lawrenceville, Georgia
August 2, 2022

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Statements of Financial Position

	December 31,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 1,308,881	\$ 1,382,374
Contribution receivable	110,000	-
Other assets	55,077	49,024
Property, plant, and equipment—net	201,293	257,271
Total Assets	<u>\$ 1,675,251</u>	<u>\$ 1,688,669</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 434,147</u>	<u>\$ 306,028</u>
Net assets:		
Without donor restrictions:		
Undesignated	598,155	652,420
With donor restrictions	642,949	730,220
Total net assets	<u>1,241,104</u>	<u>1,382,640</u>
Total Liabilities and Net Assets	<u>\$ 1,675,251</u>	<u>\$ 1,688,668</u>

See notes to financial statements

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Statements of Activities

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,318,086	\$ -	\$ 1,318,086	\$ 1,370,093	\$ -	\$ 1,370,093
Project support	-	4,602,036	4,602,036	-	3,559,916	3,559,916
Other	8,733	-	8,733	4,372	-	4,372
Government grant	-	-	-	-	333,745	333,745
Total Support and Revenue	<u>1,326,819</u>	<u>4,602,036</u>	<u>5,928,855</u>	<u>1,374,465</u>	<u>3,893,661</u>	<u>5,268,126</u>
RECLASSIFICATIONS:						
Net assets released from restrictions due to satisfactions of purpose restrictions and administrative assessments	<u>4,689,307</u>	<u>(4,689,307)</u>	<u>-</u>	<u>3,376,188</u>	<u>(3,376,188)</u>	<u>-</u>
EXPENSES:						
Program services	<u>4,343,294</u>	<u>-</u>	<u>4,343,294</u>	<u>2,858,055</u>	<u>-</u>	<u>2,858,055</u>
Supporting activities:						
General and administrative	1,661,099	-	1,661,099	1,535,297	-	1,535,297
Fundraising	<u>65,998</u>	<u>-</u>	<u>65,998</u>	<u>33,806</u>	<u>-</u>	<u>33,806</u>
	<u>1,727,097</u>	<u>-</u>	<u>1,727,097</u>	<u>1,569,103</u>	<u>-</u>	<u>1,569,103</u>
Total Expenses	<u>6,070,391</u>	<u>-</u>	<u>6,070,391</u>	<u>4,427,158</u>	<u>-</u>	<u>4,427,158</u>
Change in Net Assets	(54,265)	(87,271)	(141,536)	323,495	517,473	840,968
Net Assets, Beginning of Year	<u>652,420</u>	<u>730,220</u>	<u>1,382,640</u>	<u>328,925</u>	<u>212,747</u>	<u>541,672</u>
Net Assets, End of Year	<u>\$ 598,155</u>	<u>\$ 642,949</u>	<u>\$ 1,241,104</u>	<u>\$ 652,420</u>	<u>\$ 730,220</u>	<u>\$ 1,382,640</u>

See notes to financial statements

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Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (141,536)	\$ 840,968
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	59,878	4,898
Forgiveness of Paycheck Protection Program loan	-	(333,745)
Change in operating assets and liabilities:		
Contributions receivable	(110,000)	-
Other assets	(6,053)	(4,803)
Accounts payable and accrued expenses	128,118	73,593
Net Cash Provided (Used) by Operating Activities	<u>(69,593)</u>	<u>580,911</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	<u>(3,900)</u>	<u>(254,291)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	60,000
Proceeds from Paycheck Protection Program loan	-	333,745
Payments on note payable	<u>-</u>	<u>(60,000)</u>
Net Cash Provided by Financing Activities	<u>-</u>	<u>333,745</u>
Net Change in Cash and Cash Equivalents	(73,493)	660,365
Cash and Cash Equivalents, Beginning of Year	<u>1,382,374</u>	<u>722,009</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,308,881</u>	<u>\$ 1,382,374</u>
NONCASH FINANCING ACTIVITY:		
Forgiveness of Paycheck Protection Program loan	<u>\$ -</u>	<u>\$ 333,745</u>

See notes to financial statements

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Notes to Financial Statements

December 31, 2021 and 2020

1. NATURE OF ORGANIZATION:

unfoldingWord (the Organization) is a nonprofit organization, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and is not a private foundation under Section 509(a) of the Code. The Organization's primary source of support and revenue is derived from contributions and project support.

The Organization is focused on revolutionizing Bible translation by empowering the global church with open sourced, cutting-edge technology and creative common resources so that people around the world can quickly and reliably translate the Bible and other biblical resources into their own language.

Open source software is an alternative to proprietary software and represents a different model for the development and licensing of commercial software code than that typically used for proprietary software. Because open source software code, generally, is freely shared, there are customarily no licensing fees for the use of open source software. Therefore, the Organization does not recognize revenue from the licensing of the code itself. Opportunities for further innovation of the Organization's offerings are supplemented by donor contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Organization maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts on hand and in bank checking and money market accounts. While deposits may occasionally be in excess of federally insured limits, the Organization has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2021 and 2020, the Organization's cash balances exceeded federally insured limits by \$761,515 and \$1,071,101, respectively.

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Notes to Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTION RECEIVABLE

Contribution receivable includes an unconditional promise made by a certain donor wherein the donor has unconditionally promised to contribute funds to the Organization in future periods for support of the Organization. Unconditional promises are expected to be collected within one year and are recorded as support and a receivable at net realizable value. At December 31, 2021, management deemed the balance fully collectible and has not recorded an allowance on this amount.

SOFTWARE COSTS

Capitalization of software development costs for products to be sold to third parties begins upon the establishment of technological feasibility and ceases when the product is available for general release. As a result of the Organization's practice of frequently releasing source code that it has developed on an on-going basis for unrestricted download on the Internet, there is generally no passage of time between achievement of technological feasibility and the availability of the Organization's product for general release; further the Organization has no plan to sell their products to third parties. Therefore, for both years ended December 31, 2021 and 2020, the Organization had no capitalized internally developed software costs.

PROPERTY, PLANT, AND EQUIPMENT—NET

Items capitalized as property, plant, and equipment are stated at cost or, if donated, at market value on the date of donation. The Organization generally capitalizes all property, plant, and equipment acquisitions in excess of \$2,500. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

Net assets without donor restrictions are currently available at the discretion of the board for us in operations, designated by the board for other specific projects determined by the board, or invested in property, plant, and equipment net of accumulated depreciation.

Net assets with donor restrictions are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

All contributions are considered available for use without donor restrictions unless specifically restricted by the donor or subject to other legal restrictions.

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Notes to Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Revenue is recognized when earned and contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest 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.

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as reclassifications.

Contributions with donor restrictions are subject to assessments of up to 15%, which are used for general and administrative expenses. Assessments are reclassified as support without donor restrictions at the time the restricted support is received. For the years ended December 31, 2021, and 2020, assessments totaled \$418,620 and \$348,608 respectively.

The Organization reports donations of property, plant, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the acquired or donated assets are placed in service.

Donated goods (including securities) are recorded at fair value at the date of the gift.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization considers general expenditures to be all expenditures related to fulfilling its vision as well as the conduct of services undertaken to support those activities to be general expenditures.

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Notes to Financial Statements

December 31, 2021 and 2020

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

	December 31,	
	2021	2020
Financial assets, at year-end and available to meet cash needs for general expenditures within one year:		
Cash and cash equivalents	\$ 1,308,881	\$ 1,382,374
Contribution receivable	110,000	-
	<u>\$ 1,418,881</u>	<u>\$ 1,382,374</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At December 31, 2021, the Organization has \$642,949 in net assets with donor restrictions for project support. These funds are considered available to meet needs for general expenditures as funds are used for their donor restricted purposes.

Effective August 2021, the Organization maintains a \$400,000 working capital line of credit with a certain financial institution that is due monthly and bears interest at the financial institution's rate of 4.0% (as of December 31, 2021). Borrowings under this line of credit are unsecured. For the year ended December 31, 2021, there were no outstanding borrowings on this line of credit.

4. PROPERTY, PLANT, AND EQUIPMENT—NET:

Property, plant, and equipment—net, consist of:

	December 31,	
	2021	2020
Computer equipment	\$ 3,299	\$ 3,299
Leasehold improvements	263,503	259,603
	<u>266,802</u>	<u>262,902</u>
Less accumulated depreciation	<u>(65,509)</u>	<u>(5,631)</u>
	<u>\$ 201,293</u>	<u>\$ 257,271</u>

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Notes to Financial Statements

December 31, 2021 and 2020

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2021	2020
Restricted by purpose and by time:		
Gateway languages	\$ 568,475	\$ 421,241
Tools fund	74,474	23,571
MENA	-	285,408
	<u>\$ 642,949</u>	<u>\$ 730,220</u>

6. OPERATING LEASE:

Effective October 2019, the Organization entered into a five year lease agreement for certain facilities with a maturity through July 2025. Rent expense was \$34,125 and \$56,724 for the years ended December 31, 2021 and 2020, respectively. The Organization recognizes rent expense for operating leases with rent escalation clauses on a straight-line basis over the applicable lease term.

Future minimum lease payments under the lease (with initial or remaining lease terms in excess of one year) as of December 31, 2021, were as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 62,492
2023	64,232
2024	66,159
2025	33,568
2026	-
	<u>\$ 226,451</u>

7. EXPENSES BY BOTH NATURE AND FUNCTION:

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated based on time and effort. All other expenses are directly allocated based upon the function to which they relate.

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Notes to Financial Statements

December 31, 2021 and 2020

7. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification as of December 31, 2021:

		Supporting Activities		
	Program	General and	Fundraising	Total
	Services	Administrative		
Salaries and benefits	\$ 1,644,574	\$ 894,980	\$ -	\$ 2,539,554
Outside contractors	2,402,772	430,548	38,391	2,871,711
Professional services	85	53,282	-	53,367
Conferences, conventions, and meetings	86,001	36,381	113	122,495
Travel	175,342	68,704	5,131	249,177
Occupancy and office	33,422	108,804	13,986	156,212
Other	1,098	68,400	8,377	77,875
Total expenses	<u>\$ 4,343,294</u>	<u>\$ 1,661,099</u>	<u>\$ 65,998</u>	<u>\$ 6,070,391</u>

Functional expenses by natural classification as of December 31, 2020:

		Supporting Activities		
	Program	General and	Fundraising	Total
	Services	Administrative		
Salaries and benefits	\$ 1,257,703	\$ 940,755	\$ -	\$ 2,198,458
Outside contractors	1,479,447	294,055	15,515	1,789,017
Professional services	-	27,290	-	27,290
Conferences, conventions, and meetings	24,014	67,521	-	91,535
Travel	64,564	40,103	-	104,667
Occupancy and office	31,594	151,459	15,822	198,875
Other	733	14,114	2,469	17,316
Total expenses	<u>\$ 2,858,055</u>	<u>\$ 1,535,297</u>	<u>\$ 33,806</u>	<u>\$ 4,427,158</u>

8. SUPPORT AND REVENUE CONCENTRATION:

During the years ended December 31, 2021 and 2020, respectively, the Organization received contributions from three donors that totaled \$3,908,045 and three donors that totaled \$3,322,352. These gifts accounted for approximately 66% and 63% of total support and revenue for the years ended December 31, 2021 and 2020, respectively. The current level of the Organization's operations and program activities could be impacted if these donor relationships were to be terminated and could not be replaced by new donors with comparable donations.

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Notes to Financial Statements

December 31, 2021 and 2020

9. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve. As part of the response to the impact of COVID-19, the Organization applied for and received the proceeds of a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. The Organization was approved for a loan in the amount of approximately \$333,700. For the year ended December 31, 2020, in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, the Organization had simultaneously recognized a contribution with donor restrictions and a release for same amount in the accompanying statements of activities. Effective December 9, 2021, the Organization received notification of forgiveness from the SBA for the full PPP loan amount.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 2, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.