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**HOSANNA/FAITH COMES
BY HEARING AND
AFFILIATE**

**CONSOLIDATED
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

MARCH 31, 2021 AND 2020

HOSANNA/FAITH COMES BY HEARING AND AFFILIATE

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Independent Auditors' Report

To the Board of Directors
Hosanna/Faith Comes By Hearing and Affiliate
Albuquerque, New Mexico

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hosanna/Faith Comes By Hearing and Affiliate, a nonprofit organization, which comprise the consolidated statements of financial position as of March 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, consolidated statements of functional expenses, and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

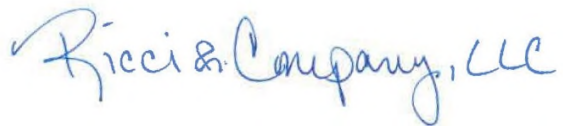
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hosanna/Faith Comes By Hearing and Affiliate as of March 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Ricci & Company, LLC". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico
July 21, 2021

CONSOLIDATED FINANCIAL STATEMENTS

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 22,864,751	\$ 18,610,605
Accounts receivable:		
Trade	-	3,457
Other	209,437	155,905
Inventories	3,584,499	1,937,519
Donated property held for sale	1,800,697	6,797
Deposits	319,435	333,260
Prepaid expenses	341,334	344,332
Committed orders	-	671,680
Total current assets	<u>29,120,153</u>	<u>22,063,555</u>
Property and equipment		
Machinery and equipment	2,167,383	1,881,849
Building and improvements	2,809,089	1,630,218
Furniture and fixtures	74,188	74,189
Total depreciable property and equipment	<u>5,050,660</u>	3,586,256
Less: accumulated depreciation	<u>(2,924,289)</u>	<u>(2,576,796)</u>
Total depreciable property and equipment, net	2,126,371	1,009,460
Land	422,703	422,703
Total property and equipment, net	<u>2,549,074</u>	<u>1,432,163</u>
Other Assets		
Recordings, literature and licenses	53,789,639	50,461,408
Less: accumulated amortization	<u>(22,386,397)</u>	<u>(20,116,058)</u>
Total recordings, literature and licenses, net	31,403,242	30,345,350
Property held for future use	-	868,877
Total other assets	<u>31,403,242</u>	<u>31,214,227</u>
Total assets	<u>\$ 63,072,469</u>	<u>\$ 54,709,945</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2021 AND 2020**

LIABILITIES AND NET ASSETS	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts payable	\$ 356,887	\$ 1,576,529
Paycheck Protection Program (PPP) Loan	1,817,808	-
Accrued expenses and other liabilities	965,924	760,914
	<u>3,140,619</u>	<u>2,337,443</u>
Net Assets		
Without donor restrictions	43,065,304	41,040,320
With donor restrictions	16,866,546	11,332,182
	<u>59,931,850</u>	<u>52,372,502</u>
Total liabilities and net assets	<u>\$ 63,072,469</u>	<u>\$ 54,709,945</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and public support		
Contributions	\$ 3,914,676	\$ 5,720,985
Sales	57,494	69,688
Gain (loss) on disposal of property	3,490	(788)
Other revenue and support	83,932	167,846
Total revenue and public support	<u>4,059,592</u>	<u>5,957,731</u>
Net assets released from donor restrictions	<u>16,287,028</u>	<u>24,449,245</u>
Total revenues and public support	<u>20,346,620</u>	<u>30,406,976</u>
 EXPENSES		
Program services	16,211,555	17,823,501
Fundraising	1,123,000	1,525,860
Management and general	987,081	1,102,648
Total expenses	<u>18,321,636</u>	<u>20,452,009</u>
 Changes in net assets without donor restrictions	<u>2,024,984</u>	<u>9,954,967</u>
 CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	21,821,392	24,184,819
Net assets released from donor restrictions	<u>(16,287,028)</u>	<u>(24,449,245)</u>
Change in net assets with donor restrictions	<u>5,534,364</u>	<u>(264,426)</u>
 Total change in net assets	<u>7,559,348</u>	<u>9,690,541</u>
 Net assets, beginning of the year	<u>52,372,502</u>	<u>42,681,961</u>
 Net assets, end of the year	<u>\$ 59,931,850</u>	<u>\$ 52,372,502</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in net assets	<u>\$ 7,559,348</u>	<u>\$ 9,690,541</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,712,656	2,502,512
Donated property	(2,360,230)	24,212
Loss on sale of donated property	(3,490)	788
(Increase) decrease in operating assets:		
Accounts receivable	(50,075)	(27,299)
Inventories	(1,646,980)	1,209,611
Deposits	13,825	(40,000)
Prepaid expenses	2,998	(137,005)
Committed orders	671,680	(47,617)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,219,642)	366,811
Accrued expenses and other liabilities	205,010	54,627
Total adjustments	<u>(1,674,248)</u>	<u>3,906,640</u>
Net cash provided by operating activities	<u>5,885,100</u>	<u>13,597,181</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(690,351)	(4,258,498)
Purchase and creation of recordings, literature and licenses	(3,328,231)	-
Proceeds from sale of donated property	569,820	-
Purchase of property for future use	-	(868,877)
Net cash used by investing activities	<u>(3,448,762)</u>	<u>(5,127,375)</u>
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan	<u>1,817,808</u>	-
Net cash provided by financing activities	<u>1,817,808</u>	-
Net change in cash and cash equivalents	4,254,146	8,469,806
Cash and cash equivalents, beginning of year	<u>18,610,605</u>	<u>10,140,799</u>
Cash and cash equivalents, end of year	<u><u>\$ 22,864,751</u></u>	<u><u>\$ 18,610,605</u></u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2021**

	Program Expense	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Advertising and promotion	\$ 155,728	25,757	177,227	202,984	\$ 358,712
Cost of goods produced	45,514	-	-	-	45,514
Depreciation and amortization	2,647,134	19,883	11,686	31,569	2,678,703
Faith Comes By Hearing programs	4,818,815	-	-	-	4,818,815
Insurance	21,856	1,386	1,510	2,896	24,752
Legal and accounting fees	26,457	5,464	5,817	11,281	37,738
Merchant and bank fees	60,204	3,318	3,645	6,963	67,167
Miscellaneous expense	9,042	3,929	471	4,400	13,442
Office expenses	3,309	952	-	952	4,261
Payroll taxes and fringe benefits	1,481,995	165,004	155,517	320,521	1,802,516
Postage and courier expenses	23,944	3,742	20,696	24,438	48,382
Professional services	550,685	50,173	123,076	173,249	723,934
Rental expenses	4,498	290	316	606	5,104
Repairs and maintenance	138,923	22,409	7,373	29,782	168,705
Salaries and wages	5,553,696	595,005	550,652	1,145,657	6,699,353
Supplies and artwork expenses	45,045	4,214	13,923	18,137	63,182
Telephone and utilities	430,293	41,090	13,749	54,839	485,132
Travels, meetings and entertainment	194,417	44,465	37,342	81,807	276,224
	<u>\$ 16,211,555</u>	<u>987,081</u>	<u>1,123,000</u>	<u>2,110,081</u>	<u>\$ 18,321,636</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2020**

	Program Expense	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Advertising and promotion	\$ 81,222	63,613	503,634	567,247	\$ 648,469
Cost of goods produced	72,265	-	-	-	72,265
Depreciation and amortization	2,408,050	16,072	6,879	22,951	2,431,001
Faith Comes By Hearing programs	7,618,061	-	-	-	7,618,061
Insurance	19,460	1,255	1,758	3,013	22,473
Legal and accounting fees	16,789	4,127	5,747	9,874	26,663
Merchant and bank fees	54,680	3,232	4,526	7,758	62,438
Miscellaneous expense	4,227	5,894	28	5,922	10,149
Office expenses	8,496	1,816	-	1,816	10,312
Payroll taxes and fringe benefits	1,318,170	168,548	154,492	323,040	1,641,210
Postage and courier expenses	42,348	4,766	21,989	26,755	69,103
Professional services	33,563	13,359	49,463	62,822	96,385
Repairs and maintenance	148,805	21,129	7,114	28,243	177,048
Salaries and wages	5,296,033	703,423	600,800	1,304,223	6,600,256
Supplies and artwork expenses	46,009	4,276	16,371	20,647	66,656
Telephone and utilities	408,903	38,825	15,363	54,188	463,091
Travels, meetings and entertainment	246,420	52,313	137,696	190,009	436,429
	<u>\$ 17,823,501</u>	<u>1,102,648</u>	<u>1,525,860</u>	<u>2,628,508</u>	<u>\$ 20,452,009</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020**

NOTE 1. ORGANIZATION

Hosanna/Faith Comes By Hearing and Affiliate (Hosanna) is a nonprofit Christian ministry dedicated to recording the Bible in audio format in indigenous languages and starting Audio Bible listening groups around the world. The ministry works in cooperation with Bible societies, churches, and mission groups worldwide. Hosanna/Faith Comes By Hearing is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and is governed by a Board of Directors.

During fiscal year 1999, Hosanna/Faith Comes By Hearing established Faith Comes By Hearing International Foundation, Inc. (International Foundation). The International Foundation's mission is to solicit, manage and disburse funds, and to otherwise provide support exclusively for the benefit of Hosanna/Faith Comes By Hearing. The International Foundation is exempt from income taxes under IRC Section 501(c)(3) and is governed by a Board of Directors.

The consolidated financial statements include the accounts of Hosanna/Faith Comes By Hearing, and the International Foundation (collectively referred to as Hosanna). Intercompany accounts and transactions were eliminated in consolidation.

Primary Exempt Purpose

To proclaim Jesus Christ as Lord.

Mission and Program Accomplishments

Jesus Christ was proclaimed Lord to the literate and illiterate through Scripture-in-use and other programs in the U.S. and other parts of the world.

Strategy Statement

Hosanna partners with like-minded ministries to see that the gospel is available in the language and format they can best understand. We do this primarily by producing Audio Bible recordings in every language that needs them, then promoting and distributing these recordings to people everywhere. Our goal is Scripture engagement that results in discipleship and transformation.

Services Provided

New Testament Recordings

During the year ended March 31, 2021, 111 audio recordings were completed with 102 new languages, bringing the total number of languages with a complete Audio New Testament to 1,457 languages spoken in 190 countries by over 6.5 billion people. Hosanna also had 84 recordings in final mastering and editing, and 63 recordings in-process at year-end.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020**

NOTE 1. ORGANIZATION (CONTINUED)

Services Provided (Continued)

Recording Service Centers / Methods / Process / Technology

In order to effectively conduct language recordings, Hosanna utilized four different methods in the completion of these 102 recordings. FIELD processes completed 65; PARTNER methods completed 28; VIRTUAL technology completed 9; and RENDER technology new starts 31. RENDER is a software tool that guides oral communicators in creating oral translations of the Bible by listening and speaking. RENDER supports the loading of audio recordings that act as references for the translation orally into their own language. The software acts as a file management system by sending and receiving files between users. During the year ended March 31, 2021, Hosanna worked with 42 different recording organizations in 28 countries, with a total of 52 recording teams, the individuals staffing the centers are not Hosanna employees and the service centers are not recorded on the consolidated financial statements.

Gospel Films

In addition, we combine our audio recordings with high-quality video to create visual Scripture called Faith Comes By Hearing Gospel Films. For this year end over 315 Gospel Films in unique languages were completed.

“Faith Comes By Hearing” Programs – International and National

During the year ended March 31, 2021, Hosanna began 72,812 new listening projects in over 80 countries, with approximately 6,553,080 new listeners hearing the entire New Testament in their indigenous language. Each church or group was given a free audio New Testament in their indigenous tongue and listened at least once a week for 30 minutes. Some 44,917 of these groups received Proclaimer® units. The Proclaimer® is a dedicated audio player containing a dramatized recording of the New Testament in a translated indigenous language. With no moving parts to the playback mechanism, it is practically indestructible, and plays for hours at a time. It can run on rechargeable batteries, solar power, hand-crank or AC adapter.

A number of these listening programs utilized Global Bible Network-enabled devices which allow users to download digital Bible content to a smart phone and then pass that content to other smart phones without the need for the Internet or Cellular connection. Also, most of the 93,758 programs started in 2020 continued in 2021. During this fiscal year, Hosanna expanded the Every Church/Every Village program, in which over 4,324 New Testaments in various languages on Proclaimers (in increments of up to two per project) were provided free to church missionaries or individuals traveling on mission trips to establish Hosanna listening groups in 172 countries. Hosanna is being used worldwide in:

- Churches
- Unreached villages and communities for church planting
- Schools
- Hospitals
- Prisons
- JESUS Film follow-up
- Military and police

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020**

NOTE 1. ORGANIZATION (CONTINUED)

Services Provided (Continued)

“Faith Comes By Hearing” Programs – International and National (Continued)

The listening groups range from a handful of people to 5,000 listeners. However, the worldwide average is 90 listeners per group. This calculation considers only those listeners attending the initiation of the Hosanna program in the first group or church. Often, churches use the audio New Testament for evangelism, church planting and public broadcast from the church loudspeaker. These additional listeners cannot easily be counted and are therefore not included in the reported numbers of listeners. In the last ten years, over 1,414,000 MILITARY BIBLESTICKS have been provided to military personnel. During this fiscal year, over 79,700 were sent to servicemembers and veterans.

Faith Comes By Hearing BIBLE.IS

Faith Comes By Hearing has one purpose: God’s Word everywhere for everyone. This is done by producing audio and sign heart-language recordings of Scripture and making them available for free by every possible means. Faith Comes By Hearing is harnessing technology that allows us to respond to any digital initiative the future may bring. The Digital Bible Platform is the “brain” that provides end-users access to biblical content.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Consolidated Financial Statements

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

Basis of Presentation

Hosanna has adopted the provisions of FASB Accounting Standards Codification 958 (ASC 958). Under FASB ASC 958, Hosanna reports information regarding its consolidated financial position and activities according to the existence or absence of donor-imposed restrictions.

Accordingly, net assets of Hosanna and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Represent net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions

Represent net assets subject to donor-imposed stipulations that will be met either by actions of Hosanna or the passage of time or net assets subject to donor-imposed stipulations that must be maintained permanently. At March 31, 2021 and 2020, Hosanna does not have any net assets with permanent donor-imposed stipulations.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, Hosanna considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash Balances and Net Assets with Donor Restrictions

Large increases in cash balances and net assets with donor restrictions can result from donations received close to the fiscal year end, or from restricted donations that carry longer time requirements to fulfill the donor's restrictions.

Donated Assets and Services

Donated services are recognized as contributions in accordance with financial accounting standards, if the services create or enhance non-financial assets, require specialized skills provided by individuals possessing those skills, and would otherwise be purchased by Hosanna.

Accounts Receivable

Hosanna utilizes the allowance method for accounts receivable valuation and for estimated sales returns. The allowance is based on experience and other circumstances which may affect the collectability of the account. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Hosanna did not have any allowances for the years ended March 31, 2021 and 2020.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined using the weighted average cost method.

Donated Property Held For Sale

The property held for sale consist of marketable securities which are carried at fair value and investments in closely held businesses which are carried at their estimated net realizable value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ from the amounts reported in these consolidated financial statements.

Deposits

The Audio Playback Devices used by Hosanna in the Audio Bible Listening Groups are purchased from outside manufacturers of electronic equipment. Hosanna completes production and performs quality assurance on these devices by loading/adding the New Testament Language Recordings. Deposits paid to these manufacturers for these Proclaimers®, Mini Proclaimers® and Biblesticks® for the years ended March 31, 2021 and 2020 was \$319,435 and \$333,260, respectively.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Prepaid expenses for the years ended March 31, 2021 and 2020 were \$341,334 and \$344,332, respectively. These prepaid expenses range from advertising to group health and life premiums. Prepaid expenses are normally consumed during the next fiscal year.

Committed Orders

Hosanna purchases various proprietary audio devices from an overseas manufacturer. Hosanna is obligated for the entire amount of these product orders. When the order is placed, a portion of the total dollar amount is paid to the manufacturer and recorded as a current asset identified as deposits. The balance of the order is recorded as an accounts payable liability and as a current asset identified as committed orders. There were no committed orders at March 31, 2021. There were \$671,680 committed orders at March 31, 2020.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all repairs, maintenance, renewals and betterments that materially prolong the assets' useful lives are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, ranging from 3 to 20 years.

Depreciation expense was recorded on the schedules of functional expenses under the following categories:

	<u>2021</u>	<u>2020</u>
Cost of goods produced	\$ 33,953	\$ 71,511
Depreciation and amortization	<u>2,678,703</u>	<u>2,431,001</u>
Total depreciation expense	<u>\$ 2,712,656</u>	<u>\$ 2,502,512</u>

Impairment of Long-lived Assets and Long-lived Assets to be Disposed of

Hosanna reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of, if any, are reported at the lower of the carrying amount or the fair value less costs to sell. No impairment was recorded in the current year.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recordings

Hosanna incurs substantial costs in developing, recording and mastering indigenous language Bible recordings that are to be sold or distributed. The benefits of those expenditures are not realized until future periods. Therefore, all direct and applicable indirect costs of developing and acquiring the Bible recordings are capitalized. Based on experience and research of other organizations performing similar functions, such costs are amortized over 20 years on the straight-line basis.

Amortization expense for the years ended March 31, 2021 and 2020 was \$2,270,339 and \$2,199,232, respectively.

Revenues

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. When a stipulation is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Mission and program related sales revenue is recognized upon shipment of the product to the customer.

Classification of Functional Expenses

Hosanna presents its expenses on a functional basis among its various programs. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Shipping and Handling Costs

Costs incurred for shipping and handling are included in program costs as a component of the cost of sales. These costs were approximately \$714,947 and \$795,890 in 2021 and 2020, respectively.

Advertising and Promotion

Prepaid costs to produce direct-response advertising and fundraising materials are amortized to advertising expense according to usage. Direct-response advertising materials consist primarily of internally produced and printed brochures containing information about products available from Hosanna and are included in the packaging of each item shipped. Direct-response fundraising materials consist primarily of internally produced and printed letters and response receipts describing Hosanna's current recording and distribution projects. Such materials are disbursed on a campaign-by-campaign basis. Hosanna did not have any direct-response material costs for the years ended March 31, 2021 and 2020.

Advertising expense totaled \$358,712 and \$648,469 for the years ended March 31, 2021 and 2020, respectively. Of this amount, approximately \$158,728 and \$81,222 is included in program expense in the Consolidated Schedules of Functional Expenses for the years ended March 31, 2021 and 2020, respectively.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Hosanna and the International Foundation are non-profit corporations and qualify as tax-exempt organizations under Section 501(c)(3) of the IRC. As such, their normal activities do not result in any income tax liability. Hosanna and the Foundation are classified as other than private foundations.

Hosanna did not incur any unrelated business taxable income for the years ended March 31, 2021 and 2020. As a result, Hosanna did not recognize federal and state income tax for the years then ended.

Hosanna adopted FASB Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties and disclosure required. Hosanna has no unrecognized tax benefit which would require an adjustment to the beginning balance of net assets and had no unrecognized tax benefits at year-end. Hosanna files an exempt organization return in the U.S. federal jurisdiction. Hosanna is no longer subject to income tax examinations by taxing authorities for years beginning before its December 31, 2018 federal filings.

Conflicts of Interest / Private Inurement

Business activities or relationships by Board Members, Directors, Officers and employees that conflict with Hosanna's business interests are prohibited by policy.

Expense Approval

Reimbursable expense accounts are not used. All expense activity requires authorization and approval by two members of management.

Wages, Benefits and Compensations

Employee compensation is determined by a Board approved nondiscriminatory graded pay scale system with adjustments for merit and tenure. Each position contains grade level evaluations of the individual job requirements for education/mental ability; physical/ emotional capacity; skill/experience levels; authority/responsibility parameters; and work condition/performance conformity. Compensation to any employees related to upper management is disclosed in the corporate 990 return in compliance with IRS regulations.

Paycheck Protection Program Loan

In accordance with FASB ASC Topic 470 Debt, the Company has recorded the proceeds from the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) loans as a liability. If the loan is forgiven, the liability will be reduced, and the Hosanna will recognize a gain on extinguishment (see Note 10).

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Not for-Profit Entities (Topic 958)* to increase the transparency of contributed nonfinancial assets. The amendments in this update enhance presentation and disclosure for contributed nonfinancial assets. The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after June 15, 2021. Early adoption is permitted; however, Hosanna has not yet adopted Topic 958.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update were issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2021. Early application is permitted; however, Hosanna has not yet adopted Topic 842.

Subsequent Events

Management has evaluated subsequent events through July 21, 2021, the date the consolidated financial statements were available to be issued.

NOTE 3. INVENTORIES

Inventories consisted of the following at March 31:

	<u>2021</u>	<u>2020</u>
Raw materials and supplies	\$ 2,833,340	\$ 1,538,834
Finished goods	717,500	395,795
Work-in-progress	<u>33,659</u>	<u>2,890</u>
Total inventory	<u>\$ 3,584,499</u>	<u>\$ 1,937,519</u>

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Faith Comes By Hearing programs	\$ 8,186,109	\$ 4,670,197
Military BibleStick programs	382,895	1,195,122
Narration programs	7,417,614	4,085,755
Other programs	879,928	1,381,108
Total donor restricted net assets	<u>\$ 16,866,546</u>	<u>\$ 11,332,182</u>

Net assets are released from donor restrictions by conducting the programs for which they were restricted as costs are incurred in amounts representing actual costs plus certain indirect costs. Some programs provide for the release of restrictions based upon a fixed amount, such as \$37 per New Testament produced for distribution and \$35,000 per Audio Drama New Testament recorded. Other programs provide for the release of restrictions as costs are incurred in these programs in an amount representing management's estimate of actual costs incurred plus certain indirect costs.

NOTE 5. ROYALTY AGREEMENTS

Hosanna has entered into several copyright license agreements to produce and sell certain products, which expire at various dates in the future. Under these agreements, Hosanna pays the proprietor of the copyright a percentage of net sales, as defined. Royalties under these agreements range up to 10 percent.

Sales subject to these agreements during the years ended March 31, 2021 and 2020 were \$57,494 and \$69,688, respectively. Amounts paid for royalties during the years ended March 31, 2021 and 2020 were approximately \$13,467 and \$17,555, respectively, and are included in the consolidated statements of financial position.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Hosanna maintains cash on deposit in checking and savings accounts with two financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) up to \$250,000 at each respective financial institution. Hosanna has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk related to the uninsured cash balances. At March 31, 2021, Hosanna entities had deposits of \$22,742,796 in excess of the FDIC insurance limits.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7. MAJOR DONORS

Hosanna relied on two main contributors for a total of 13.27% and 12.09% of total contributions for the years ended March 31, 2021 and 2020, respectively. Management anticipates that contributor concentrations will continue, but the makeup will differ.

NOTE 8. AVAILABILITY OF FINANCIAL ASSETS

Hosanna's financial assets available within one year of the balance sheet date for general expenditure consisted of the following at March 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 22,864,751	\$ 18,610,605
Accounts receivable	<u>209,437</u>	<u>159,362</u>
	23,074,188	18,769,967
Less current liabilities	<u>(3,140,619)</u>	<u>(2,337,443)</u>
	<u>\$ 19,933,569</u>	<u>\$ 16,432,524</u>

NOTE 9. DONATED PROPERTY HELD FOR SALE

Hosanna receives donations of marketable securities and other investments. During the year ended March 31, 2021, the Company received 180,000 shares of stock in a closely held company which represented an ownership interest of 0.5853% and the fair value at donation was \$1,800,000. Additionally, Hosanna received \$560,230 worth of marketable securities that were sold during the year for a net gain of \$3,490.

NOTE 10. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

During 2020, Hosanna received a loan through the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Paycheck Protection Program (PPP) for \$1,817,808. The loan was outstanding at March 31, 2021. The loan will be forgiven or repaid within the next year and as such, is recorded as a current liability and in accordance with Accounting Standards Codification (ASC) 470, *Debt*, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the Company is legally released from the liability by the SBA. Any portion of debt forgiven, adjusted for accrued interest forgiven and unamortized debt issuance costs, is recorded as a gain on extinguishment of debt, and presented in the other income section of the statement of income. Hosanna applied for forgiveness of the \$1,817,808 PPP loan in April 2021.