

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
MARCH 31, 2023, AND 2022**

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

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## **Independent Auditors' Report**

To the Board of Directors of  
HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
Albuquerque, New Mexico

### ***Opinion***

We have audited the accompanying consolidated financial statements of Hosanna/Faith Comes by Hearing and Affiliate (a nonprofit organization) (Organization), which comprise the statements of financial position as of March 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of March 31, 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

### ***Prior Period Financial Statements***

The financial statements of the Organization as of March 31, 2022, were audited by other auditors whose report dated September 20, 2022, expressed an unmodified opinion on those statements.

### ***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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***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 the Organization'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 the Organization'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.

*Kubiak Melton & Associates, LLC*

Kubiak, Melton & Associates, LLC  
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico  
August 8, 2023

## **CONSOLIDATED FINANCIAL STATEMENTS**

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

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
Current Assets:		
Cash and Cash Equivalents	\$ 13,875,862	\$ 20,442,127
Accounts Receivable, Net, Trade	36,256	18,446
Accounts Receivable, Net, Other	71,180	819
Inventory	2,597,560	1,919,219
Donated Property Held for Sale	1,800,697	1,800,697
Deposits and Committed Orders	2,478,840	3,621,517
Prepaid Expenses	149,401	184,866
<b>Total Current Assets</b>	<b>21,009,796</b>	<b>27,987,691</b>
Noncurrent Assets:		
Recordings, Literature, and Licenses, Net	41,392,536	34,295,381
Cash Value Life Insurance	323,092	277,061
Property and Equipment, Net	3,511,447	3,516,534
<b>Total Noncurrent Assets</b>	<b>45,227,075</b>	<b>38,088,976</b>
<b>Total Assets</b>	<b>\$ 66,236,871</b>	<b>\$ 66,076,667</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts Payable	\$ 1,878,025	\$ 2,088,044
Accrued Expenses	926,334	943,529
<b>Total Liabilities</b>	<b>2,804,359</b>	<b>3,031,573</b>
<b>NET ASSETS</b>		
Without Donor Restrictions:	56,398,641	49,937,208
With Donor Restrictions	7,033,871	13,107,886
<b>Total Net Assets</b>	<b>63,432,512</b>	<b>63,045,094</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 66,236,871</b>	<b>\$ 66,076,667</b>

See Independent Auditors' Report and Notes to Consolidated Financial Statements

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2023</b>	<b>Total 2022</b>
<b>SALES</b>	\$ 106,975	\$ -	\$ 106,975	\$ 83,233
<b>OTHER REVENUE AND SUPPORT</b>				
Contributions	4,848,861	24,227,918	29,076,779	27,386,748
Gain (Loss) on Sale of Assets	(906)	-	(906)	429
Interest	424,362	-	424,362	-
Other Income	30,003	-	30,003	82,211
<b>Total Other Revenue and Support</b>	<u>5,302,320</u>	<u>24,227,918</u>	<u>29,530,238</u>	<u>27,469,388</u>
<b>Net Assets Released from Restrictions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Sales, Revenue, Support and Net Assets Released From Restrictions</b>	<u>30,301,933</u>	<u>(30,301,933)</u>	<u>-</u>	<u>27,552,621</u>
 <b>EXPENSES</b>				
Program Expense	26,180,731	-	26,180,731	21,734,113
Supporting Services				
General and Administrative	1,278,621	-	1,278,621	1,134,512
Fundraising	1,790,443	-	1,790,443	1,570,752
<b>Total Expenses</b>	<u>29,249,795</u>	<u>-</u>	<u>29,249,795</u>	<u>24,439,377</u>
<b>Net Increase (Decrease) in Net Assets</b>	<u>6,461,433</u>	<u>(6,074,015)</u>	<u>387,418</u>	<u>3,113,244</u>
Net Assets, Beginning of Year	<u>49,937,208</u>	<u>13,107,886</u>	<u>63,045,094</u>	<u>59,931,850</u>
<b>Net Assets, End of Year</b>	<u>\$ 56,398,641</u>	<u>\$ 7,033,871</u>	<u>\$ 63,432,512</u>	<u>\$ 63,045,094</u>

See Independent Auditors' Report and Notes to Consolidated Financial Statements

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**

		Supporting Services			Total 2023	Total 2022
		Program Expense	General and Administrative	Fundraising	Total Supporting Services	
<b>Expenses</b>						
Advertising and Promotion	\$ 3,224,239	\$ 62,068	\$ 487,055	\$ 549,123	\$ 3,773,362	\$ 2,592,263
Cost of Goods Produced	84,229	-	-	-	84,229	65,535
Depreciation and Amortization	3,126,153	18,659	16,060	34,719	3,160,872	2,691,935
Faith Comes by Hearing Programs	9,726,925	-	-	-	9,726,925	7,269,215
Insurance	24,549	1,249	1,643	2,892	27,441	20,350
Interest	89	8	-	8	97	-
Legal and Accounting Fees	16,280	18,187	5,844	24,031	40,311	36,475
Merchant and Bank Fees	74,741	3,419	4,499	7,918	82,659	82,762
Miscellaneous Expense	5,044	3,640	183	3,823	8,867	9,925
Office Expense	4,224	686	-	686	4,910	3,506
Payroll Taxes and Fringe Benefits	1,868,485	213,213	202,527	415,740	2,284,225	2,019,626
Postage and Courier Expense	15,218	3,344	22,519	25,863	41,081	44,277
Professional Services	1,048,392	106,895	200,160	307,055	1,355,447	958,751
Rental Expense	-	-	-	-	-	8,345
Repairs and Maintenance	155,091	8,720	5,323	14,043	169,134	196,495
Salaries and Wages	5,917,209	719,325	718,368	1,437,693	7,354,902	7,378,654
Supplies and Artwork Expense	126,871	6,961	11,019	17,980	144,851	104,775
Telephone and Utilities	282,215	25,036	13,589	38,625	320,840	453,746
Travels, Meetings and Entertainment	480,777	87,211	101,654	188,865	669,642	502,742
<b>Total Expenses</b>	<b>\$ 26,180,731</b>	<b>\$ 1,278,621</b>	<b>\$ 1,790,443</b>	<b>\$ 3,069,064</b>	<b>\$ 29,249,795</b>	<b>\$ 24,439,377</b>

See Independent Auditors' Report and Notes to Consolidated Financial Statements



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

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of Change in Net Assets to Net Cash:</b>		
Change in Net Assets	\$ 387,418	\$ 3,113,244
Depreciation and Amortization	3,160,872	2,803,732
<b>Change in:</b>		
Accounts Receivable, Net	(88,171)	(19,265)
Inventory	(678,341)	1,665,280
Deposits and Committed Orders	1,142,677	(3,302,082)
Prepaid Expenses	35,465	156,468
Accounts Payable	(210,019)	1,731,157
Accrued Expenses	<u>(17,195)</u>	<u>(22,395)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>3,732,706</u>	<u>6,126,139</u>
<b>Cash Flow From Investing Activities</b>		
Life Insurance Policy Payments	(46,031)	(67,624)
Purchase of Property and Equipment	(699,675)	(1,434,519)
Purchase and Creation of Recordings, Literature and Licenses	<u>(9,553,265)</u>	<u>(5,228,812)</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>(10,298,971)</u>	<u>(6,730,955)</u>
<b>Cash Flow From Financing Activities</b>		
Forgiveness of Paycheck Protection Loan Program	<u>-</u>	<u>(1,817,808)</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>	<u>-</u>	<u>(1,817,808)</u>
<b>Net Increase (Decrease) - Cash and Cash Equivalents</b>	<b>(6,566,265)</b>	<b>(2,422,624)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>20,442,127</u>	<u>22,864,751</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 13,875,862</u>	<u>\$ 20,442,127</u>

See Independent Auditors' Report and Notes to Consolidated Financial Statements

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022**

**NOTE 1. DESCRIPTION OF ORGANIZATION**

***Organization & Nature of Operations***

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, 2023, 251 audio recordings were completed with 160 new languages, bringing the total number of languages with a complete Audio New Testament to 1,785 languages spoken in 190 countries by over 7.0 billion people. Hosanna also had 91 recordings in final mastering and editing, and 57 recordings in-process at year-end.

***Recording Service Centers / Methods / Process / Technology***

In order to effectively conduct language recordings, Hosanna utilized different methods in the completion of these recordings. FIELD processes completed 91; PARTNER methods completed 66; VIRTUAL technology completed 15; and Oral Bible Translation recordings using RENDER technology new starts 51. Total Oral Bible Translation projects are now in 152 unique Languages.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022**

**NOTE 1. DESCRIPTION OF ORGANIZATION (CONTINUED)**

*Recording Service Centers / Methods / Process / Technology (Continued)*

During the year ended March 31, 2023, Hosanna worked with recording organizations in 28 countries, with a total of 51 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 366 Gospel Films in unique languages were completed, bringing the total number of languages with a Gospel Film to 1,282.

*“Faith Comes By Hearing” Programs – International and National*

For the fiscal year ended March 31, 2023, our Gospel Films generated over 24 million views on the YouTube platform. During the fiscal year, Hosanna began 141,021 new listening projects in over 80 countries, with approximately 12,691,880 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 114,825 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 utilize the Global Bible Network-enabled device, which allows 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 120,595 programs started in 2021 continued in 2023. During this fiscal year, Hosanna expanded the Every Church/Every Village program, in which over 8,010 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  | - Hospitals            |
| - Unreached villages, and communities for church planting | - Prisons              |
| - Schools   | - JESUS Film follow-up |
|   | - Military and police  |

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 1,546,000 MILITARY BIBLESTICKS have been provided to military personnel. During the current fiscal year, approximately 59,400 MILITARY BIBLESTICKS were sent to servicemen and veterans.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022**

**NOTE 1. DESCRIPTION OF ORGANIZATION (CONTINUED)**

*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 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. To date, 776 GLOBAL BIBLE APPS. in unique languages are available for use worldwide. For the fiscal year ended March 31, 2023, over 438 million chapters of these audio bibles, as well as 18 million downloads, were accessed using the technical infrastructure of our digital capabilities.

**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 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 by actions of either Hosanna or by the passage of time or net assets subject to donor-imposed stipulations that must be maintained permanently. At March 31, 2023, and 2022, Hosanna had \$7,033,871 and 13,107,886, respectively of net assets with donor restrictions.

***Comparative Financial Information***

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Hosanna's consolidated financial statements for the year ended March 31, 2022, from which the summarized information was derived.

***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.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 and 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, 2023, and 2022.

***Inventory***

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

***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, 2023, and 2022 was \$1,528,856 and \$1,982,163, respectively.

***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.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Prepaid Expenses***

Prepaid expenses for the years ended March 31, 2023, and 2022 were \$149,401 and \$184,866, respectively. These prepaid expenses range from advertising to group health and life premiums. Prepaid expenses are normally consumed during the next fiscal year.

***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.

	<b>2023</b>	<b>2022</b>
Machinery and Equipment	\$ 3,009,314	\$ 2,908,723
Buildings and Improvements	3,873,498	3,483,099
Furniture and Fixtures	306,832	100,150
Land	412,953	412,953
<b>Total Property and Equipment</b>	<b>7,602,597</b>	6,904,925
Less: Accumulated Depreciation	<u>(4,091,150)</u>	<u>(3,388,391)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 3,511,447</u></b>	<b><u>\$ 3,516,534</u></b>

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

	<b>2023</b>	<b>2022</b>
Cost of Goods Produced	\$ 11,442	\$ 65,535
Depreciation and Amortization	<u>3,149,430</u>	<u>2,691,935</u>
<b>Total</b>	<b><u>\$ 3,160,872</u></b>	<b><u>\$ 2,757,470</u></b>

***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  
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022**

**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, 2023, and 2022 was \$2,456,110 and \$2,336,673, respectively.

***Revenue Recognition***

Contributions received are recorded when cash is received, and 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 accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. This revenue is recognized upon shipment of the product to the customer, and was recognized in the same way prior to the adoption of ASC 606.

Payment terms for goods and services to customers are billed monthly and are typically due in 30 days. There are no instances where the timing of revenue recognition differs from the timing of the right to invoice, thus, Hosanna has determined that a significant financing component does not exist.

Balances of contract assets and liabilities as of March 31, 2023, and 2022, respectively, were \$36,256 and \$18,446 of accounts receivable, and \$0 of contract liabilities.

***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 \$2,502,436 and \$1,045,193 in 2023 and 2022, respectively.



**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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, 2023, and 2022. Advertising expense totaled \$3,773,362 and \$2,592,263 for the years ended March 31, 2023, and 2022, respectively. Of this amount, approximately \$3,224,239 and \$2,115,343 is included in program expense in the Statements of Functional Expenses for the years ended March 31, 2023, and 2022, respectively.

***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, 2023, and 2022. 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, 2019, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

***New Pronouncements***

In addition, FASB has 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. Hosanna did not meet the criteria to implement this standard for the year ended March 31, 2023.

In September 2020, 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. Hosanna did not meet the criteria to implement this standard for the year ended March 31, 2023.

**NOTE 3. CASH AND CASH EQUIVALENTS**

Hosanna maintains cash on deposit in checking and savings accounts with two financial institutions. At March 31, 2023, 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. The Organization 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, 2023, Hosanna had deposits of \$16,129,519 in excess of the FDIC insurance limits.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022**

**NOTE 4. INVENTORIES**

Inventories consisted of the following at March 31:

	<u>2023</u>	<u>2022</u>
Raw Materials and Supplies	\$ 2,498,650	\$ 1,499,577
Finished Goods	98,910	385,982
Work in Progress	-	33,660
<b>Total Inventory</b>	<b><u>\$ 2,597,560</u></b>	<b><u>\$ 1,919,219</u></b>

**NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Faith Comes By Hearing Programs	\$ 4,678,422	\$ 10,204,976
Narration Programs	2,355,449	2,725,117
Other Programs	-	177,794
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 7,033,871</u></b>	<b><u>\$ 13,107,887</u></b>

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 6. COMMITMENTS AND CONTINGENCIES**

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. Committed orders for the years ended March 31, 2023, and 2022 was \$949,984 and \$1,639,354 respectively.

**NOTE 7. 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, 2023, and 2022 were \$106,975 and \$83,233, respectively. Amounts paid for royalties during the years ended March 31, 2023, and 2022 were approximately \$5,662 and \$5,370, respectively, and are included in the statements of financial position.

**HOSANNA/FAITH COMES BY HEARING AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 8. MAJOR DONORS**

Hosanna relied on two main contributors for a total of 11.96% and 13.56% of total contributions for the years ended March 31, 2023, and 2022, respectively. Management anticipates that contributor concentrations will continue, but the makeup will differ.

**NOTE 9. RELATED PARTY TRANSACTIONS**

Hosanna, with disclosure and approval from the Board Of Directors, has purchased specific goods and services from organizations that may have ownership relations with current key personnel or members of the Board of Directors.

The Chief Operating Officer of Hosanna has an ownership interest in 2Sparrows Manufacturing, from whom Hosanna has purchased Audio Bible Programs in the amounts of \$4,570,020 and \$1,939,284 for years ended March 31, 2023 and 2022, respectively. These purchases represent 60% and 52% of total Audio Bible Programs purchases for the years ended March 31, 2023, and 2022, respectively.

Hosanna utilized the services of Keenan Construction Company, LTD, to perform various remodeling and upgrading of Hosanna facilities for the years ended March 31, 2023 and 2022 in the amounts of \$338,550 and \$516,342, respectively. A board member of Hosanna has an ownership interest in Keenan Construction Company, LTD.

**NOTE 10. 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:

	<b><u>2023</u></b>	<b><u>2022</u></b>
Cash and Cash Equivalents	\$ 13,875,862	\$ 20,442,127
Accounts Receivable, Net	<u>430,528</u>	<u>296,326</u>
<b>Subtotal</b>	<b>14,306,390</b>	20,738,453
Less: Current Liabilities	<b>(2,804,359)</b>	(3,031,573)
Net Assets w/ donor restrictions	<u><b>(7,033,872)</b></u>	<u>(13,107,887)</u>
Total Financial Assets Available to Meet General Expenditures	<u><b>\$ 4,468,159</b></u>	<u>\$ 4,598,993</u>

**NOTE 11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 8, 2023. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.