

DESIGN OUTREACH, INC.

FINANCIAL STATEMENTS

December 31, 2021 and 2020

Table of Contents

	<u>Pages</u>
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-12

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 Design Outreach'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Design Outreach's ability to continue as a growing 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.



Winkler Green & Company LLP

Columbus, Ohio

November 30, 2022

Design Outreach
Statement of Financial Position
December 31, 2021 and 2020 Compiled

	2021	Compiled 2020
Assets		
Cash	\$ 476,232	\$ 478,656
Accounts Receivable	-	500
Prepaid Expenses	18,047	33,960
Inventory	298,969	119,014
Total Current Assets	793,248	632,130
Equipment	104,977	45,828
Accumulated Depreciation	(31,468)	(16,656)
	73,509	29,172
Note Receivable - Employees	10,625	-
Security Deposit	4,130	4,130
Software (Net of Amortization \$359)	5,029	-
	19,784	4,130
Total Assets	\$ 886,541	\$ 665,432
 Liabilities & Net Assets		
Accounts Payable	\$ 2,407	\$ 35,531
Credit Cards	15,563	15,069
Accrued Expenses	17,283	23,616
Promissory Note Payable - Related Party	23,000	23,000
Promissory Note Payable	117,000	117,000
Total Current Liabilities	175,253	214,216
Net Assets		
Without Donor Restriction	711,288	386,503
With Donor Restriction	-	64,713
Total Net Assets	711,288	451,216
Total Liabilities & Net Assets	\$ 886,541	\$ 665,432

Design Outreach
Statement of Activities

For the Years ended December 31, 2021 with comparative totals for 2020 Compiled

	Without Donor Restriction	With Donor Restriction	2021	Compiled 2020
Public Support & Revenue				
Donations	\$ 766,552	\$ 1,296,912	2,063,464	1,390,657
Sales	201,087	-	201,087	148,076
In-Kind Donations	742,569	-	742,569	587,144
Other Income	3,523	-	3,523	5,005
	1,713,731	1,296,912	3,010,643	2,130,882
Net Assets Released	1,361,625	(1,361,625)	-	-
	\$ 3,075,356	\$ (64,713)	\$ 3,010,643	2,130,882
Total Revenue & Support				
Expenses				
Programs	\$ (2,054,149)	\$ -	\$ (2,054,149)	(1,582,661)
Administration & General	(279,599)	-	(279,599)	(248,673)
Fundraising	(416,823)	-	(416,823)	(279,456)
Total Expenses	(2,750,571)	-	(2,750,571)	(2,110,790)
Increase (Decrease) Before Unusual Item in Net Assets	324,785	(64,713)	260,072	20,092
Unusual Item				
Debt Forgiveness (Payroll Protection Program)	-	-	-	83,700
	324,785	(64,713)	260,072	103,792
Total Increase (Decrease) in Net Assets				
Beginning Net Assets	386,503	64,713	451,216	347,424
Ending Net Assets	\$ 711,288	\$ -	\$ 711,288	451,216

Design Outreach Inc.
Statement of Functional Expenses
For the Years ended December 31, 2021 with comparative totals for 2020 Compiled

	<u>Program Services</u>	<u>Administration & General</u>	<u>Fundraising</u>	<u>2021</u>	<u>Compiled 2020</u>
Payroll and Related Expenses	\$ 320,311	\$ 157,902	\$ 294,907	\$ 773,120	544,970
Office Supplies & Expense	-	18,945	-	18,945	23,365
Life Pump Expenses	479,689	-	-	479,689	426,219
Malawi Field Office	419,238	-	-	419,238	261,455
Insurance	12,018	-	-	12,018	6,914
Fundraising Materials	-	-	72,086	72,086	38,128
Technology	-	17,980	-	17,980	7,278
Legal & Professional	-	16,822	31,463	48,285	57,663
Bank Charges	-	979	-	979	1,398
Merchant Processing	-	-	11,786	11,786	8,377
Rent	12,250	43,547	-	55,797	57,277
Research & Development	18,182	-	-	18,182	5,549
Shipping and Delivery	-	-	3,089	3,089	4,653
Stewardship	-	-	223	223	239
Taxes & License	200	-	-	200	221
Travel Expense	50,552	-	2,910	53,462	61,733
Interest	-	2,800	-	2,800	2,624
Other Expense	-	1,417	-	1,417	2,537
Utilities	-	4,395	-	4,395	3,083
Volunteer Hours	741,709	-	-	741,709	587,144
Amortization	-	-	359	359	-
Depreciation	-	14,812	-	14,812	9,963
	<u>\$ 2,054,149</u>	<u>\$ 279,599</u>	<u>\$ 416,823</u>	<u>\$ 2,750,571</u>	<u>2,110,790</u>

Design Outreach Inc.
Statement of Cash Flows
For the Years ended December 31, 2021 with Comparative Totals for 2020 Compiled

	2021	Compiled 2020
Cash Flows from Operating Activities		
Non-Cash Adjustment		
Increase in Net Assets	\$ 260,072	\$ 103,792
Depreciation and Amortization	15,171	9,963
Decrease in Accounts Receivable	500	-
(Increase) in Prepaid Expense	15,913	(23,960)
(Increase) in Inventory	(179,955)	(38,677)
Increase in Accounts Payable	(33,124)	12,345
Increase in Accrued Expenses	(6,333)	23,616
Increase in Credit Card	492	11,975
Net Cash Provided by Operations	72,736	99,054
 Cash Flows (Used) by Investing Activities		
Software Purchase	(5,388)	-
Purchase Equipment	(59,148)	(28,708)
Net Cash (Used) by Investing	(64,536)	(28,708)
 Cash Flows from Financing Activities		
Note Receivable - Employees	(17,000)	-
Note Repayment	6,376	-
Promissory Note Payable	-	140,000
Net Cash Provided by Financing	(10,624)	140,000
 Increase (Decrease) in Cash	(2,424)	210,346
 Beginning Cash	478,656	268,310
 Ending Cash	\$ 476,232	\$ 478,656

DESIGN OUTREACH, INC.

Notes to the Financial Statements
December 31, 2021 and 2020 Compiled

Note 1 – Summary of Significant Accounting Policies

Nature of Organization

Design Outreach, Inc. (hereafter D.O.) is a Christian humanitarian engineering non-profit organization seeking to create and scale life-sustaining appropriate technologies that alleviate global poverty and share God's love. D.O. focuses on innovative products that improve the lives of the most marginalized and vulnerable people living in rural communities in developing countries. Our flagship technology, the LifePump, has been installed in 10 countries, bringing clean and reliable water to thousands of people globally. D.O. donors are individuals, corporations, and foundations who have an interest in the application of science and technology to advance our mission.

Tax Status

D.O. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the financial statements.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, D.O. may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of D.O. and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal year ending December 31, 2021 and 2020.

D.O. files its Form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Ohio. D.O. is generally no longer subject to examination by the Internal Revenue Service for years ending before December 31, 2019.

DESIGN OUTREACH, INC.

Notes to the Financial Statements
December 31, 2021 and 2020 Compiled

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation

D.O. has adopted Accounting Standards Codification (ASC) 2016-14, "Not-For-Profit Entities – Revenue Recognition". In accordance with ASC 2016-14, contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

D.O. has also adopted ASC 958-10-65-1, "Not-For-Profit Entities – Presentation of Financial Statements". Under ASC 958-10-65-1, D.O. is required to report information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions, and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization's unspent contributions are reported in net assets with donor restrictions if the donor has limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service. Net assets with donor restrictions are further delineated in Note 2.

Accrual Basis

The financial statements of D.O. have been prepared on the accrual basis. The statement of activities is a statement of financial activities related to the current reporting period.

Depreciation

Expenditures for equipment and furnishings, and expenditures for repairs that extend the life of the asset of over \$1,000 are capitalized at cost or fair market value at the date of donation in the case of gifts. For buildings, furniture, fixtures and autos, depreciation is charged on a straight-line basis over the estimated useful lives of the assets.

DESIGN OUTREACH, INC.

Notes to the Financial Statements (Continued)
December 31, 2021 and 2020 Compiled

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Inventories

Inventories are stated at cost. Cost is determined with average price method for substantially all inventories.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donations

Donations received are recorded as net assets without donor restrictions, or net assets with donor restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in Net Assets with Donor Restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the restricted net assets are reclassified to Net Assets Without Donor Restrictions and reported in the statement of activities as net assets released from restrictions.

DESIGN OUTREACH, INC.

Notes to the Financial Statements (Continued)
December 31, 2021 and 2020 Compiled

Note 2 – **Net Assets**

Net Assets Without Donor Restrictions

Net assets without donor restrictions may be used by D.O. to achieve any of D.O.'s purposes.

Net Assets With Donor Restrictions

Net Assets with Donor Restrictions for December 31, 2020 (\$64,713) to be used for Life Pumps.

Note 3 – **Liquidity**

All of the financial assets (cash and accounts receivable) are available for general use. There are no donor restricted amounts which exceed one year.

Note 4 – **Related Party Transactions**

During the prior year the Organization purchased goods from a related party totaling \$2,299.

Note 5 – **Leases**

During a prior year the Organization entered into a lease for space. The lease calls for monthly payments of \$3,000 and runs through July 2024. The lease has two three-year options.

Note 6 -- **Donated Services and Materials**

D.O. receives donated services consisting of professional and general volunteer. In accordance with Accounting Standards Codification (ASC) 958-605, the contribution of services are recognized in the financial statements if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Rates used in the calculations of the professional volunteer services are based on the average rate charged by the respective professions in the Columbus area.

A summary of donated services follows:

	2021	Compiled 2020
Professional services and materials	\$741,709	\$587,144

DESIGN OUTREACH, INC.

Notes to the Financial Statements (Continued)

December 31, 2021 and 2020 Compiled

Note 7 – Concentration of Business Risk

D.O. has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. During 2021 and 2020, D.O.'s cash accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per banking institution. D.O. has amounts on deposit in excess of the insured limits. D.O. does not deem there to be a significant risk associated with the deposits in excess of insured limits given the reputation and financial stability of the banking institutions. D.O. continuously reviews and manages their banking relationships to mitigate any risks associated with deposits in excess of insured limits.

D.O. donors are located primarily in the Central Ohio area.

Note 8 – Notes

Notes with Related Parties \$20,000 and \$3,000, all carry an interest rate of 2% interest rate, principal due February 15, 2025, and unsecured.

\$ 23,000

Note principal due February 15, 2025 and carries a 2% interest rate, and unsecured.

117,000

\$140,000

Note 9 – Payroll Protection Program

During 2021, D.O. received \$83,700 from the Small Business Administration (SBA) through the Paycheck Protection Program. As of December 31, 2021, D.O. had expensed in accordance with the forgiveness procedures laid out by the SBA, \$83,700. Subsequent to December 31, 2020 D.O. received notification that the loan had been forgiven. The amount is included as revenue from Debt Forgiveness in the Statement of Financial Position.

Note 10 – Notes Receivable - Employees

On April 1, 2021, D.O. executed a lending arrangement with two of its employees. The first lending arrangement was for \$12,000 to be repaid in 24 monthly installments of \$500. The second lending arrangement was for \$5,000 to be repaid in 24 monthly installments of \$208.33. The notes carry no interest rate. D.O. believes the imputed interest related to the notes would not be material to the financial statements.

Note 11 – **Subsequent Events**

Subsequent events were evaluated through November 30, 2022 which is the date the financial statements were available to be issued.