



Winkel Green & Company LLP
certified public accountants

INDEPENDENT AUDITORS' REPORT

To The Board of Trustees and Management of
Design Outreach, Inc.
Columbus, Ohio

Opinion

We have audited the accompanying financial statements of Design Outreach, which comprise of the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, statements, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Design Outreach as of December 31, 2022 and 2021, and the results of its operations 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Design Outreach and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Design Outreach's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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.



Winkler Green & Company LLP

Columbus, Ohio

October 15, 2023

Design Outreach
Statement of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 461,980	\$476,232
Prepaid Expenses	116,855	18,047
Inventory	125,449	298,969
Total Current Assets	<u>704,284</u>	<u>793,248</u>
Equipment	166,591	104,977
Accumulated Depreciation	<u>(63,075)</u>	<u>(31,468)</u>
	103,516	73,509
Right to Use Asset	249,531	-
Note Receivable - Employees	6,368	10,625
Security Deposit	4,130	4,130
Software (Net of Amortization \$1,437)	<u>3,952</u>	<u>5,029</u>
Total Assets	<u>\$ 1,071,781</u>	<u>\$ 886,541</u>
Liabilities & Net Assets		
Accounts Payable	\$ 14,830	\$ 2,407
Credit Cards	11,934	15,563
Current Portion of Lease Obligation	38,736	-
Other Payable	11,204	-
Accrued Expenses	<u>49,000</u>	<u>17,283</u>
Total Current Liabilities	125,704	35,253
Non-Current Liabilities		
Promissory Note Payable - Related Party	23,000	23,000
Promissory Note Payable	117,000	117,000
Lease Obligation	<u>210,795</u>	<u>-</u>
Total Noncurrent Liability	<u>350,795</u>	<u>140,000</u>
Total Liabilities	476,499	175,253
Net Assets		
Without Donor Restriction	491,282	711,288
With Donor Restriction	<u>104,000</u>	<u>-</u>
Total Net Assets	<u>595,282</u>	<u>711,288</u>
Total Liabilities & Net Assets	<u>\$ 1,071,781</u>	<u>\$ 886,541</u>

Design Outreach
Statement of Activities

For the Years ended December 31, 2022 with comparative totals for 2021

	Without Donor Restriction	With Donor Restriction	2022	2021
Public Support & Revenue				
Donations	\$ 457,889	\$ 2,042,112	2,500,001	2,063,464
Sales	155,952	-	155,952	201,087
In-Kind Donations	981,078	-	981,078	742,569
Other Income	754	-	754	3,523
	<u>1,595,673</u>	<u>2,042,112</u>	<u>3,637,785</u>	<u>3,010,643</u>
Net Assets Released	<u>1,938,112</u>	<u>(1,938,112)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,533,785</u>	<u>\$ 104,000</u>	<u>\$ 3,637,785</u>	<u>\$ 3,010,643</u>
Expenses				
Programs	\$ (2,792,906)	\$ -	\$ (2,772,169)	(2,054,149)
Administration & General	(423,244)	-	(423,244)	(279,599)
Fundraising	(537,641)	-	(537,641)	(416,823)
Total Expenses	<u>(3,753,791)</u>	<u>-</u>	<u>(3,753,791)</u>	<u>(2,750,571)</u>
	<u>(220,006)</u>	<u>104,000</u>	<u>(116,006)</u>	<u>260,072</u>
Beginning Net Assets	<u>711,288</u>	<u>-</u>	<u>711,288</u>	<u>451,216</u>
Ending Net Assets	<u>\$ 491,282</u>	<u>\$ 104,000</u>	<u>\$ 595,282</u>	<u>\$ 711,288</u>

Design Outreach Inc.
Statement of Functional Expenses
For the Years ended December 31, 2022 with comparative totals for 2021

	<u>Program Services</u>	<u>Administration & General</u>	<u>Fundraising</u>	<u>2022</u>	<u>2021</u>
Payroll and Related Expenses	\$ 505,116.00	\$ 217,551	\$ 341,542	\$ 1,064,209	773,120
Office Supplies & Expense		53,201	-	53,201	18,945
Life Pump Expenses	746,447	-	-	746,447	479,689
Malawi Field Office	405,263	-	-	405,263	419,238
Insurance	14,940	-	-	14,940	12,018
Fundraising Materials	-	-	88,966	88,966	72,086
Technology	-	31,745	-	31,745	17,980
Legal & Professional	-	34,114	25,057	59,171	48,285
Bank Charges		421	-	421	979
Merchant Processing	-	-	36,335	36,335	11,786
Rent	11,236	-	-	11,236	55,797
Training	7,375	-	-	7,375	-
Research & Development	14,884	-	-	14,884	18,182
Shipping and Delivery	-	-	6,999	6,999	3,089
Stewardship	-	-	24,957	24,957	223
Taxes & License	1,276	-	-	1,276	200
Travel Expense	104,580	-	12,707	117,287	53,462
Interest	-	6,039	-	6,039	2,800
Other Expense	711	1,919	-	2,630	1,417
Utilities	-	5,731	-	5,731	4,395
Volunteer Hours	981,078	-	-	981,078	741,709
Amortization of RVA	-	40,916	-	40,916	-
Amortization - Software	-	-	1,078	1,078	359
Depreciation	-	31,607	-	31,607	14,812
	<u>\$ 2,792,906</u>	<u>\$ 423,244</u>	<u>\$ 537,641</u>	<u>\$ 3,753,791</u>	<u>2,750,571</u>

Design Outreach Inc.
Statement of Cash Flows
For the Years ended December 31, 2022 with Comparative Totals for 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Non-Cash Adjustment		
Increase (Decrease) in Net Assets	\$ (116,006)	\$ 260,072
Depreciation and Amortization	73,601	15,171
Transition to Lease and In-Kind Don.	1,760	-
Decrease in Accounts Receivable	-	500
(Increase) in Prepaid Expense	(98,808)	15,913
(Increase) Decrease in Inventory	173,520	(179,955)
Increase in Accounts Payable	12,423	(33,124)
Increase in Other Payable	11,204	-
(Decrease) Increase in Accrued Expenses	31,876	(6,333)
Increase in Credit Card	(3,630)	492
Net Cash Provided by Operations	<u>85,940</u>	<u>72,736</u>
 Cash Flows (Used) by Investing Activities		
Software Purchase	-	(53,883)
Purchase Equipment	(61,614)	(59,148)
Net Cash (Used) by Investing	<u>(61,614)</u>	<u>(64,536)</u>
 Cash Flows from Financing Activities		
Lease Obligation Payment	(42,835)	-
Note Receivable - Employees	-	(17,000)
Note Repayment	4,257	6,376
Net Cash Provided (Used) by Financing	<u>(38,578)</u>	<u>(10,624)</u>
 Increase (Decrease) in Cash	<u>(14,252)</u>	<u>(2,424)</u>
 Beginning Cash	<u>476,232</u>	<u>478,656</u>
 Ending Cash	<u>\$ 461,980</u>	<u>\$ 476,232</u>

DESIGN OUTREACH, INC.

Notes to the Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021.

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, 2022 and 2021

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
December 31, 2021 and 2021

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
December 31, 2021 and 2021

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, 2022 (\$104,000) and 2021 (\$0) to be used for Life Pumps. The Donor Restricted Asset are to be used for installation of pumps for a specific location.

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 – 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:

	<u>2022</u>	<u>2021</u>
Professional services and materials	\$981,078	\$741,709

DESIGN OUTREACH, INC.

Notes to the Financial Statements
December 31, 2022 and 2021

Note 5 – 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 2022 and 2021, 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 6 – 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

During years ending December 31, 2022 and 2021, the Organization paid interest on the Related Party Notes.

Note 7 – Notes Receivable - Employees

As of December 31, 2022 and 2021 the Company had (\$6,368 and \$10,625 respectively) from several employees. The amounts are being repaid monthly. The arrangements carry no interest rate. D. O. believes the imputed interest on the amounts would be immaterial to the financial statements.

DESIGN OUTREACH, INC.

Notes to the Financial Statements
December 31, 2022 and 2021

Note 8 – Operating Leases

During 2022, Leases ASC 842 became effective. The ASC requires a new methodology be employed to disclose the impact of leases with a period greater than one year from the date of the financial statements. This ASC now requires the present value of the lease payments to be recognized as a RIGHT-TO-USE-ASSET (hereafter RUA) with an amount recognized as a LEASE obligation which is reported on the balance sheet. The RUA is amortized over the life of the lease. The Lease obligation is reduced by lease payments. The impact of the required disclosure under ASC 842 is to recognize the amortization of RUA as an expense as well as the interest component of lease payment obligation. To determine the present value of RUA, the monthly (annualized) payments as stipulated in the lease agreement and an imputed interest rate. The following are the components of the present value calculation as of December 31, 2022:

<u>Lease Payment Due</u>	
2023	\$ 41,641
2024	72,610
2025	74,379
2026	78,165
2027	42,438
	<u>\$309,233</u>
Discount	<u>(\$ 59,702)</u>
	<u>\$249,531</u> Present Value of Lease Obligation

Life of the agreements is 54 months

Internal Rate – Prime at December 31, 2022, 7.5%

The calculation yields a present value of the obligation of \$249,531.

The above reflects the fact that subsequent to December 31, 2022 the Organization entered a Revised Lease Agreement which increased the lease and extended the lease through June 2027.

As permitted by ASC 842, the Organization elected to implement date as of January 1, 2022. Accordingly, the Organization recognized the amortization of the RUA and interest on the OBLIGATION as the expense associated as opposed to the payment as was stipulated under ASC 840 (prior lease reporting guidance). For comparative financial statements, ASC 842 permits organizations to continue to disclose their lease obligation under prior guidance ASC 840. ASC 840 required that the operating lease obligations are to be disclosed in the footnote and the monthly installment are recognized as lease expenses. As of December 31, 2021, the Organization had a lease term that ran through July 2024, with monthly payments (Rent plus CAM) of \$3,925.

DESIGN OUTREACH, INC.

Notes to the Financial Statements
December 31, 2022 and 2021

Note 8 – Operating Leases (Continued)

Upon its adoption of ASC 842 on January 1, 2022, the Company adopted the package of practical expedients for all leases that commenced before the effective date of January 1, 2022. Accordingly, the Company 1) did not reassess whether any expired or existing contracts are or contain leases, 2) did not reassess the lease classification for any expired or existing lease and 3) did not reassess initial direct costs for any existing leases.

As of January 1, 2022, in conjunction with implementation of ASC 842 the Organization recognized a RUA of \$122,749 with the corresponding \$122,749 lease obligation associated with the lease obligation as of January 1, 2022. Accordingly, during 2022, the Organization recognized amortization expense of \$40,916 and \$3,213 of interest expenses. As mentioned above, the Organization extended the lease terms, and therefore an adjustment was required to the revised terms.

In addition to the above, the Organizations have a lease which does not extend beyond twelve months and therefore, does not qualify for ASC 842 treatment.

Note 9 – Subsequent Events

Subsequent events were evaluated through October 15, 2023 which is the date the financial statements were available to be issued.