

**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION**

**REPORT OF INDEPENDENT AUDITORS,  
FINANCIAL STATEMENTS AND  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

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**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION**

**DECEMBER 31, 2020 AND 2019**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities and Functional Expenses and Changes in Net Assets	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-11
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	12-13

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# JACK CHAMI, CPA PLLC

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To the Board of Directors  
Arkansas Deaf and Hearing Impaired  
Telecommunications Services Corporation  
Little Rock, Arkansas

I have audited the accompanying financial statements of Arkansas Deaf and Hearing Impaired Telecommunications Services Corporation (the "Corporation") (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and functional expenses and changes in net assets and the statements of cash flows for the years then ended, and the related notes to the financial statements.

## **Management Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

## **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the 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 Corporation's internal control. Accordingly, I 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 financial statements.

**Auditor's Responsibility (continued)**

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arkansas Deaf and Hearing Impaired Telecommunications Services Corporation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements of Arkansas Deaf and Hearing Impaired Telecommunications Services Corporation as of December 31, 2019, were audited by other auditors whose report dated July 5, 2020, expressed an unmodified opinion on those statements.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my independent auditor's report dated August 27, 2021 on my consideration of the Corporation's internal control over financial reporting and on compliance and other matters based on my audit of the financial statements performed in accordance with *Government Auditing Standards*. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Jack Chami CPA PLLC  
White Hall, Arkansas  
August 27, 2021

**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2020 AND 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 307,398	\$ 220,343
Accounts receivable	<u>72,543</u>	<u>50,739</u>
Total Current Assets	<u>\$ 379,941</u>	<u>\$ 271,082</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 379,941</u></u>	 <u><u>\$ 271,082</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 42,738	\$ 40,171
Total current liabilities	<u>42,738</u>	<u>40,171</u>
 <b>NET ASSETS</b>		
Without donor restrictions	<u>337,203</u>	<u>230,911</u>
	<u><u>\$ 379,941</u></u>	<u><u>\$ 271,082</u></u>

See independent auditor's report and accompanying notes to financial statements

**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION  
STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES  
AND CHANGES IN NET ASSETS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2020</b>		
<b>Revenues</b>			
Local exchange carrier assessments		\$	602,558
Interest income			555
<b>Total Revenues</b>			<b>603,113</b>
<b>Expenditures</b>			
	<b>Program Services</b>	<b>Supporting Services</b>	<b>Total</b>
Program expenses - TRS costs	470,630	-	470,630
Interpreter services	720	-	720
Fund administrative fee	7,200	7,200	14,400
Office expense	-	375	375
Insurance	1,816	-	1,816
Accounting	5,455	-	5,455
Legal fees	3,425	-	3,425
<b>Total expenses</b>	<b>489,246</b>	<b>7,575</b>	<b>496,821</b>
<b>Increase (decrease) in net assets without restrictions</b>			<b>106,292</b>
<b>Net assets, beginning of year</b>			<b>230,911</b>
<b>Net assets, ending of year</b>		<b>\$</b>	<b>337,203</b>

See Independent auditor's report and accompanying notes to financial statements

**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION  
STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES  
AND CHANGES IN NET ASSETS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2019</b>		
<b>Revenues</b>			
Local exchange carrier assessments		\$	634,080
Interest income			956
Total Revenues			635,036
<b>Expenditures</b>			
	<b>Program Services</b>	<b>Supporting Services</b>	<b>Total</b>
Program expenses - TRS costs	496,064	-	496,064
Interpreter services	960	-	960
Fund administrative fee	7,200	7,200	14,400
Office expense	-	115	115
Insurance	1,816	-	1,816
Accounting	2,665	-	2,665
Legal fees	4,200	-	4,200
Total expenses	512,905	7,315	520,220
<b>Increase (decrease) in net assets without restrictions</b>			
			114,816
<b>Net assets, beginning of year</b>			116,095
<b>Net assets, ending of year</b>		\$	230,911

See independent auditor's report and accompanying notes to financial statements

**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operations</b>		
Change in net assets	\$ 106,292	\$ 114,816
Adjustments to reconcile		
(Increase) in accounts receivable	(21,804)	(636)
Increase (decrease) in accounts payable	<u>2,567</u>	<u>(210)</u>
<b>Net cash provided by operations</b>	<u>87,055</u>	<u>113,970</u>
<b>Net increase in cash and equivalents</b>	87,055	113,970
<b>Cash and equivalents - beginning of year</b>	<u>220,343</u>	<u>106,373</u>
<b>Cash and equivalents - ending of year</b>	<u><u>\$ 307,398</u></u>	<u><u>\$ 220,343</u></u>

See independent auditor's report and accompanying notes to financial statements



**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Arkansas Deaf and Hearing Impaired Telecommunications Services Corporation (the "Corporation") was created under Act 1080 of the 1997 Acts of the 81st General Assembly for the State of Arkansas. The Corporation is principally involved in collecting monthly assessments from local exchange carriers to provide telecommunication relay services ("TRS"), including but not limited to, services that enable two-way communication between individual to people in Arkansas who are hearing and/or speech impaired.

Sprint provides such services known as TRS costs, through a contract with the Corporation. The current contract expired on December 31, 2018. A request for proposal ("RFP") was placed out in July 2018 and two bids were received. One of the bids was noncompliant and the second bidder was Sprint, who was awarded the contract. The term of the new contract is January 1, 2019 through December 31, 2021, unless earlier terminated by the Corporation in accordance with provisions in the contract. In addition, the Corporation shall have the option to extend the contract for up to two years as further set forth in the RFP. However, as of April 1, 2020 T-Mobile acquired Sprint becoming one company. However, Sprint is still registered with the State of Arkansas as the service provider and checks are cut for the service in Sprint's name. However, in the year 2021, T-Mobile name will be used as the service provider.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized in the accounting period in which it becomes both available and measurable. Expenses are recognized in the accounting period in which the liability is incurred.

**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 958-210, *Not-for-Profit Entities*. Under ASC No. 958-210, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. The Corporation does not have any assets with donor restrictions.

Net Assets without Donor Restrictions (Unrestricted Net Assets) - Net assets that are not subject to donor-imposed stipulations.

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash and cash equivalents include all monies in banks and highly liquid investments and instruments with maturity dates less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. At December 31, 2020 and 2019, the Corporation had no cash equivalents.

**Assessment Receivable**

Assessments receivable are stated at the amount the Corporation expects to collect, using the allowance method. Accounts are charged off to the allowance when management deems the account will not be collectible. The Corporation estimates the accounts receivable at December 31, 2020 and 2019 will be fully collectible; therefore, no allowance or uncollectible amounts has been established. Management has concluded that any potential uncollectible amount would not be material.

**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue Recognition

Assessments from local exchange carriers are recorded in the period earned. The rate is a mandatory set charge per phone line that telecommunications service providers must collect per Arkansas phone lines and remit to the Corporation. The rate is set by the Board and was (amounts stated by cent):

- December 1, 2018 to December 31, 2019	¢2.0 per phone line
- January 1, 2020 to December 31, 2020	¢2.0 per phone line

However, the rate is set to change October 1, 2021 to ¢1.0 per phone line

Donated Services

The Corporation receives donated services from members, officers and directors who assist in management of the Corporation's activities. No amounts have been recognized in the statements of activities because the criteria for recognition specified by FASB ASC 958-605-25, Not-for-Profit Entities – Revenue Recognition, have not been met since the services contributed do not create or enhance a non-financial asset and do not require unique skills. The Board of Directors, as appointed by the Governor of the State of Arkansas, serves without compensation.

Functional Allocation Expenses

The Corporation allocates its expenses on a functional basis among its various programs and support services to measure and guide the achievement of the Corporation's goals. Functional expenses for the year ended December 31, 2020 is presented on the Corporation's Statement of Activities and Functional Expenses.

Income Taxes

The Corporation is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Arkansas Revenue and Taxation Code Section ACA 26-51-303(a). Under that guidance, the Corporation 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.

**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes (continued)

The Corporation has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2017, 2018 and 2019 tax years. However, the Corporation is not currently under audit nor has the Corporation been contacted by any jurisdiction. Based on the evaluation of the Corporation's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended December 31, 2020 and 2019.

Reclassifications

Certain reclassifications were made to the amounts in the 2019 financial statements in order to conform to the 2020 financial statement presentation.

**NOTE 2: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS**

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits. The Corporation maintains its cash accounts at institutions insured by the Federal Deposit Insurance Corporation ("FDIC") on balances up to \$250,000. At times during 2020 and 2019, the balance at Regions Bank exceeded the insured limit.

**NOTE 3: RELATED PARTY TRANSACTIONS**

The Corporation pays an administration fee of \$1,200 per month to the Arkansas Telecommunications Association (ATA) for administrative services. Total ATA administrative fee expense for the years ended December 31, 2020 and 2019 was \$14,400 each year. The Corporation's board consists, in part, of persons employed by eligible telecommunications carriers. The entire balance in monthly assessments income is derived from these carriers.

**NOTE 4: CONCENTRATION OF RISK**

The majority of the Corporation's income is derived from assessments from local exchange carriers. For the years ended December 31, 2020 and 2019, this income represented 100% of the Corporation's total unrestricted revenue and support. The loss of these contracts would have an adverse effect on the Corporation's ability to continue in existence.

**ARKANSAS DEAF AND HEARING IMPAIRED  
TELECOMMUNICATIONS SERVICES CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 5: LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditures, that is, without donor or other restrictions limited their use, within one year of the date of the Statement of Financial Position, comprise of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 307,398	\$ 220,343
Accounts receivable	<u>72,543</u>	<u>50,739</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 379,941</u>	 <u>\$ 271,082</u>

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Corporation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

**NOTE 6: FAIR VALUES OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used to determine the fair value of each class of financial instruments:

Cash in bank and cash in cash management account – the carrying amount approximates fair value due to the nature of cash.

**NOTE 7: EVALUATION OF SUBSEQUENT EVENTS**

The Corporation has evaluated subsequent events through August 27th, 2021, the date which the financial statements were available to be issued. The State of Arkansas 93<sup>rd</sup> General Assembly in its regular session in January 2021, amended the name of the Corporation from Arkansas Deaf and Hearing Impaired Telecommunications Services Corporation to Arkansas Hard of Hearing Telecommunications Services Corporation. The Corporation's management has determined that there were no other significant subsequent events that should be disclosed in the financial statements or in the notes to the financial statements.

# JACK CHAMI, CPA PLLC

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Arkansas Deaf and Hearing Impaired  
Telecommunications Services Corporation  
Little Rock, Arkansas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Arkansas Deaf and Hearing Impaired Telecommunications Services Corporation (the "Corporation") (a nonprofit organization) which comprises the statement of financial position as of December 31, 2020, and the related statement of activities and functional expenses changes in net assets and the statement of cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated August 27, 2021.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Arkansas Deaf and Hearing Impaired Telecommunications Services Corporation internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, I do not express an opinion on the effectiveness of Arkansas Deaf and Hearing Impaired Telecommunications Services Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Arkansas Deaf and Hearing Impaired Telecommunications Services Corporation's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. Noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JACK CHAMI CPA PLLC  
August 27, 2021