

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

**with
Independent Auditor's Report
December 31, 2018 and 2017**

LOVETT & COMPANY, LTD.

03/01/2019

3/1/19

1/22/2019 10:00:00 AM

**ARKANSAS DEAF AND HEARING IMPAIRED
TELECOMMUNICATIONS SERVICES CORPORATION
Years Ended December 31, 2018 and 2017**

<u>CONTENTS</u>	<u>PAGE</u>
Independent Auditor's Report	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 8

LOVETT & COMPANY, LTD.

1218 WEST SIXTH STREET
P.O. BOX 1759
LITTLE ROCK, ARKANSAS 72203
LR OFFICE: (501) 376-6728

CERTIFIED PUBLIC ACCOUNTANTS

• FAX: (888) 391-6865 •

521 SOUTH WALNUT STREET
P.O. BOX 5470
PINE BLUFF, ARKANSAS 71611
PB OFFICE: (870) 535-2727

INDEPENDENT AUDITOR'S REPORT

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

We 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, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

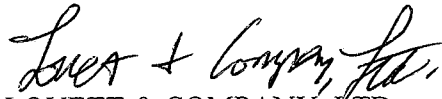
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Board of Directors
Arkansas Deaf and Hearing Impaired
Telecommunications Services Corporation
Page Two

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

Opinion

In our opinion, 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, 2018 and 2017 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.



LOVETT & COMPANY, LTD.

Little Rock, Arkansas

April 28, 2019

**ARKANSAS DEAF AND HEARING IMPAIRED
TELECOMMUNICATIONS SERVICES CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$106,258	\$314,534
Assessments receivable	50,103	25,065
Total current assets	<u>156,361</u>	<u>339,599</u>
Total assets	<u>\$156,361</u>	<u>\$339,599</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$40,381	\$42,868
Total current liabilities	<u>40,381</u>	<u>42,868</u>
Total liabilities	<u>40,381</u>	<u>42,868</u>
Net assets		
Without donor restrictions	115,980	296,731
Total net assets	<u>115,980</u>	<u>296,731</u>
Total liabilities and net assets	<u>\$156,361</u>	<u>\$339,599</u>

**ARKANSAS DEAF AND HEARING IMPAIRED
TEECOMMUNICATIONS SERVICES CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenues		
Local exchange carrier assessments	\$349,574	\$317,082
Interest income	807	445
Total revenues	<u>350,381</u>	<u>317,527</u>
Expenditures		
TRS costs	495,866	497,015
Management and general	35,266	26,171
Total expenses	<u>531,132</u>	<u>523,186</u>
(Decrease) in net assets without restrictions	(180,751)	(205,659)
Net assets, beginning of year	<u>296,731</u>	<u>502,390</u>
Net assets, end of year	<u><u>\$115,980</u></u>	<u><u>\$296,731</u></u>

**ARKANSAS DEAF AND HEARING IMPAIRED
TELECOMMUNICATIONS SERVICES CORPORATION
STATEMENTS OF CASH FLOWS
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operations:		
Change in net assets	(\$180,751)	(\$205,659)
Adjustments to reconcile:		
(Increase) decrease in accounts receivable	(25,038)	1,523
(Decrease) in accounts payable	<u>(2,487)</u>	<u>(2,134)</u>
Net cash provided by operations	<u>(208,276)</u>	<u>(206,270)</u>
Net (decrease) in cash and equivalents	(208,276)	(206,270)
Cash and equivalents - beginning of year	<u>314,534</u>	<u>520,804</u>
Cash and equivalents - end of year	<u><u>\$106,258</u></u>	<u><u>\$314,534</u></u>

**ARKANSAS DEAF AND HEARING IMPAIRED
TELECOMMUNICATIONS SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017**

NOTE 1: SUMMARY NATURE OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Arkansas Deaf and Hearing Impaired Telecommunication 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 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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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 – Net assets that are not subject to donor-imposed stipulations.

Use of Estimates

Management is required 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

**ARKANSAS DEAF AND HEARING IMPAIRED
TELECOMMUNICATIONS SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017**

**NOTE 1: SUMMARY NATURE OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Assessments Receivable

Assessments from local exchange carriers are reported and paid monthly under an honor system. Receivables at the date of these financial statements generally represent December assessments paid the following January or even February. Therefore, there is no provision for uncollectible accounts.

Revenue Recognition

Assessments from local exchange carriers are recorded in the period earned. The rate is set by the Board and was:

- January 1, 2017 to December 31, 2017 .01
- January 1, 2018 to November 30, 2018 .01
- December 1, 2018 to December 31, 2019 .02

Donated Services

The value of contributed services that meet the requirements for recognition was not material and has not been recorded. The Board of Directors, as appointed by the Governor of the State of Arkansas, serves without compensation.

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.

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 2015, 2016 and 2017 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, 2018 and 2017.

NOTE 2: CASH AND CASH EQUIVALENTS AND RISK CONCENTRATIONS

Cash and cash equivalents consisted of the following as of December 31:

	2018	2017
Federal Telco Credit Union	\$53,807	\$53,000
Regions Bank	52,451	261,534
Totals	\$106,258	\$314,534

**ARKANSAS DEAF AND HEARING IMPAIRED
TELECOMMUNICATIONS SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017**

**NOTE 2: CASH AND CASH EQUIVALENTS AND RISK CONCENTRATIONS
(CONTINUED)**

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 2017 the balance at Regions Bank exceeded the insured limit.

NOTE 3: ACCOUNTS PAYABLE

Accounts payable consisted of the following as of December 31:

	2018	2017
Sprint – TRS costs	\$40,381	\$42,868

NOTE 4: 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, 2018 and 2017 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 5: EVALUATION OF SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through April 28, 2019, the date which the financial statements were available to be issued. The Corporation’s management has determined that there were no significant subsequent events that should be disclosed in the financial statements or in the notes to the financial statements.