

**WATER TO THRIVE**

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2016 and 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Water to Thrive  
Austin, Texas

We have audited the accompanying financial statements of Water to Thrive (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity'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.

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, the financial statements referred to above present fairly, in all material respects, the financial position of Water to Thrive as of December 31, 2016 and 2015, 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.

*Gindler, Chappell, Morrison & Co., P.C.*

Austin, Texas  
December 19, 2017

FINANCIAL STATEMENTS

# WATER TO THRIVE

## STATEMENTS OF FINANCIAL POSISTION

December 31, 2016 and 2015

	<b>2016</b>	2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 125,269	\$ 74,571
Receivables		
Trust - current, net	38,070	37,324
Contributions and other	7,188	65,829
Related party	1,408	8,500
Inventory	9,602	8,783
Current portion of note receivable - DTE	14,198	-
Prepaid expenses and other	11,011	30,895
Total current assets	206,746	225,902
Cash - restricted	178,740	237,404
Non-current assets		
Trust receivable - non-current, net	302,124	326,266
Notes receivable - DTE, net current portion	42,217	-
Total non-current assets	344,341	326,266
Fixed assets		
Computer equipment	7,830	7,830
Website costs	10,563	10,563
Less accumulated depreciation	(16,698)	(15,418)
Net fixed assets	1,695	2,975
<b>Total assets</b>	\$ 731,522	\$ 792,547
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 73,121	\$ 69,719
Accrued expenses	17,529	3,626
Accrued vacation payable	4,874	4,314
Deferred revenue	7,000	9,757
Note payable - current portion	14,455	25,000
Total current liabilities	116,979	112,416
Note payable - long-term portion	44,849	-
Total liabilities	161,828	112,416
Net assets		
Unrestricted net assets		
Available for current operations	168,912	192,371
Investment in fixed assets	1,695	2,975
Total unrestricted net assets	170,607	195,346
Temporarily restricted net assets	399,087	484,785
Permanently restricted net assets	-	-
Total net assets	569,694	680,131
<b>Total liabilities and net assets</b>	\$ 731,522	\$ 792,547

See accompanying Notes to Financial Statements.

# WATER TO THRIVE

## STATEMENTS OF ACTIVITIES

Year Ended December 31, 2016

	<b>2016</b>			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 177,842	\$ 539,586	\$ -	\$ 717,428
Grants and contracts	4,000	55,915	-	59,915
Change in value of split-interest agreement	-	16,604	-	16,604
Other income	39,047	-	-	39,047
Fund raising activities				
Gross fund raising	152,611	-	-	152,611
Direct benefit to donors	(41,962)	-	-	(41,962)
Net fund raising activities	110,649	-	-	110,649
Merchandise sales				
Gross sales	6,720	-	-	6,720
Cost of goods sold	(5,485)	-	-	(5,485)
Net merchandise sales	1,235	-	-	1,235
Net assets released from donor imposed restrictions	697,803	(697,803)	-	-
<b>Total revenues and other support</b>	<b>1,030,576</b>	<b>(85,698)</b>	<b>-</b>	<b>944,878</b>
<b>EXPENSES</b>				
Program services	870,368	-	-	870,368
Supporting services				
Management and general	112,794	-	-	112,794
Fund raising	72,153	-	-	72,153
<b>Total expenses</b>	<b>1,055,315</b>	<b>-</b>	<b>-</b>	<b>1,055,315</b>
<b>CHANGE IN NET ASSETS (decrease)</b>	<b>(24,739)</b>	<b>(85,698)</b>	<b>-</b>	<b>(110,437)</b>
<b>NET ASSETS</b>				
Beginning of year	195,346	484,785	-	680,131
<b>End of year</b>	<b>\$ 170,607</b>	<b>\$ 399,087</b>	<b>\$ -</b>	<b>\$ 569,694</b>

See accompanying Notes to Financial Statements.

# WATER TO THRIVE

## STATEMENTS OF ACTIVITIES - continued

Year Ended December 31, 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 270,704	\$ 427,170	\$ -	\$ 697,874
Grants and contracts	11,000	45,000	-	56,000
Change in value of split-interest agreement	-	1,169	-	1,169
Other income	42	-	-	42
Fund raising activities				
Gross fund raising	55,248	-	-	55,248
Direct benefit to donors	(26,157)	-	-	(26,157)
Net fund raising activities	29,091	-	-	29,091
Merchandise sales				
Gross sales	9,949	-	-	9,949
Cost of goods sold	(7,619)	-	-	(7,619)
Net merchandise sales	2,330	-	-	2,330
Net assets released from donor imposed restrictions	641,244	(641,244)	-	-
<b>Total revenues and other support</b>	<b>954,411</b>	<b>(167,905)</b>	<b>-</b>	<b>786,506</b>
<b>EXPENSES</b>				
Program services	767,199	-	-	767,199
Supporting services				
Management and general	41,934	-	-	41,934
Fund raising	98,351	-	-	98,351
<b>Total expenses</b>	<b>907,484</b>	<b>-</b>	<b>-</b>	<b>907,484</b>
<b>CHANGE IN NET ASSETS (decrease)</b>	46,927	(167,905)	-	(120,978)
<b>NET ASSETS</b>				
Beginning of year	148,419	652,690	-	801,109
End of year	\$ 195,346	\$ 484,785	\$ -	\$ 680,131

See accompanying Notes to Financial Statements.

# WATER TO THRIVE

## STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	<u>Water Projects</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
<b>EXPENSES</b>				
Salaries	\$ 100,669	\$ 74,872	\$ 24,278	\$ 199,819
Payroll taxes	8,740	6,500	2,108	17,348
Total personnel costs	<u>109,409</u>	<u>81,372</u>	<u>26,386</u>	<u>217,167</u>
Water projects	675,534	-	-	675,534
Occupancy	37,171	5,310	10,619	53,100
Advertising	-	9,962	14,942	24,904
Mission travel fund	23,055	-	-	23,055
Office	13,607	2,205	3,887	19,699
Professional fees	-	6,800	-	6,800
Bank service charges	4,506	358	1,468	6,332
Travel and entertainment	877	438	4,867	6,182
Printing and publication	1,047	1,309	2,879	5,235
Postage and shipping	904	904	2,858	4,666
Supplies	3,018	431	862	4,311
Dues and subscriptions	-	1,766	-	1,766
Special events	-	-	1,637	1,637
Insurance	-	1,560	-	1,560
Conferences and meetings	-	-	1,345	1,345
Depreciation	896	65	320	1,281
Miscellaneous	344	256	83	683
Property taxes	-	58	-	58
<b>Total expenses</b>	<u><u>\$ 870,368</u></u>	<u><u>\$ 112,794</u></u>	<u><u>\$ 72,153</u></u>	<u><u>\$ 1,055,315</u></u>

See accompanying Notes to Financial Statements.



## WATER TO THRIVE

### STATEMENTS OF FUNCTIONAL EXPENSES - continued

Year Ended December 31, 2015

	Water Projects	Management and General	Fund Raising	Total
<b>EXPENSES</b>				
Salaries	\$ 63,321	\$ 15,271	\$ 47,094	\$ 125,686
Payroll taxes	5,447	1,314	4,051	10,812
Benefits	201	49	150	400
Total personnel costs	68,969	16,634	51,295	136,898
Water projects	611,753	-	-	611,753
Occupancy	8,259	1,180	2,360	11,799
Advertising	-	8,323	12,485	20,808
Mission travel fund	32,820	-	-	32,820
Office	8,427	1,205	2,407	12,039
Professional fees	21,525	9,300	6,150	36,975
Recruiting and relocation	2,669	593	2,670	5,932
Bank service charges	4,051	356	1,468	5,875
Travel and entertainment	1,315	658	7,300	9,273
Printing and publication	396	495	1,088	1,979
Postage and shipping	904	904	2,710	4,518
Supplies	3,997	571	1,142	5,710
Dues and subscriptions	-	429	-	429
Special events	-	-	6,107	6,107
Insurance	-	800	-	800
Conferences and meetings	-	-	450	450
Depreciation	1,807	129	645	2,581
Miscellaneous	307	229	74	610
Property taxes	-	128	-	128
<b>Total expenses</b>	<b>\$ 767,199</b>	<b>\$ 41,934</b>	<b>\$ 98,351</b>	<b>\$ 907,484</b>

See accompanying Notes to Financial Statements.

# WATER TO THRIVE

## STATEMENT OF CASH FLOW

Years Ended December 31, 2016 and 2015

	<b>2016</b>	2015
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (110,437)	\$ (120,978)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,281	2,581
Amortization of discount on split-interest agreement	(16,604)	(1,169)
(Increase) decrease in operating assets:		
Receivables:		
Grants	-	10,000
Trust	40,000	40,000
Contributions and other	58,641	(43,467)
Related party	7,092	(8,500)
Inventory	(819)	5,024
Prepaid expenses and other	24,882	(30,895)
(Increase) decrease in restricted cash	58,664	48,934
Increase (decrease) in operating liabilities:		
Accounts payable	3,402	65,467
Accrued liabilities	13,903	1,076
Accrued vacation payable	560	3,390
Deferred revenue	(2,757)	9,757
Net cash provided by operating activities	77,808	(18,780)
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(2,803)
Disposal of fixed assets	-	1,220
Net cash provided by investing activities	-	(1,583)
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>		
Proceeds from notes payable	63,000	25,000
Principal payments on notes payable	(33,696)	-
Distribution of note receivable	(63,000)	-
Principal payments from notes receivable	6,586	-
Net cash provided by investing activities	(27,110)	25,000
<b>NET INCREASE (DECREASE) IN CASH</b>	50,698	4,637
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	74,571	69,934
<b>End of year</b>	<b>\$ 125,269</b>	<b>\$ 74,571</b>
Supplemental Information:		
Loan origination costs financed	\$ 5,000	\$ -

See accompanying Notes to Financial Statements.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2016 and 2015**

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**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Organization**

Water to Thrive (the “Organization”), was established in 2008. The Organization is a non-profit organization whose mission is to provide fresh water wells to impoverished areas in developing countries through non-governmental organizations and partners. The Organization is dedicated to spreading awareness of the global water crisis while raising funds needed to construct water wells for those who need them in rural Africa.

The mission is accomplished by:

- In the US, the Organization works with individuals, churches, corporate offices, and schools to raise funds.
- The Organization then partners with African Non-governmental organizations to implement water work.

The Organization’s revenue is primarily generated from special events and individual contributions.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization believes it is no longer subject to examination by the IRS for years prior to 2013.

**Summary of Significant Accounting Policies**

**Accounting Estimates:** The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

**Method of Accounting:** The Organization uses the accrual basis method of accounting. Using this method of accounting, revenue and support and receivables are reported when funds are considered earned, regardless of when cash is received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or for specific purposes are considered temporarily restricted or permanently restricted and increases those net asset classes. Conditional promises to give are not reported until the condition is met. Expenses and accounts payable are reported when an obligation is incurred, regardless of when cash is disbursed. All expenses are reported as reductions in unrestricted net assets.

**Fair Value Measurements:** 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. The Church measures and discloses fair value measurements in accordance with the following general valuation techniques.

1. Market approach (Level 1) - uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Years Ended December 31, 2016 and 2015**

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**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Fair Value Measurements:** - continued

2. Cost approach (Level 2) - based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
3. Income approach (Level 3) - uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Changes in fair value of financial instruments and unrealized gains or losses on financial instruments are reported in the statement of activities. Investment income is reported as an increase in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

**Net Assets Classes:** The Organization reports the following net assets classes.

***Permanently restricted net assets:*** The part of the net assets of a not-for-profit organization resulting from contributions whose use by an organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of an organization are considered permanently restricted net assets. An example of a permanently restricted net asset would be the donation of funds (or other assets) to an organization in which the donor imposed a restriction that the funds not be expended, but that the organization would be permitted to use or expend part or all of the income (or other economic benefit) derived from the donation.

***Temporarily restricted net assets:*** Not-for-profit organizations receive contributions and other resources whose use is limited by stipulations that are more specific than the broad limits resulting from the nature and purpose of the organization and its programs. Resources (net assets) with such stipulations that either expire by passage of time or can be fulfilled by actions of an organization are reported as temporarily restricted net assets.

***Unrestricted net assets:*** Resources not included in the above categories are considered unrestricted net assets. While these resources are reported as unrestricted, an organization manages them in compliance with its exempt purposes, Board of Director designations, legal requirements, and contractual obligations.

**Allocation of Costs:** The Organization allocates common costs between program services, management and general, and fund raising expenses based on management's estimate of the costs related to each of the Organization's activities. The estimates are reviewed and adjusted periodically to reflect changes in the activities of the Organization. The allocation of costs reported in the financial statements is considered a significant accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

**Fixed Assets:** Purchased fixed assets are capitalized at cost if the value of the item is more than \$1,000 and the estimated useful service life of the item is more than one year. Donated fixed assets are capitalized at fair value. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation expense is computed over the estimated useful service life of the asset (3 to 7 years) using the straight line method of computation.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Years Ended December 31, 2016 and 2015**

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**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Fixed Assets: - continued**

Depreciation expense reported is considered a significant accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant. Routine repairs and maintenance are expensed as incurred.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. During the year, the Organization did not adjust the carrying amount of any fixed assets.

**Receivables:** Receivables consist of grants and promises to give. Receivables are stated net of an allowance for doubtful accounts. The Organization estimates the allowance based on an analysis of the donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. At December 31, 2016 and 2015, management determined that the receivables were fully collectible; therefore, no allowance for uncollectible accounts was considered necessary. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

**Charitable Lead Trust:** The Organization's beneficial interest in a charitable lead unitrust was recorded as temporarily restricted net assets when the Organization was notified of the trust's existence. The assets for the contribution receivable from the trust consist of investments that are held and managed by a trustee. The Organization has no control over those assets. The contribution receivable is reported at fair value, which is estimated using an income approach based on assumptions developed by the Organization about the future distributions it will receive from the trust. Changes in the fair value of the contribution receivable are reflected in the temporarily restricted class of net assets. Distributions from the trust are reflected as reductions in the contribution receivable and reclassifications from temporarily restricted to unrestricted net assets.

**Inventory:** Inventories consist of coffee, clothing and jewelry and are valued at the lower of cost or market on a first-in, first-out basis.

**Subsequent Events:** Management has evaluated subsequent events through the date of the *Independent Auditor's Report*, which is the date the financial statements were available to be issued and no events have occurred from the statement of financial position date through that date that would require disclosure in the financial statements.

**Reclassifications:** Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**NOTE 2: RESTRICTED CASH**

The Organization holds donor-designated "restricted" cash. This account is increased by any funds stipulated by donors to be designated to water projects, and cash is released as water project expense is incurred. The ending balance of restricted cash at December 31, 2016 and 2015 was \$178,740 and \$237,404, respectively.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Years Ended December 31, 2016 and 2015**

**NOTE 3: FAIR VALUE MEASUREMENT**

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Charitable lead trust receivable</u>				
December 31, 2016	\$ 340,194	\$ -	\$ -	\$ 340,194
December 31, 2015	\$ 363,590	\$ -	\$ -	\$ 363,590

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2016 and 2015.

**NOTE 4: PLEDGES RECEIVABLES**

The Organization received promises to give and other receivables with a duration of one year or less in the amount of \$21,385 and \$65,829 in 2016 and 2015, respectively.

**NOTE 5: NOTE RECEIVABLE**

In 2016, the Organization entered into an agreement with Diversity Tours Ethiopia (DTE) to loan DTE \$63,000 to assist with the purchase of three vehicles under an incentive program sponsored by the Ministry of Culture and Tourism of Ethiopia. The repayment of the note consists of a fixed monthly amount as well as in-kind services. The in-kind services to be received from DTE are the monthly utilization of the vehicles up to 10 days, with the availability of an additional 20 days a year for donor trips. Based on the fair value of the vehicle rental, the Organization estimates the actual utilization of the in-kind services will be approximately 70 days per year. Additionally, the agreement has no stated interest rate for the repayment. Based on the terms, the imputed interest rate is 10%.

The note receivable is reported in the financial statements as following:

	<u>2016</u>	<u>2015</u>
Note receivable from an entity, dated February 20, 2016, original amount \$63,000, imputed interest accrues monthly at 10%, with a maturity of date of June 1, 2020, collateral is a vehicle.	\$ 56,414	\$ -
Less current portion	<u>(14,197)</u>	<u>-</u>
Long-term receivable, net current portion	<u>\$ 42,217</u>	<u>\$ -</u>

Estimated annual maturity due from the receivable is the following: 2017- \$14,197, 2018- \$15,684; 2019- \$17,327; 2020- \$9,206.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Years Ended December 31, 2016 and 2015**

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**NOTE 5: NOTE RECEIVABLE – continued**

The maturity of the receivable is based on receiving the following anticipated amounts:

<u>Year</u>	<u>Cash</u>	<u>In-Kind Value</u>	<u>Total</u>
2017	\$ 10,800	\$ 8,400	\$ 19,200
2018	10,800	8,400	19,200
2019	10,800	8,400	19,200
2020	4,073	5,400	9,473
	<u>\$ 36,473</u>	<u>\$ 30,600</u>	<u>\$ 67,073</u>

**NOTE 6: CHARITABLE LEAD TRUST SPLIT-INTEREST AGREEMENT**

During 2012, a donor established a trust with a bank naming the Organization as the lead beneficiary of a charitable lead unitrust. Under terms of the split-interest agreement, the Organization is to receive an annual distribution equal to \$40,000 annually for 15 years beginning in 2013. On an annual basis, the Organization remeasures the estimated fair value of the contribution receivable based on applicable discount rate of 4%. The Organization received \$40,000 per year from the trust in 2016 and 2015, which was recorded as a reduction in the receivable and a corresponding reclassification from temporarily restricted to unrestricted net assets.

Detail of the trust receivable is as follows:

	<u>2016</u>	<u>2015</u>
Trust receivable current	\$ 38,070	\$ 37,324
Trust receivable non-current	<u>302,124</u>	<u>326,266</u>
Net trust receivable	<u>\$ 340,194</u>	<u>\$ 363,590</u>
Amount due in:		
Less than one year	40,000	\$ 40,000
One to five years	200,000	200,000
Thereafter	<u>200,000</u>	<u>240,000</u>
Total	440,000	480,000
Less present value adjustment	<u>(99,806)</u>	<u>(116,410)</u>
Net trust receivable	<u>\$ 340,194</u>	<u>\$ 363,590</u>

**NOTE 7: RELATED PARTY TRANSACTION**

During 2015, Water to Thrive received administrative and executive services and office space from Enovate Enterprise, LLC, a company for which a board member of the Organization serves as an executive officer. The services and office space provided essentially constitute an employee leasing arrangement. Water to Thrive was charged \$36,000 per year, \$5,250 for office space and \$30,750 for services. During 2015, Water to Thrive paid the related party \$36,000 for services provided.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Years Ended December 31, 2016 and 2015**

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**NOTE 7: RELATED PARTY TRANSACTION – continued**

On January 1, 2016 Enovate Enterprise, LLC entered into a business service agreement with Water to Thrive for Water to Thrive to provide office space, and administrative and executive services. Enovate will pay Water to Thrive \$3,000 per month. During the year 2016, \$36,000 was paid to Water to Thrive for services provided and office space. Enovate Enterprise purchased \$763 in coffee during 2016.

Water to Thrive recognized revenue for coffee purchased from an affiliate, Ziggy’s Cafe and Bakery, for which a board member of the Organization serves as an executive officer. During 2016 and 2015, Water to Thrive received revenue from the related party of \$-0- and \$2,137, respectively.

In 2016 and 2015, Water to Thrive made an interest free loan to one of its board members in the amount of \$5,000 and \$12,000, respectively. At year-end 2016, the funds were received for repayment, and the receivable balance was \$-0-.

Water to Thrive provides administrative and executive services to Ziggy’s café. Ziggy’s café reimburses Water to Thrive for these services. During 2016, Ziggy’s café paid \$16,033 for services. Additionally, Water to Thrive billed Ziggy’s café \$17,276 for services, of which \$4,089 was a receivable at December 31, 2016.

**NOTE 8: NOTE PAYABLE**

A private foundation has provided an unsecured, interest-free note totaling \$25,000 for the Organization’s down payment on a joint well project. Principal on the note is due in full at completion of the project, estimated during 2016. The note payable is reported in the statement of financial position at December 31, 2016. October 2016, this amount was refunded due to the project being cancelled.

In order to provide the funds to DTE, the Organization entered into an unsecured agreement with a third party to provide financing. The Organization borrowed \$63,000 for the loan to DTE, and also financed the \$5,000 origination fee associated with the loan. The note requires an annual maintenance fee of \$1,000. The note payable in the financial statements as following:

	<u>2016</u>	<u>2015</u>
Note payable from a financial institution, dated June 1, 2016, original amount \$68,000, unsecured, interest accrues monthly at 7.5%, with a maturity of date of June 1, 2020.	\$ 59,304	\$ -
Less current portion	<u>(14,455)</u>	<u>-</u>
Long-term debt, net current portion	<u>\$ 44,849</u>	<u>\$ -</u>

The estimated annual maturity due on the long-term debt at December 31, 2016 is as follows: 2017- \$14,454; 2018- \$16,941; 2019- \$18,256; 2020- \$9,653.

**NOTE 9: COMMITMENTS – OPERATING LEASES**

In 2015, the Organization entered into a five year operating lease for office space, which commenced November 1, 2015. Obligations represented by operating leases are not reported as liabilities in financial statements. Estimated future minimum rental payments under the lease are as follows: 2017- \$37,719; 2018- \$38,907; 2019- \$40,095; 2020 - \$41,283; 2021 - \$10,395 and \$-0- thereafter.



**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Years Ended December 31, 2016 and 2015**

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**NOTE 10: TEMPORARILY RESTRICTED NET ASSETS**

Net assets released from restrictions imposed by funding sources and donors due to the Organization's actions, such as grant or contract compliance or with the expiration of time restrictions during 2016 and 2015 were \$697,803 and \$641,244, respectively. These funds are considered net assets released from donor imposed restrictions and are reported as transfers from temporarily restricted net assets to unrestricted net assets in the statement of activities.

At year end, Water to Thrive had the following temporarily restricted net assets in the form of cash or receivables:

<u>Funding Source</u>	<u>2016</u>	<u>2015</u>	<u>Restrictions Imposed by Funding Source</u>
Contributions	\$ 53,554	\$ 115,775	Water Projects
Contributions	4,422	5,420	Mission Travel
Annuity trust	340,194	363,590	Time Restriction
Wheat Ridge Ministries	917	-	Human Care Initiatives
Total	<u>\$ 399,087</u>	<u>\$ 484,785</u>	

**NOTE 11: OFF BALANCE SHEET CREDIT RISK**

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and money market account balances. The Organization maintains cash balances that generally exceed the federally insured limits of the institution. The Organization does not require collateral against any excess deposits. At year end, cash balances in excess of federally insured deposits for the Organization were approximately \$-0- for 2016 and \$82,344 for 2015. The Organization places its cash with high quality financial institutions and continuously monitors their financial instruments for any indication of nonperformance and do not expect any institutions to fail to meet their obligations.