

Audited Financial Statements

Water to Thrive

*For the Years Ended December 31, 2021 and 2020
With Independent Auditor's Report*

Water to Thrive

Audited Financial Statements

For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Water to Thrive (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Water to Thrive as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Organization'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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 the Organization'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.



Austin, Texas
July 27, 2022

Audited Financial Statements

Water to Thrive

Statements of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 292,580	\$ 393,450
Trust receivable with donor restrictions - current	38,831	38,831
Receivables	1,323	1,687
Receivables - related parties	330	5,590
Inventory	6,340	8,007
Prepaid expenses and other current assets	4,793	5,683
Total current assets	<u>344,197</u>	<u>453,248</u>
Cash and cash equivalents with donor restrictions	749,597	149,414
Endowment Fund without donor restrictions	10,014	-
Endowment Fund with donor restrictions	175,000	-
Trust receivable with donor restrictions - long-term	170,854	201,251
Security deposits	2,382	-
Property and equipment, net	-	1,967
Total assets	<u>\$ 1,452,044</u>	<u>\$ 805,880</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 12,658	\$ 7,004
Accrued liabilities	90,038	46,494
Deferred revenue	1,750	1,000
Notes payable - current portion	-	50,300
Total current liabilities	<u>104,446</u>	<u>104,798</u>
Notes payable - long-term portion	<u>150,000</u>	<u>150,000</u>
Total liabilities	<u>254,446</u>	<u>254,798</u>
Net Assets		
Without donor restrictions	63,316	161,586
With donor restrictions	1,134,282	389,496
Total net assets	<u>1,197,598</u>	<u>551,082</u>
Total liabilities and net assets	<u>\$ 1,452,044</u>	<u>\$ 805,880</u>

The accompanying notes are an integral part of these financial statements.

Water to Thrive

Statement of Activities

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 204,073	\$ 1,394,770	\$ 1,598,843
Forgiveness of debt - PPP loan	50,300	-	50,300
Investment earnings	10,309	-	10,309
Change in value of split-interest agreement	-	9,603	9,603
Other	7,730	-	7,730
Total revenues and other support	272,412	1,404,373	1,676,785
Merchandise sales:			
Gross sales	2,740	-	2,740
Cost of goods sold	(1,295)	-	(1,295)
Merchandise sales, net	1,445	-	1,445
Net assets released from donor restrictions	659,587	(659,587)	-
Total revenues, support, and reclassifications	933,444	744,786	1,678,230
Expenses:			
Program services	784,012	-	784,012
Fundraising	153,436	-	153,436
Management and general	94,266	-	94,266
Total expenses	1,031,714	-	1,031,714
Total change in net assets	(98,270)	744,786	646,516
Net assets, beginning of the year	161,586	389,496	551,082
Net assets, end of the year	\$ 63,316	\$ 1,134,282	\$ 1,197,598

The accompanying notes are an integral part of these financial statements.

Water to Thrive

Statement of Activities

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 423,436	\$ 616,827	\$ 1,040,263
Change in value of split-interest agreement	-	10,772	10,772
Federal grant income	6,000	-	6,000
Other	11,491	-	11,491
Total revenues and other support	<u>440,927</u>	<u>627,599</u>	<u>1,068,526</u>
Merchandise sales:			
Gross sales	3,627	-	3,627
Cost of goods sold	(2,618)	-	(2,618)
Merchandise sales, net	<u>1,009</u>	<u>-</u>	<u>1,009</u>
Net assets released from donor restrictions	<u>546,843</u>	<u>(546,843)</u>	<u>-</u>
Total revenues, support, and reclassifications	<u>988,779</u>	<u>80,756</u>	<u>1,069,535</u>
Expenses:			
Program services	666,582	-	666,582
Fundraising	157,565	-	157,565
Management and general	94,419	-	94,419
Total expenses	<u>918,566</u>	<u>-</u>	<u>918,566</u>
Total change in net assets	70,213	80,756	150,969
Net assets, beginning of the year	<u>91,373</u>	<u>308,740</u>	<u>400,113</u>
Net assets, end of the year	<u>\$ 161,586</u>	<u>\$ 389,496</u>	<u>\$ 551,082</u>

The accompanying notes are an integral part of these financial statements.

Water to Thrive

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program Services	Fundraising	Management & General	Total
Salaries	\$ 106,069	\$ 99,857	\$ 56,820	\$ 262,746
Payroll taxes	8,419	7,913	4,534	20,866
Employee benefits	4,322	3,842	1,441	9,605
Water projects	619,587	-	-	619,587
Occupancy	15,808	21,155	7,152	44,115
Office	12,001	6,246	6,067	24,314
Bank service charges	6,704	4,538	4	11,246
Professional fees	-	-	7,000	7,000
Printing	893	2,456	1,116	4,465
Interest expense	-	-	4,125	4,125
Dues and subscriptions	2,116	1,628	325	4,069
Promotional	2,511	717	359	3,587
Marketing	1,947	1,281	325	3,553
Postage and shipping	651	1,790	815	3,256
Website	1,280	853	-	2,133
Depreciation	-	-	1,967	1,967
Insurance	-	-	1,919	1,919
Other	371	391	82	844
In-kind water projects expense	834	-	-	834
Utilities	406	325	80	811
Travel and entertainment	93	444	135	672
Total expenses	\$ 784,012	\$ 153,436	\$ 94,266	\$ 1,031,714
Percentage of total expenses	76%	15%	9%	100%

The accompanying notes are an integral part of these financial statements.

Water to Thrive

Statement of Functional Expenses

For the Year Ended December 31, 2020

	Program Services	Fundraising	Management & General	Total
Salaries	\$ 101,098	\$ 96,495	\$ 56,698	\$ 254,291
Payroll taxes	7,782	7,634	4,401	19,817
Water projects	501,893	-	-	501,893
Occupancy	26,084	36,166	12,489	74,739
Office	7,549	3,432	1,889	12,870
Bank service charges	6,606	3,928	-	10,534
Professional fees	-	-	6,000	6,000
Postage and shipping	1,068	2,933	1,334	5,335
In-kind water projects expense	4,950	-	-	4,950
Marketing	2,827	1,618	471	4,916
Promotional	3,163	904	452	4,519
Dues and subscriptions	-	-	4,009	4,009
Printing	722	1,987	903	3,612
Depreciation	-	-	3,157	3,157
Interest expense	812	812	782	2,406
Website	1,186	791	-	1,977
Insurance	-	-	1,605	1,605
Other	445	429	112	986
Travel and entertainment	397	436	117	950
Total expenses	\$ 666,582	\$ 157,565	\$ 94,419	\$ 918,566
Percentage of total expenses	73%	17%	10%	100%

The accompanying notes are an integral part of these financial statements.

Water to Thrive

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 646,516	\$ 150,969
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,967	3,157
Usage of accrued in-kind services	834	4,950
Amortization of discount on trust receivable	(9,603)	(10,772)
Loss on writedown of inventory	1,667	509
Forgiveness of debt - PPP loan	(50,300)	-
(Increase) decrease in operating assets:		
Cash and cash equivalents with donor restrictions	(600,183)	(109,984)
Receivables	364	(1,525)
Receivables - related parties	5,260	(307)
Inventory	-	(1,545)
Trust receivable with donor restrictions	40,000	40,000
Prepaid expenses and other current assets	56	2,092
Security deposits	(2,382)	-
Increase (decrease) in operating liabilities:		
Accounts payable	5,654	(4,657)
Accounts payable - related party	-	-
Accrued liabilities	43,544	(51,923)
Deferred revenue	750	330
Net cash provided by operating activities	84,144	21,294
Cash flows from investing activities		
Endowment Fund purchases, net	(185,014)	-
Net cash used in investing activities	(185,014)	-
Cash flows from financing activities		
Proceeds from notes payable	-	200,300
Principal payments on notes payable	-	(8,069)
Net cash provided by (used in) financing activities	-	192,231
Net change in cash and cash equivalents	(100,870)	213,525
Cash and cash equivalents, at beginning of the year	393,450	179,925
Cash and cash equivalents, at end of the year	\$ 292,580	\$ 393,450
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,205	\$ 603

The accompanying notes are an integral part of these financial statements.

Water to Thrive

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

Water to Thrive (the “Organization”), was established in 2008. The Organization is a nonprofit 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 Organization’s revenues are primarily generated from individual contributions and special events.

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.

During 2020, the Organization reduced water projects programming due to health and safety protocols and travel restrictions caused by the COVID-19 Pandemic (see Note 6). This reduction in water projects spending resulted in a significant decrease in the Organization’s program services percentage for 2020 as reflected on the Statements of Functional Expenses. With the ongoing COVID-19 Pandemic in 2021, the Organization was able to increase water projects spending some from the prior year. As the COVID-19 Pandemic continues to subside, management expects the program service percentage to return to the Organization’s normal range of 80%.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred.

Use of Estimates

The preparation of financial statements 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 periods. Actual results could differ from these estimates.

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – These types of net assets are not subject to donor-imposed stipulations. This also includes net assets with Board designations for specific purposes, since these Board designations may be reversed by the Board of Directors at any time in the future.

Net assets with donor restrictions – These types of net assets are subject to donor-imposed stipulations, which limit their use by the Organization, either permanently or temporarily, to a specific purpose and/or the passage of time. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. For purposes of the statements of cash flows, cash and cash equivalents exclude cash and cash equivalents with donor restrictions.

Accounts Receivable

Accounts receivable are stated at the amount the Organization expects to collect from outstanding balances which consist of grants and contributions. The Organization has not set up an allowance for uncollectible receivables at December 31, 2021 and 2020, because management estimates that the receivables are collectible, and write-offs are historically unusual and small.

Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Charitable Lead Trust Receivable

The Organization's beneficial interest in a charitable lead unitrust was recorded as net assets with donor restrictions 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 net assets with donor restrictions. Distributions from the trust are reflected as reductions in the contribution receivable and reclassifications from net assets with donor restrictions to net assets without donor restrictions.

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.

Property and Equipment

Property and equipment are stated at cost, if purchased, and at fair market value at date of gift, if received by donation. The Organization capitalizes assets with cost/fair value of \$1,000 or more and a useful life of more than one year. Provision has been made for depreciation of property and equipment using the straight-line method over an estimated useful life of three years. Upon the sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the account. Any gain or loss on the sale or retirement is recognized in current operations.

Federal Income Taxes

Water to Thrive is a nonprofit organization exempt from Federal income taxes on their operating income under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income, if any.

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Federal Income Taxes (continued)

The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). Management has determined that the Organization had activities subject to UBIT in the years ended December 31, 2021 and 2020. For the years ended December 31, 2021 and 2020, the Organization had deductible expenses in excess of unrelated business income and thus incurred no UBIT. All significant tax positions have been considered by management and it has determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

The Organization is required to file Form 990 (Return of Organization Exempt from Income Tax) annually and the Form 990-T (Exempt Organization Business Income Tax Return) in years in which the Organization is subject to UBIT. All tax returns are subject to examination by the Internal Revenue Service (IRS), generally up to three years from the later of the original due date or the date the tax return was filed. The Forms 990 for the years ended December 31, 2020, 2019, and 2018 and Forms 990-T for the years ended December 31, 2020, 2019, and 2018 are open to examination by the IRS as of December 31, 2021.

Contributions

Contributions received are recorded as increases in activities with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the donor restriction. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.

Functional Allocation of Expenses

The expense information contained in the statements of activities is presented on a functional basis. Accordingly, certain expenses are allocated among the programs and supporting services benefited. Expenses which cannot be specifically identified have been allocated based on management's best estimate of usage. Salaries, payroll taxes, and benefits are allocated based on estimated time spent by the employees for each function. Occupancy costs are allocated based on the space usage. Depreciation is allocated on estimated usage in each function.

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

In-Kind Support

The Organization records various types of in-kind support primarily related to their special events, programs, and fundraising efforts. In-kind support is recognized in accordance with the *Contributions Received* Subsection of FASB ASC 958. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

Fair Value of Financial Instruments

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which relates to the Organization's financial assets and liabilities carried at fair value and the associated fair value disclosures. FASB ASC 820 defines fair value, expands related disclosure requirements, and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as 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.

There are three levels of inputs to fair value measurements – Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs.

The Organization's financial instruments consist principally of cash and cash equivalents, trust receivable with donor restrictions, receivables, receivables – related parties, cash and cash equivalents with donor restrictions, Endowment Fund without donor restrictions, Endowment Fund with donor restrictions, accounts payable, accrued liabilities, and notes payable. The Organization believes all of the financial instruments' recorded values approximate current market values.

Date of Management's Review

These financial statements considered subsequent events through July 27, 2022, the date the financial statements were available to be issued.

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 2 – Concentration of Risk

Financial instruments which potentially subject the Organization to credit risk principally consist of cash and cash equivalents. To minimize the risk, the Organization places its temporary cash investments with high credit quality financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Effective January 1, 2013, deposit insurance coverage by the FDIC changed to \$250,000 per bank per entity for all interest bearing and non-interest bearing accounts. As of December 31, 2021 and 2020, the Organization had \$875,465 and \$217,563 of uninsured balances, respectively. The Organization has not experienced any losses in these accounts in the past.

Note 3 – Charitable Lead Trust

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 for 15 years beginning in 2013. On an annual basis, the Organization remeasures the estimated fair value of the contribution receivable based on an applicable discount rate of 4%. The Organization received \$40,000 from the trust during each of the years ended December 31, 2021 and 2020, which was recorded as a reduction in the receivable and a corresponding reclassification from net assets with donor restrictions to net assets without donor restrictions.

Future payments from the charitable lead trust at December 31, 2021 are as follows:

2022	\$	40,000
2023		40,000
2024		40,000
2025		40,000
2026		40,000
Thereafter		40,000
		<hr/>
		240,000
Discount to present value		<hr/>
		(30,315)
Total	\$	<hr/> <hr/>
		209,685

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 4 – Property and Equipment

At December 31, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Computer equipment	\$ 7,330	\$ 7,330
Website	8,000	8,000
Less: accumulated depreciation	<u>(15,330)</u>	<u>(13,363)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ 1,967</u>

Depreciation expense totaled \$1,967 and \$3,157, respectively, for the years ended December 31, 2021 and 2020.

Note 5 – Water to Thrive Endowment Fund

The Organization established a permanent endowment fund (the “Fund”) in February 2021 with Thrivent Charitable Impact & Investing. The purpose of the Fund is to encourage its members and supporters to make legacy gifts to the Fund and to create a stable and growing source of revenue to support the Organization’s mission. The Fund is a permanent investment fund for the Organization’s long-term security. Donor contributions make up the principal and are invested in a diversified portfolio. The investment earnings are held without donor restrictions and are distributed upon advisement by the Endowment Committee and approved by the Organization’s Board of Directors.

The activity and the balance of the Fund during the year ended December 31, 2021 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Fund at December 31, 2020	\$ -	\$ -	\$ -
Contributions	-	175,000	175,000
Interest and dividends	3,569	-	3,569
Gains	7,252	-	7,252
Fees and expenses	(807)	-	(807)
Fund at December 31, 2021	<u>\$ 10,014</u>	<u>\$ 175,000</u>	<u>\$ 185,014</u>

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 6 – Risks and Uncertainties

On March 13, 2020, the Government of the United States declared the COVID-19 Pandemic (“COVID-19”) as a national emergency. COVID-19 has caused a significant impact on the United States economy affecting various businesses in different ways. COVID-19 may have an impact on future programming and events being held and future contributions are uncertain. The Organization does not have insurance to cover the loss of revenues from these events in the case of a Pandemic. However, no adjustments have been made to these financial statements as a result of this uncertainty. See Note 7 for disclosure of the PPP loan and EIDL loan received in response to COVID-19.

Note 7 – Notes Payable and Line of Credit

In order to provide funds to Diversity Tours Ethiopia (DTE) for vehicles, the Organization entered into an unsecured agreement with another party to provide financing. The Organization borrowed \$63,000 for a loan to DTE for vehicles, and also financed the \$5,000 origination fee associated with the loan. The note also required an annual maintenance fee of \$1,000. The note payable accrued interest at 7.5% with repayment in 48 monthly payments of \$1,648.11 until the maturity date of June 1, 2020.

On March 18, 2019, the Organization entered into a line of credit agreement with a bank for \$15,000 as required by the landlord of their office space. The agreement calls for interest only monthly payments with an annual interest rate of 7.25% with any drawn amounts due in full at maturity on March 18, 2021. The Organization had no outstanding amounts drawn on the line as of December 31, 2020. The line of credit agreement was not renewed after maturity.

In April 2020, the Organization was granted a note from Plains Capital Bank in the aggregate amount of \$50,300 pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief and Economic Security (“CARES”) Act, which was enacted on March 27, 2020. The note was dated April 10, 2020 and was set to mature on April 10, 2022. It bore interest at a rate of 1% per annum. Funds from the loan were only to be used for payroll costs, rent, utilities, and interest on other debt obligations incurred before February 2020. The Organization used the entire advance amount for qualifying expenses and accounted for it under FASB ASC 470 as debt. Under the terms of the PPP program, certain amounts of the note would be forgiven if they were used for qualifying expenses as described in the CARES Act and the Paycheck Protection Flexibility Act, which was enacted on June 5, 2020 and modified certain provisions of the CARES Act. As of December 31, 2020, the PPP loan balance was \$50,300. On April 28, 2021, the full amount of the PPP loan was forgiven by the Small Business Administration (SBA) and recognized as revenues during the year ended December 31, 2021.

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 7 – Notes Payable and Line of Credit (continued)

On June 17, 2020, the Organization received a \$150,000 Economic Injury Disaster Loan (“EIDL loan”) from the SBA. The proceeds from the EIDL loan are for working capital purposes. The EIDL loan has a term of 30 years and accrues interest at the rate of 2.75% per annum. Monthly payments of principal and interest of \$641 were set to begin in June 2021. The SBA has issued an automatic payment deferral of 30 months after the date of the note. However, the Organization began making payments of \$641 in August 2021 towards accrued interest. As of December 31, 2021 and 2020, the EIDL loan balance was \$150,000.

Future maturities of the notes payable at December 31, 2021 are as follows:

2022	\$	-
2023		-
2024		-
2025		687
2026		3,631
Thereafter		145,682
Total	\$	<u>150,000</u>

Note 8 – Operating Lease Commitments

The Organization has entered into lease agreements for office space and for office equipment, which expire at various times through May 2026. The office equipment lease was terminated early in June 2021. For the years ended December 31, 2021 and 2020, rental expense totaled \$48,175 and \$76,963, respectively.

Future minimum lease payments are as follows:

2022	\$	21,416
2023		22,404
2024		23,440
2025		24,524
2026		10,410
Total	\$	<u>102,194</u>

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 9 – Net Assets With Donor Restrictions

The Organization had the following net assets with donor restrictions activity for the year ended December 31, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Released from Donor Restrictions</u>	<u>Ending Balance</u>
Donor Restricted for a Specified Purpose:				
Water projects	\$ 149,414	\$ 869,770	\$ (619,587)	\$ 399,597
Health clinics	-	350,000	-	350,000
Time Restricted:				
Annuity trust	240,082	9,603	(40,000)	209,685
Permanently Restricted:				
Water to Thrive Endowment Fund	-	175,000	-	175,000
Total	<u>\$ 389,496</u>	<u>\$ 1,404,373</u>	<u>\$ (659,587)</u>	<u>\$ 1,134,282</u>

The Organization had the following net assets with donor restrictions activity for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Released from Donor Restrictions</u>	<u>Ending Balance</u>
Donor Restricted for a Specified Purpose:				
Water projects	\$ 39,430	\$ 616,827	\$ (506,843)	\$ 149,414
Time Restricted:				
Annuity trust	269,310	10,772	(40,000)	240,082
Total	<u>\$ 308,740</u>	<u>\$ 627,599</u>	<u>\$ (546,843)</u>	<u>\$ 389,496</u>

Note 10 – Related Party Transactions

During the years ended December 31, 2021 and 2020, the Organization received income of \$7,677 and \$12,000, respectively, from a company owned by a member of the Board of Directors for professional services. Additionally, the Organization reimbursed companies owned by a member of the Board of Directors for various expenses totaling \$3,720 and \$2,336, respectively, during the years ended December 31, 2021 and 2020.

During the years ended December 31, 2021 and 2020, members of the Board of Directors made contributions totaling \$102,374 and \$68,355, respectively.

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 11 – Fair Value Measurements

The following table sets forth by level within the fair value hierarchy the Organization’s assets that are measured at fair value on a recurring basis at December 31, 2021:

	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Charitable lead trust receivable	\$ -	\$ -	\$ 209,685	\$ 209,685
Endowment Fund	-	185,014	-	185,014
	\$ -	\$ 185,014	\$ 209,685	\$ 394,699

The following table sets forth by level within the fair value hierarchy the Organization’s assets that are measured at fair value on a recurring basis at December 31, 2020:

	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Charitable lead trust receivable	\$ -	\$ -	\$ 240,082	\$ 240,082
	\$ -	\$ -	\$ 240,082	\$ 240,082

Note 12 – Liquidity and Availability of Financial Assets

The Organization’s working capital and cash flows have seasonal variations during the year attributable to timing of receipts of contributions and from special events. Monthly cash outflows vary each year based on the specific requirements of the Organization’s programming during the year.

Water to Thrive

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 12 – Liquidity and Availability of Financial Assets (continued)

The following reflects the Organization’s financial assets as of the statements of financial position date, reduced by amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Organization’s Board of Directors approves that action.

	<u>2021</u>	<u>2020</u>
Financial assets available:		
Cash and cash equivalents	\$ 292,580	\$ 393,450
Receivables collectible in less than one year	1,653	7,277
Trust receivable with donor restrictions collectible in less than one year	38,831	38,831
Cash and cash equivalents with donor restrictions	<u>749,597</u>	<u>149,414</u>
Total financial assets, excluding noncurrent receivables	1,082,661	588,972
Contractual or donor-imposed restrictions:		
With donor restrictions	<u>(749,597)</u>	<u>(149,414)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 333,064</u>	<u>\$ 439,558</u>