

Audited Financial Statements

**Water to Thrive**

*For the Years Ended December 31, 2022 and 2021  
With Independent Auditor's Report*

# **Water to Thrive**

## **Audited Financial Statements**

*For the Years Ended December 31, 2022 and 2021*

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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, 2022 and 2021, 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, 2022 and 2021, 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.

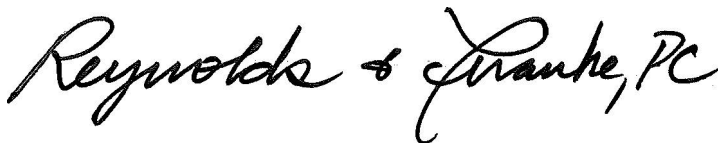
## Auditor's Responsibilities for the Audit of the Financial Statements

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 14, 2023

## **Audited Financial Statements**

## Water to Thrive

### Statements of Financial Position

*December 31, 2022 and 2021*

	2022	2021
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 280,669	\$ 292,580
Trust receivable with donor restrictions - current	38,831	38,831
Receivables	5,549	1,323
Receivables - related parties	-	330
Inventory	6,806	6,340
Prepaid expenses and other current assets	5,418	4,793
Total current assets	337,273	344,197
Cash and cash equivalents with donor restrictions	123,022	749,597
Investments with donor restrictions	498,799	-
Endowment Fund	161,040	185,014
Trust receivable with donor restrictions - long-term	139,242	170,854
Property and equipment, net (see Note 6)	-	-
Operating right-of-use assets	79,670	-
Security deposits	2,382	2,382
Total assets	\$ 1,341,428	\$ 1,452,044
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 8,486	\$ 12,658
Accrued liabilities	48,429	90,038
Deferred revenue	1,000	1,750
Operating lease liability - short-term	22,915	-
Notes payable - current portion	3,643	-
Total current liabilities	84,473	104,446
Operating lease liability - long-term	56,755	-
Notes payable - long-term portion	145,266	150,000
Total liabilities	286,494	254,446
<b>Net Assets</b>		
Without donor restrictions	72,955	63,316
With donor restrictions	981,979	1,134,282
Total net assets	1,054,934	1,197,598
Total liabilities and net assets	\$ 1,341,428	\$ 1,452,044

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

## Water to Thrive

### Statement of Activities

*For the Year Ended December 31, 2022*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 313,003	\$ 698,781	\$ 1,011,784
Change in value of split-interest agreement	-	8,388	8,388
Other	5,580	-	5,580
Investment losses	(31,197)	-	(31,197)
Total revenues and other support	<u>287,386</u>	<u>707,169</u>	<u>994,555</u>
Special events:			
Special events revenues	143,906	-	143,906
Special events expenses	(68,198)	-	(68,198)
Special events, net	<u>75,708</u>	<u>-</u>	<u>75,708</u>
Merchandise sales:			
Gross sales	2,644	-	2,644
Cost of goods sold	(1,388)	-	(1,388)
Merchandise sales, net	<u>1,256</u>	<u>-</u>	<u>1,256</u>
Net assets released from donor restrictions	<u>859,472</u>	<u>(859,472)</u>	<u>-</u>
Total revenues, support, and reclassifications	<u>1,223,822</u>	<u>(152,303)</u>	<u>1,071,519</u>
Expenses:			
Program services	982,824	-	982,824
Fundraising	146,514	-	146,514
Management and general	84,845	-	84,845
Total expenses	<u>1,214,183</u>	<u>-</u>	<u>1,214,183</u>
Total change in net assets	9,639	(152,303)	(142,664)
Net assets, beginning of the year	<u>63,316</u>	<u>1,134,282</u>	<u>1,197,598</u>
Net assets, end of the year	<u>\$ 72,955</u>	<u>\$ 981,979</u>	<u>\$ 1,054,934</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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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	<u>272,412</u>	<u>1,404,373</u>	<u>1,676,785</u>
Merchandise sales:			
Gross sales	2,740	-	2,740
Cost of goods sold	(1,295)	-	(1,295)
Merchandise sales, net	<u>1,445</u>	<u>-</u>	<u>1,445</u>
Net assets released from donor restrictions	<u>659,587</u>	<u>(659,587)</u>	<u>-</u>
Total revenues, support, and reclassifications	<u>933,444</u>	<u>744,786</u>	<u>1,678,230</u>
Expenses:			
Program services	784,012	-	784,012
Fundraising	153,436	-	153,436
Management and general	94,266	-	94,266
Total expenses	<u>1,031,714</u>	<u>-</u>	<u>1,031,714</u>
Total change in net assets	(98,270)	744,786	646,516
Net assets, beginning of the year	<u>161,586</u>	<u>389,496</u>	<u>551,082</u>
Net assets, end of the year	<u>\$ 63,316</u>	<u>\$ 1,134,282</u>	<u>\$ 1,197,598</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, 2022*

	<b>Program Services</b>	<b>Fundraising</b>	<b>Management &amp; General</b>	<b>Total</b>
Salaries	\$ 109,906	\$ 104,974	\$ 53,604	\$ 268,484
Payroll taxes	8,575	8,156	4,155	20,886
Employee benefits	7,011	3,845	3,411	14,267
Water projects	819,472	-	-	819,472
Operating lease expense	7,967	9,916	2,810	20,693
Professional fees	1,923	3,088	9,902	14,913
Office	9,920	3,110	1,556	14,586
Bank service charges	5,879	3,983	12	9,874
Promotional	4,595	1,313	657	6,565
Dues and subscriptions	2,775	2,134	427	5,336
Interest expense	-	-	3,998	3,998
Postage and shipping	768	2,113	960	3,841
Printing	530	1,458	663	2,651
Insurance	-	-	2,148	2,148
Website	1,145	763	-	1,908
Utilities	686	549	137	1,372
Marketing	821	410	137	1,368
Travel and entertainment	497	426	49	972
Other	354	276	219	849
Total expenses	<u>\$ 982,824</u>	<u>\$ 146,514</u>	<u>\$ 84,845</u>	<u>\$ 1,214,183</u>
Percentage of total expenses	<u>81%</u>	<u>12%</u>	<u>7%</u>	<u>100%</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*

	<b>Program Services</b>	<b>Fundraising</b>	<b>Management &amp; General</b>	<b>Total</b>
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
<b>Total expenses</b>	<b>\$ 784,012</b>	<b>\$ 153,436</b>	<b>\$ 94,266</b>	<b>\$ 1,031,714</b>
Percentage of total expenses	76%	15%	9%	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, 2022 and 2021*

	2022	2021
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (142,664)	\$ 646,516
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	-	1,967
Usage of accrued in-kind services	-	834
Amortization of discount on trust receivable	(8,388)	(9,603)
Amortization of operating right-of-use assets	20,693	-
Loss on inventory used as promotions	3,225	1,667
Forgiveness of debt - PPP loan	-	(50,300)
Unrealized losses	34,386	-
(Increase) decrease in operating assets:		
Cash and cash equivalents with donor restrictions	626,575	(600,183)
Receivables	(4,226)	364
Receivables - related parties	330	5,260
Inventory	(3,691)	-
Trust receivable with donor restrictions	40,000	40,000
Prepaid expenses and other current assets	(625)	56
Security deposits	-	(2,382)
Increase (decrease) in operating liabilities:		
Accounts payable	(4,172)	5,654
Accrued liabilities	(41,609)	43,544
Deferred revenue	(750)	750
Operating lease liability	(20,693)	-
Net cash provided by operating activities	498,391	84,144
<b>Cash flows from investing activities</b>		
Purchase of investments, net	(501,000)	-
Endowment Fund purchases, net	(8,211)	(185,014)
Net cash used in investing activities	(509,211)	(185,014)
<b>Cash flows from financing activities</b>		
Principal payments on notes payable	(1,091)	-
Net cash used in financing activities	(1,091)	-
Net change in cash and cash equivalents	(11,911)	(100,870)
Cash and cash equivalents, at beginning of the year	292,580	393,450
Cash and cash equivalents, at end of the year	\$ 280,669	\$ 292,580
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 7,324	\$ 3,205
<b>Non-cash investing activities:</b>		
Initial adoption of lease standard to record operating right-of-use assets under lease obligations	\$ 100,363	\$ -

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

# Water to Thrive

## Notes to Financial Statements

*For the Years Ended December 31, 2022 and 2021*

### **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.

#### **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.

#### **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.

# **Water to Thrive**

## **Notes to Financial Statements (continued)**

*For the Years Ended December 31, 2022 and 2021*

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **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.

#### **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, 2022 and 2021, because management estimates that the receivables are collectible, and write-offs are historically unusual and small.

#### **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.

## **Water to Thrive**

### **Notes to Financial Statements (continued)**

*For the Years Ended December 31, 2022 and 2021*

#### **Note 1 – Summary of Significant Accounting Policies (continued)**

##### **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.

##### **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.

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, 2022 and 2021. For the years ended December 31, 2022 and 2021, 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, 2021, 2020, and 2019 and Forms 990-T for the years ended December 31, 2021, 2020, and 2019 are open to examination by the IRS as of December 31, 2022.

# Water to Thrive

## Notes to Financial Statements (continued)

*For the Years Ended December 31, 2022 and 2021*

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **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.

#### **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.

#### **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 estimated space usage. Depreciation is allocated on estimated usage in each function.

#### **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.

# Water to Thrive

## Notes to Financial Statements (continued)

*For the Years Ended December 31, 2022 and 2021*

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **Fair Value of Financial Instruments (continued)**

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, investments with donor restrictions, accounts payable, accrued liabilities, and notes payable. The Organization believes all of the financial instruments' recorded values approximate current market values.

#### **Change in Account Principle**

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the organization has the right to control the asset during the contract period and other facts and circumstances. The Organization has elected not to recognize right-of-use assets and lease liabilities that arise from short-term leases (12 months or less). The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of operating right-of-use assets, net of prepaid lease payments and lease incentives, of \$100,363 and operating lease liabilities of \$100,363 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Organization's statements of activities or cash flows. See Note 9 for additional information.

#### **Reclassifications**

Certain 2021 amounts have been reclassified to conform to the 2022 financial statement presentation. These reclassifications have no effect on the 2021 reported change in net assets.

#### **Date of Management's Review**

These financial statements considered subsequent events through July 14, 2023, the date the financial statements were available to be issued.



## Water to Thrive

### Notes to Financial Statements (continued)

*For the Years Ended December 31, 2022 and 2021*

#### **Note 2 – Concentration of Risk**

Financial instruments which potentially subject the Organization to credit risk principally consist of cash and cash equivalents and investments. To minimize this risk, the Organization places its temporary cash investments with high credit quality financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). 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. Securities are protected by the SIPC which currently protects brokerage accounts up to \$500,000 in securities. At December 31, 2022 and 2021, the Organization had \$316,010 and \$875,465, respectively, in uninsured balances. The Organization has not experienced any losses in such 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, 2022 and 2021, 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, 2022 are as follows:

2023	\$	40,000
2024		40,000
2025		40,000
2026		40,000
2027		40,000
		<hr/>
		200,000
Discount to present value		<hr/> (21,927) <hr/>
Total	\$	<hr/> <u>178,073</u> <hr/>

#### **Note 4 – Investments**

At December 31, 2022 and 2021, investments consisted of certificates of deposits totaling \$498,799 and \$0, respectively.

## Water to Thrive

### Notes to Financial Statements (continued)

*For the Years Ended December 31, 2022 and 2021*

#### Note 5 – 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, 2022:

	<b>Quoted Prices in Active Markets for Identical (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
Charitable lead trust receivable	\$ -	\$ -	\$ 178,073	\$ 178,073
Endowment Fund	-	161,040	-	161,040
	<b>\$ -</b>	<b>\$ 161,040</b>	<b>\$ 178,073</b>	<b>\$ 339,113</b>

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:

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

#### Note 6 – Property and Equipment

At December 31, 2022 and 2021, property and equipment consisted of the following:

	<b>2022</b>	<b>2021</b>
Computer equipment	\$ 7,330	\$ 7,330
Website	8,000	8,000
Less: accumulated depreciation	(15,330)	(15,330)
Property and equipment, net	<b>\$ -</b>	<b>\$ -</b>

Depreciation expense totaled \$0 and \$1,967, respectively, for the years ended December 31, 2022 and 2021.

## Water to Thrive

### Notes to Financial Statements (continued)

*For the Years Ended December 31, 2022 and 2021*

#### Note 7 – 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 years ended December 31, 2022 and 2021 are summarized as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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	\$ 10,014	\$ 175,000	\$ 185,014
Contributions	-	<b>7,085</b>	<b>7,085</b>
Interest and dividends	<b>2,771</b>	-	<b>2,771</b>
Losses	<b>(32,185)</b>	-	<b>(32,185)</b>
Fees and expenses	<b>(1,645)</b>	-	<b>(1,645)</b>
Fund at December 31, 2022	<b>\$ (21,045)</b>	<b>\$ 182,085</b>	<b>\$ 161,040</b>

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022, funds with original gift values of \$182,085, fair values of \$161,040, and deficiencies of \$21,045 were reported. During 2022, the Organization did not appropriate any expenditure from underwater endowments. Management expects these amounts to be fully recovered in the next couple of years due to favorable market fluctuations.

## Water to Thrive

### Notes to Financial Statements (continued)

*For the Years Ended December 31, 2022 and 2021*

#### **Note 8 – Notes Payable and Line of Credit**

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. 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.

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 was 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, 2022 and 2021, the EIDL loan balance was \$148,909 and \$150,000, respectively.

Future maturities of the notes payable at December 31, 2022 are as follows:

2023	\$	3,643
2024		3,744
2025		3,848
2026		3,956
2027		4,066
Thereafter		<u>129,652</u>
Total	\$	<u>148,909</u>

#### **Note 9 – Lease Commitments**

The Organization has entered into operating 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.

## Water to Thrive

### Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

#### Note 9 – Lease Commitments (continued)

The following summarizes the line items in the statements of financial position for the operating lease as of December 31, 2022:

Operating leases:	
Operating right-of-use assets	\$ 79,670
Operating lease liability – short-term	\$ 22,915
Operating lease liability – long-term	56,755
Total operating lease liabilities	\$ 79,670

The following summarizes the weighted-average remaining lease term and discount rate as of December 31, 2022:

Weighted-average remaining lease term:	
Operating leases	3.42 years
Weighted-average discount rate:	
Operating leases	0.81%

Future minimum operating lease payments are as follows:

<b><u>Year Ending December 31,</u></b>	
2023	\$ 22,404
2024	23,440
2025	24,524
2026	10,410
Total	80,778
Less: Interest	(1,108)
Present value of lease liabilities	\$ 79,670

The following summarizes the line items in the statements of functional expenses which include the components of the operating lease expense for the year ended December 31, 2022:

Operating lease expense	\$ 20,693
Interest expense includes	
interest on lease liability	723
Total operating lease costs	\$ 21,416

## Water to Thrive

### Notes to Financial Statements (continued)

*For the Years Ended December 31, 2022 and 2021*

#### Note 9 – Lease Commitments (continued)

The following summarizes cash flow information related to operating leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of operating lease liabilities:	
Operating cash flows from operating leases	\$ 21,416

#### Note 10 – Net Assets With Donor Restrictions

The Organization had the following net assets with donor restrictions activity for the year ended December 31, 2022:

	Beginning Balance	Additions	Released from Donor Restrictions	Ending Balance
<b>Donor Restricted for a Specified Purpose:</b>				
Water projects	\$ 399,597	\$ 595,546	\$ (819,472)	\$ 175,671
Health clinics	350,000	96,150	-	446,150
<b>Time Restricted:</b>				
Annuity trust	209,685	8,388	(40,000)	178,073
<b>Permanently Restricted:</b>				
Water to Thrive Endowment Fund	175,000	7,085	-	182,085
<b>Total</b>	<b>\$ 1,134,282</b>	<b>\$ 707,169</b>	<b>\$ (859,472)</b>	<b>\$ 981,979</b>

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

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

## Water to Thrive

### Notes to Financial Statements (continued)

*For the Years Ended December 31, 2022 and 2021*

#### **Note 11 – Related Party Transactions**

During the years ended December 31, 2022 and 2021, the Organization received income of \$4,340 and \$7,677, 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 \$0 and \$3,720, respectively, during the years ended December 31, 2022 and 2021.

During the years ended December 31, 2022 and 2021, members of the Board of Directors made contributions totaling \$193,599 and \$102,374, respectively.

#### **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.

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>2022</u>	<u>2021</u>
Financial assets available:		
Cash and cash equivalents	\$ 280,669	\$ 292,580
Receivables collectible in less than one year	5,549	1,653
Trust receivable with donor restrictions collectible in less than one year	38,831	38,831
Cash and cash equivalents with donor restrictions	123,022	749,597
Investments with donor restrictions	498,799	-
Total financial assets, excluding noncurrent receivables	<u>946,870</u>	1,082,661
Contractual or donor-imposed restrictions:		
With donor restrictions	<u>(660,652)</u>	<u>(788,428)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 286,218</u>	<u>\$ 294,233</u>