Audited Financial Statements

Water to Thrive

For the Years Ended December 31, 2023 and 2022
With Independent Auditor's Report

Water to Thrive

Audited Financial Statements

For the Years Ended December 31, 2023 and 2022

Contents

Reynolds & Franke, PC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2023 and 2022, 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, 2023 and 2022, 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.

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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.

Reynolds & Franke, PC

Austin, Texas
August 6, 2024

Audited Financial Statements

Water to Thrive

Statements of Financial Position

December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	**$ 380,446**	$ 280,669
Trust receivable with donor restrictions - current	**38,831**	38,831
Receivables	**3,656**	5,549
Receivables with donor restrictions	**92,428**	-
Accrued interest receivable	**7,617**	-
Inventory	**5,622**	6,806
Prepaid expenses and other current assets	**29,089**	5,418
Total current assets	**557,689**	337,273
Cash and cash equivalents with donor restrictions	**39,540**	123,022
Investments with donor restrictions	**375,179**	498,799
Endowment Fund	**711,117**	161,040
Trust receivable with donor restrictions - noncurrent	**106,365**	139,242
Property and equipment, net (see Note 8)	**-**	-
Operating right-of-use assets	**57,816**	79,670
Other noncurrent assets	**53,532**	53,532
Total assets	**$ 1,901,238**	$ 1,392,578
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	**$ 10,520**	$ 8,486
Accrued liabilities	**108,038**	48,429
Deferred revenue	**4,340**	1,000
Operating lease liability - current	**23,072**	22,915
Notes payable - current	**3,757**	3,643
Total current liabilities	**149,727**	84,473
Operating lease liability - noncurrent	**34,744**	56,755
Notes payable - noncurrent	**141,498**	145,266
Total liabilities	**325,969**	286,494
Net Assets		
Without donor restrictions	**241,098**	124,105
With donor restrictions	**1,334,171**	981,979
Total net assets	**1,575,269**	1,106,084
Total liabilities and net assets	**$ 1,901,238**	$ 1,392,578

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

Water to Thrive

Statement of Activities

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	$ 353,081	$ 1,251,039	$ 1,604,120
Investment earnings	78,818	-	78,818
Change in value of split-interest agreement	-	7,123	7,123
Other	4,200	-	4,200
Total revenues and other support	436,099	1,258,162	1,694,261
Special events:			
Special events revenues	55,788	-	55,788
Special events expenses	(697)	-	(697)
Special events, net	55,091	-	55,091
Merchandise sales:			
Gross sales	2,068	-	2,068
Cost of goods sold	(1,543)	-	(1,543)
Merchandise sales, net	525	-	525
Net assets released from donor restrictions	905,970	(905,970)	-
Total revenues, support, and reclassifications	1,397,685	352,192	1,749,877
Expenses:			
Program services	1,038,984	-	1,038,984
Fundraising	151,592	-	151,592
Management and general	90,116	-	90,116
Total expenses	1,280,692	-	1,280,692
Total change in net assets	116,993	352,192	469,185
Net assets, beginning of the year	124,105	981,979	1,106,084
Net assets, end of the year	$ 241,098	$ 1,334,171	$ 1,575,269

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

Water to Thrive

Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
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	287,386	707,169	994,555
Special events:			
Special events revenues	143,906	-	143,906
Special events expenses	(68,198)	-	(68,198)
Special events, net	75,708	-	75,708
Merchandise sales:			
Gross sales	2,644	-	2,644
Cost of goods sold	(1,388)	-	(1,388)
Merchandise sales, net	1,256	-	1,256
Net assets released from donor restrictions	859,472	(859,472)	-
Total revenues, support, and reclassifications	1,223,822	(152,303)	1,071,519
Expenses:			
Program services	931,674	-	931,674
Fundraising	146,514	-	146,514
Management and general	84,845	-	84,845
Total expenses	1,163,033	-	1,163,033
Total change in net assets	60,789	(152,303)	(91,514)
Net assets, beginning of the year	63,316	1,134,282	1,197,598
Net assets, end of the year	$ 124,105	$ 981,979	$ 1,106,084

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

Water to Thrive

Statement of Functional Expenses

For the Year Ended December 31, 2023

		Supporting Services				
	Program Services	Fundraising	Direct Benefits to Donors	Cost of Goods Sold	Management & General	Total
Salaries	$ 120,024	$ 110,793	$ -	$ -	$ 60,204	$ 291,021
Payroll taxes	9,327	8,613	-	-	4,681	22,621
Employee benefits	7,871	4,580	-	-	1,859	14,310
Water projects	865,970	-	-	-	-	865,970
Operating lease expense	10,030	8,553	-	-	3,271	21,854
Office	11,470	3,486	-	-	1,995	16,951
Bank service charges	5,950	3,966	-	-	70	9,986
Professional fees	-	600	-	-	9,000	9,600
Interest expense	-	-	-	-	4,588	4,588
Promotional	3,038	868	-	1,543	434	5,883
Travel and entertainment	-	2,981	-	-	-	2,981
Postage and shipping	596	1,638	-	-	744	2,978
Dues and subscriptions	1,521	1,170	-	-	234	2,925
Website	1,324	883	-	-	-	2,207
Insurance	-	-	-	-	2,129	2,129
Printing	337	928	-	-	422	1,687
Other	167	1,665	697	-	238	2,767
Utilities	629	503	-	-	125	1,257
Marketing	730	365	-	-	122	1,217
Total expenses	1,038,984	151,592	697	1,543	90,116	1,282,932
Less expenses included with revenues on the statement of activities	-	-	(697)	(1,543)	-	(2,240)
Total expenses included in the expenses section of the statement of activities	$ 1,038,984	$ 151,592	$ -	$ -	$ 90,116	$ 1,280,692
Percentage of total expenses	81%	12%	0%	0%	7%	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, 2022

		Supporting Services				
	Program Services	Fundraising	Direct Benefits to Donors	Cost of Goods Sold	Management & General	Total
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	768,322	-	-	-	-	768,322
Promotional	4,595	1,313	64,547	1,388	657	72,500
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	2,750	-	12	12,624
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
Travel and entertainment	497	426	901	-	49	1,873
Utilities	686	549	-	-	137	1,372
Marketing	821	410	-	-	137	1,368
Other	354	276	-	-	219	849
Total expenses	931,674	146,514	68,198	1,388	84,845	1,232,619
Less expenses included with revenues on the statement of activities	-	-	(68,198)	(1,388)	-	(69,586)
Total expenses included in the expenses section of the statement of activities	$ 931,674	$ 146,514	$ -	$ -	$ 84,845	$ 1,163,033
Percentage of total expenses	80%	13%	0%	0%	7%	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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	**$ 469,185**	$ (91,514)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Amortization of discount on trust receivable	**(7,123)**	(8,388)
Amortization of operating right-of-use assets	**21,854**	20,693
Loss on inventory used as promotions	**-**	3,225
Unrealized (gains) losses	**(47,064)**	34,386
(Increase) decrease in operating assets:		
Receivables	**1,893**	(4,226)
Receivables - related parties	**-**	330
Receivables with donor restrictions	**(92,428)**	-
Accred interest receivable	**(7,617)**	-
Inventory	**1,184**	(3,691)
Trust receivable with donor restrictions	**40,000**	40,000
Prepaid expenses and other current assets	**(23,671)**	(625)
Other noncurrent assets	**-**	(51,150)
Increase (decrease) in operating liabilities:		
Accounts payable	**2,034**	(4,172)
Accrued liabilities	**59,609**	(41,609)
Deferred revenue	**3,340**	(750)
Operating lease liability	**(21,854)**	(20,693)
Net cash provided by (used in) operating activities	**399,342**	(128,184)
Cash flows from investing activities		
Purchases of investments	**(375,000)**	(501,000)
Sales of investments	**500,677**	-
Endowment Fund purchase	**(508,894)**	(9,856)
Endowment Fund sales	**3,824**	1,645
Net cash used in investing activities	**(379,393)**	(509,211)
Cash flows from financing activities		
Principal payments on notes payable	**(3,654)**	(1,091)
Net cash used in financing activities	**(3,654)**	(1,091)
Net change in cash and cash equivalents	**16,295**	(638,486)
Cash and cash equivalents, at beginning of the year	**403,691**	1,042,177
Cash and cash equivalents, at end of the year	**$ 419,986**	$ 403,691
Cash and cash equivalents consists of the following:		
Cash and cash equivalents	**380,446**	280,669
Cash and cash equivalents with donor restrictions	**$ 39,540**	$ 123,022
Total cash and cash equivalents	**419,986**	403,691
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 4,588**	$ 7,324
Non-cash investing activities:		
Initial adoption of lease standard to record operating right-of-use assets under operating 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, 2023 and 2022

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:

<u>Net assets without donor restrictions</u> – 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.

<u>Net assets with donor restrictions</u> – 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.

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.

Receivables

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, it has concluded that credit losses on outstanding balances at December 31, 2023 will be immaterial. The Organization has not set up an allowance for uncollectible receivables as of December 31, 2022, 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.

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, 2023 and 2022. For the years ended December 31, 2023 and 2022, 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, 2022, 2021, and 2020 and Forms 990-T for the years ended December 31, 2022, 2021, and 2020 are open to examination by the IRS as of December 31, 2023.

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.

Leases and Change in Accounting 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.

Management reviews contracts to identify leases and properly classify leases as either operating or financing. Operating right-of-use (ROU) liabilities are recognized based on the net present value of lease payments over the lease term at the commencement date of the lease, and are reduced by payments made on each lease on the straight-line basis. Since most of the leases do not provide an implicit rate of return, the Organization uses its incremental borrowing rate based on information available at the commencement date of the lease in determining the present value of lease payments. Therefore, the Organization generally uses its incremental borrowing rate as the discount rate for the lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments using similar terms.

If a lease contains a renewal option at the commencement date and management considers it reasonably certain that the option will be exercised to renew the lease, the renewal option payments are included in the determination of the ROU assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the statements of financial position; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease.

Note 1 – Summary of Significant Accounting Policies (continued)

Leases and Change in Accounting Principle (continued)

All lease agreements generally require the Organization to pay maintenance, repairs, property taxes, and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU lease liability or ROU lease asset.

Variable lease payments associated with the Organization's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented in expenses in the statements of activities.

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 their 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 10 for additional information.

Change in Accounting Principle

On January 1, 2023, the Organization adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which requires the Organization to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. There was no material impact on the Organization's results of operations or financial condition upon adoption of the new standard.

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 employee benefits are allocated based on estimated time spent by the employees for each function. Operating lease expense is allocated based on the estimated space usage. Depreciation is allocated on estimated usage in each function.

Reclassifications

Certain 2022 amounts have been reclassified to conform to the 2023 financial statements presentation. These reclassifications have no effect on the 2022 reported change in net assets.

Note 1 – Summary of Significant Accounting Policies (continued)

Date of Management's Review

These financial statements considered subsequent events through August 6, 2024, the date the financial statements were available to be issued.

Note 2 – Prior Period Adjustment

During 2023, management discovered that other noncurrent assets were understated and water projects expenses were overstated on the financial statements for the year ended December 31, 2022 due to the purchase of ceramics items that were recorded as an expense, rather than an other noncurrent asset. The 2022 financial statements have been restated to reflect a $51,150 decrease in water projects expense, as well as an increase in net assets without donor restrictions of the same amount.

Note 3 – 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, 2023 and 2022, the Organization had $841,141 and $316,010, respectively, in uninsured balances. The Organization has not experienced any losses in such accounts in the past.

Note 4 – Investments

At December 31, 2023 and 2022, investments consist of the following:

	2023	**2022**
Certificates of deposit	**$ 375,179**	$ 498,799
Total	**$ 375,179**	$ 498,799

Note 5 – 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, 2023 and 2022, 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, 2023 are as follows:

2024	$ 40,000
2025	40,000
2026	40,000
2027	40,000
	160,000
Discount to present value	(14,804)
Total	$ 145,196

Note 6 – Fair Value Disclosures

The Organization follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures,* whose provisions relate to the Organization's financial assets and liabilities be carried at fair value and the Organization's fair value disclosures related to financial assets and liabilities. 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.

Guidance provided by the FASB defines fair value 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. When measuring fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described on the following page:

<u>Level 1:</u> Unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and listed derivatives.

<u>Level 2:</u> Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Note 6 – Fair Value Disclosures (continued)

Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methods used may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2023.

The following tables set forth by level, within the fair value hierarchy, the Organization's trust receivable, investments, and endowments at fair value as of December 31, 2023 and 2022:

		Fair Value Measurements Using:		
Description	**2023 Fair Value**	**Quoted Prices in Active Markets for Identical (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Charitable lead trust receivable	**$ 145,196**	**$ -**	**$ -**	**$ 145,196**
Endowment Fund	**711,117**	**-**	**711,117**	**-**
Certificates of deposit	**375,179**	**375,179**	**-**	**-**
Total	**$ 1,231,492**	**$ 375,179**	**$ 711,117**	**$ 145,196**

		Fair Value Measurements Using:		
Description	**2022 Fair Value**	**Quoted Prices in Active Markets for Identical (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Charitable lead trust receivable	$ 178,073	$ -	$ -	$ 178,073
Endowment Fund	161,040	-	161,040	-
Certificates of deposit	498,799	498,799	-	-
Total	$ 837,912	$ 498,799	$ 161,040	$ 178,073

Note 6 – Fair Value Disclosures (continued)

The Organization's other financial instruments consist principally of cash and cash equivalents, cash and cash equivalents with donor restrictions, receivables, receivables with donor restrictions, accounts payable, accrued liabilities, operating lease liability, and notes payable. The Organization believes all of the other financial instruments' recorded values approximate current market values, primarily because of the relatively short-term maturity of those instruments. The carrying amount of the notes payable and operating lease liability approximates fair value because the interest rate approximates the current market interest rate.

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, 2023 and 2022 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Fund at December 31, 2021	$ 10,014	$ 175,000	$ 185,014
Contributions	-	7,085	7,085
Interest and dividends	2,771	-	2,771
Losses	(32,185)	-	(32,185)
Fees and expenses	(1,645)	-	(1,645)
Fund at December 31, 2022	$ (21,045)	$ 182,085	$ 161,040
Contributions	**-**	**499,743**	**499,743**
Interest and dividends	**9,151**	**-**	**9,151**
Gains	**45,007**	**-**	**45,007**
Fees and expenses	**(3,824)**	**-**	**(3,824)**
Fund at December 31, 2023	**$ 29,289**	**$ 681,828**	**$ 711,117**

Note 7 – Water to Thrive Endowment Fund (continued)

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 expenditures from underwater endowments. As of December 31, 2023, there were no deficiencies in the Fund.

Note 8 – Property and Equipment

At December 31, 2023 and 2022, property and equipment consist of the following:

	2023	2022
Computer equipment	**$ 7,330**	$ 7,330
Website	**8,000**	8,000
Less: accumulated depreciation	**(15,330)**	(15,330)
Property and equipment, net	**$ -**	$ -

For the years ended December 31, 2023 and 2022 the Organization had no depreciation expense.

Note 9 – Notes Payable

On June 17, 2020, the Organization received a $150,000 Economic Injury Disaster Loan ("EIDL loan") from the Small Business Administration (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, 2023 and 2022, the EIDL loan balance was $145,255 and $148,909, respectively.

Future maturities of the notes payable at December 31, 2023 are as follows:

2024	$ 3,757
2025	3,848
2026	3,956
2027	4,066
2028	4,179
Thereafter	125,449
Total	$ 145,255

Note 10 – Lease Commitments

The Organization has entered into an operating lease agreement for office space which expires at May 2026.

The following summarizes the line items in the statements of financial position for the operating leases as of December 31, 2023 and 2022:

Operating leases:		**2023**		2022
Operating right-of-use assets	**$**	**57,816**	$	79,670
Operating lease liability – current	**$**	**23,072**	$	22,915
Operating lease liability – noncurrent		**34,744**		56,755
Total operating lease liabilities	**$**	**57,816**	$	79,670

The following summarizes the weighted-average remaining operating lease term and discount rate as of December 31, 2023 and 2022:

	2023	**2022**
Weighted-average remaining lease term:		
Operating leases	**2.42 years**	3.42 years
Weighted-average discount rate:		
Operating leases	**0.81%**	0.81%

Future minimum lease payments to be paid on these operating leases are due as follows:

Year Ending December 31,		Undiscounted Cash Flows		Interest		Discounted Cash Flows
2024	$	23,440	$	(368)	$	23,072
2025		24,524		(176)		24,348
2026		10,410		(14)		10,396
Total	$	58,374	$	(558)	$	57,816

The following summarizes the line items in the statements of functional expense which include the components of operating lease expenses for the years ended December 31, 2023 and 2022:

		2023		**2022**
Operating lease expense	**$**	**21,854**	$	20,693
Interest expense includes interest on operating lease liability		**550**		723
Total operating lease costs	**$**	**22,404**	$	21,416

Note 10 – Lease Commitments (continued)

The following summarizes cash flow information related to operating leases for the years ended December 31, 2023 and 2022:

	2023	2022
Cash paid for amounts included in the measurement of operating lease liabilities:		
Operating cash flows from operating leases	**$ 22,404**	$ 21,416

Note 11 – Net Assets With Donor Restrictions

The Organization had the following net assets with donor restrictions activity for the year ended December 31, 2023:

	Beginning Balance	Reclass	Additions	Released from Donor Restrictions	Ending Balance
Donor Restricted for a Specified Purpose:					
Water projects	**$ 175,671**	**$ 306,687**	**$ 751,296**	**$ (760,319)**	**$ 473,335**
Health clinics	**446,150**	**(306,687)**	**-**	**(105,651)**	**33,812**
Time Restricted:					
Annuity trust	**178,073**	**-**	**7,123**	**(40,000)**	**145,196**
Permanently Restricted:					
Water to Thrive Endowment Fund	**182,085**	**-**	**499,743**	**-**	**681,828**
Total	**$ 981,979**	**$ -**	**$ 1,258,162**	**$ (905,970)**	**$1,334,171**

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

Note 12 – Related Party Transactions

During the years ended December 31, 2023 and 2022, the Organization received income of $4,200 and $4,340, respectively, from a company owned by a member of the Board of Directors for professional services.

During the years ended December 31, 2023 and 2022, members of the Board of Directors made contributions totaling $144,871 and $193,599, respectively.

Note 13 – 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.

	2023	2022
Financial assets available:		
Cash and cash equivalents	**$ 380,446**	$ 280,669
Receivables collectible in less than one year	**3,656**	5,549
Receivables with donor restrictions collectible in less than one year	**92,428**	-
Trust receivable with donor restrictions collectible in less than one year	**38,831**	38,831
Cash and cash equivalents with donor restrictions	**39,540**	123,022
Investments with donor restrictions	**375,179**	498,799
Total financial assets, excluding noncurrent receivables	**930,080**	946,870
Contractual or donor-imposed restrictions:		
With donor restrictions	**(545,978)**	(660,652)
Financial assets available to meet cash needs for expenditures within one year	**$ 384,102**	$ 286,218