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Introduction to Financials for 2014

As we consider the challenges and opportunities that are presenting themselves to Hope Springs Water for the coming year, we feel that we must pause to appreciate the many blessings that we have enjoyed during the past year. God has definitely walked beside us during this past year and brought us many successes and challenges as we have fervently pursued the provision of safe water in Belize and Ethiopia. Negotiations have also begun for a new work to begin in Nicaragua in partnership with Palmer Ministries in Nicaragua. This work will be water, sanitation and hygiene in the area around Rosita in the Alamicamba and Principolka River areas. The following is a listing and description of our projects for 2014:

- 2014 brought our largest investment in time, money, and manpower into southern Belize in partnership with the government of Belize and missionary Bob Farley and his family. Bruce Hinds, Projects Director for Belize, brought his organizational skills and leadership skillfully into the effort to bring safe water to the thousands of Mayan Indians living in the southern district of Toledo in Belize. As of this writing, over twenty (20) previously contaminated wells in that area have been rehabilitated with the placement of U-3 pumps in place of the rusting India Mark III pumps that had been there. Teams from Las Vegas, Nevada; East Texas Baptist University; San Marcos, Texas; Arkansas; Vermont; and Athens, Texas have accompanied Bruce into the jungles and rain forests of southern Belize to rehabilitate wells as well as to begin an excellent hygiene education program in the schools and communities. Talks are currently underway with the government of Belize to discuss the future of the program and how we can continue to partner with one another to bring lasting health to the people in that region.
- Another area of focus for Hope Springs Water is in the central Ethiopian Region of Tolle. March of 2014 brought Hope Springs a donated drilling rig, and by October of 2014, we were making use of the drilling rig by drilling a well at the Kale Heywit Church in Bantu. March of 2015 saw us drilling two more wells in Bantu, at the Mekane Yesu Church and the President Ghirma Youth Recreational Area in Bantu. Viola Palmer and Debbie Leatherwood collaborated to begin an excellent hygiene education program in the village and plans are underway to train locals in hygiene education and expand the program into other villages as we expand our drilling program in those areas. Through a cooperative effort with local government health officials, Bright Hope Ethiopia, and The Ethiopia Aid Mission, we have already laid plans to hire a national drilling team and have identified at least 12 more potential drilling sites for the rest of 2015.
- We participated in clean water projects as a funding agent for several other areas during 2014. From funding a drilled well at the Luamba orphanage in Kinshasa, Democratic Republic of the Congo, to a second well for the village of Bunyagira in central Uganda, to a well for a missionary medical clinic in Zambia, to a well for a battered women's shelter and a school in Nicaragua, Hope Springs Water has been diligently pursuing our stated goals of providing safe drinking water, sanitation, and hygiene education in the developing world.

Hope Springs Water is vigorously pursuing additional funding and support to increase services in the areas where we serve. We hope to achieve safe water for everyone in these areas within our lifetimes.

**Hope Springs Water
Statement of Financial Position
As of December 31, 2014**

ASSETS

Current Assets - Cash	\$151,259
Fixed Assets	
Drilling Rig	
Drilling Rig	31,027
Acc Dep Drilling Rig	-3,217
Total Drilling Rig	27,810
Drilling Truck	
Drilling Truck	20,473
Acc Dep Drilling Truck	-5,118
Total Drilling Truck	15,355
Ethiopia Drilling Rig Shed	
Ethiopia Drilling Rig Shed	4,560
Acc dep Ethiopia Shed	-150
Total Ethiopia Drilling Rig Shed	4,410
Total Fixed Assets	47,575
Other Assets	
Well repair kits-Belize	10,507
Well repair kits-Ethiopia	10,000
Total Well Repair Kits	20,507
Investments	
1000 Shares Hope Springs, Inc.	311
Cummulative Equity in Income of Hope Springs, Inc.	13,815
Total Investments	14,126
Non-Current Assets	
N/R Hope Springs, Inc.	5,000
Total Non-Current Assets	5,000
Total Other Assets	39,633
TOTAL ASSETS	\$238,467
LIABILITIES & EQUITY	
Current Liabilities	
Accrued Expenses	500
A/P Hope Springs Inc.	822
Total Current Liabilities	1,322
Equity	
Restricted cash	50,123
Unrestricted Net Assets	48,019
Net Revenues in excess of expenditures	139,003
Total Equity	237,145
TOTAL LIABILITIES & EQUITY	\$238,467

See notes to the financial statements

**Hope Springs Water
Statement of Activity
January through December 2014**

Revenues

Designated Funds	
Legacy donation	<u>\$17,488</u>
Total Designated Funds	<u>17,488</u>
Designated Water Well Funds	
Total Africa	60,500
Total Belize	54,080
Total Nicaragua	2,550
Other Designated Water Well Funds	<u>4,100</u>
Total Designated Water Well Funds	<u>121,230</u>
Total Gifts in Kind	47,248
Total Promotional Income	25,302
Int. Income Hope Springs, Inc.	300
Memorial and Other Contributions	4,336
Unrestricted Contributions	
Hope Springs Inc. Donation	1,000
Unrestricted Contributions	<u>50,666</u>
Total Unrestricted Contributions	<u>51,666</u>
Total Revenues	<u>\$267,570</u>

Expenditures

Designated Water Well Expense	
Total Africa Water Well Expenditures	14,080
Total Designated Belize	52,651
Designated Zambia	<u>3,500</u>
Total Designated Water Well Expense	<u>70,232</u>
Water Project Expenditures	
Total Belize	1,554
Total Ethiopia	16,021
Total Nicaragua	<u>2,500</u>
Total Water Project Expenditures	<u>20,075</u>
Total Major Fundraiser Expenditures	8,841
Depreciation	
Depreciation Exp Drilling Rig	3,217
Depreciation Exp Drilling Truck	5,118
Depreciation Exp Shed	<u>150</u>
Total Depreciation	<u>8,485</u>

**Hope Springs Water
Statement of Activity
January through December 2014**

Miscellaneous Expense	
Technology	4,026
General and Administrative	1,870
Promotional Expense	5,052
Shared Employee Expense	<u>9,085</u>
Total Other Expenditures	<u>20,033</u>
Total Expenditures	<u>127,666</u>
Equity in Loss of Hope Springs, Inc.	<u>(901)</u>
Net Revenues in excess of expenditures	<u><u>\$139,003</u></u>
See notes to financial statements	

**Hope Springs Water
Statement of Cash Flows
for the year ended 12/31/2014**

12/31/2014

Cash flows from Operating Activities	
Changes in net assets	\$139,003
Adjustments to reconcile changes in net assets to cash provided by operating activities:	
Depreciation	8,485
Decrease in Other Receivables	2,169
Decrease in Liabilities	(358)
	<u>149,299</u>
Cash flows from Investing Activities	
Increase in fixed assets (of which \$47,000 of goods in kind were donated)	(56,060)
Net purchase of well repair kits	(5,962)
Decrease in equity of Hope Springs, Inc.	901
Net cash used by investing activities	<u>(61,121)</u>
Net change in cash	88,178
Cash, beginning of year	63,081
Cash, end of year	<u><u>\$151,259</u></u>

See notes to financial statements

**Hope Springs Water
Statement of Functional Expenses
January through December 2014**

	Program Services	Management and General	Fundraising	Total
Grants to domestic Organizations	\$13,300			\$13,300
Grants to domestic Individuals	8,000			8,000
Other salaries and wages			8,719	8,719
Payroll taxes			321	321
Advertising and promotion			3,049	3,049
Office expenses		1,082		1,082
Information technology		902		902
Occupancy		708		708
Travel	46,381		513	46,894
Depreciation	8,485			8,485
Insurance	826		639	1,465
Waterwell Expenses - Belize	6,929			6,929
Waterwell Expenses - Africa	11,560			11,560
Water sanitation hygiene training	3,693			3,693
Cost of fundraising events			7,304	7,304
Other fundraising expenses			2,131	2,131
Other expenses		3,124		3,124
Total	\$99,174	\$5,816	\$22,676	\$127,666

See notes to the financial statements

Hope Springs Water
A Texas Non-Profit Organization
Notes to Financial Statements
January 1, 2014 through December 31, 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Hope Springs Water is a not-for-profit organization whose primary purpose is to partner with communities in developing countries to provide sources of pure drinking water, sanitation and hygiene education. Hope Springs Water maintains its headquarters in Athens, Texas.

Significant Accounting Policies

The financial statements of Hope Springs Water have been prepared on an accrual basis. Hope Springs Water recognizes contributions of materials and services only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations and would otherwise have been purchased.

Generally, when an entity has control over another entity the financials are consolidated. Hope Springs Water (HSW) owns 100% of the common stock of Hope Springs Inc. (HSI). However, the nature of the businesses are materially different as HSW is a 501 (c) (3) not-for-profit and HSI is a for-profit C Corp. The objectives of the operations are significantly different. Therefore, under GAAP, HSW shows different statements than HSI. An example is Net Assets in HSW instead of Stockholder's Equity in HSI. We believe it would be confusing and misleading to the readers of the Financials Statements to attempt to consolidate these GAAP mandated different statements. Even though GAAP would have us consolidate the statements, we use the equity method of accounting for HSI as we consider this to be the most appropriate presentation of the financial position of HSW. HSI's website is www.hopespringsinc.com.

Cash

The financial institution holding Hope Springs Water cash account is participating in the FDIC's Transaction Account Guarantee Program which insures the cash account up to \$250,000. At December 31, 2014, Hope Springs Water is insured through this program.

Note Receivable Hope Springs, Inc.

A \$5000 promissory note with an interest rate of 6% per year with a due date of February 28, 2016, was executed with Hope Springs, Inc. for working capital and can be prepaid by Hope Springs, Inc. at any time before the maturity date without penalty.

1000 Shares Hope Springs, Inc.

Hope Springs Water owns all the common stock of Hope Springs, Inc., a for-profit entity. This allows the not-for-profit entity to elect the board members of Hope Springs, Inc. There are no common board members shared by the two entities, and efforts are made to keep the two entities separate. See Related Parties Disclosure below.

The net income produced by Hope Springs, Inc., is reported under the equity method of accounting as an equity earnings addition as shown in the following reconciliation:

Investment—Hope Springs, Inc.	\$15,027
Less: 2014 Net Income—Hope Springs, Inc.	<u>(901)</u>
Investment—Hope Springs, Inc.	<u>\$14,126</u>

Non-Current Assets

Well repair kits represent the parts necessary to recomplete non-functioning water wells in Belize and Ethiopia. The kits are expensed as used to recomplete water wells during the year.

Liabilities and Net Assets

Hope Springs Water is not liable for any contractual arrangements, liabilities or contingent liabilities of Hope Springs, Inc.

Hope Springs Water has no permanent employees. Hope Springs, Inc. had 2 part-time employees who also did work for Hope Springs Water during 2014. It is estimated that they average 50% of their time on each entity and Hope Springs, Inc. bills Hope Springs Water for their portion of their time and expenses which was \$9,085 for 2014.

Water Well, Pump and Installation Expenditures

Hope Springs Water is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501 (c) (3) of the Internal Revenue Code, or corresponding section of any future federal tax code. During 2014, 7 water wells in Belize were recompleted using our water well kits. In Ethiopia, a donated drilling rig was used to

drill a water well at the Kale Heywit Church in Bantu. Money was contributed for a well at the Luamba orphanage in Kinshasa, Democratic Republic of the Congo. A second well was funded for the village of Bunyagira in central Uganda. A well for a missionary medical clinic in Zambia and a well for a battered women's shelter and a school in Nicaragua were also funded.

Related Party Disclosure

During 2014, Hope Springs Water paid Hope Springs, Inc. for 2 part-time employees. The total staff expense of \$18,170 which included payroll, payroll taxes and insurance was split evenly \$9,085 to each entity.

Hope Springs Water received \$300 in interest income from Hope Springs, Inc. for interest on the \$5,000 notes receivable.

Hope Springs Water received a charitable contribution of \$1,000 from Hope Springs, Inc. during 2014.

Computer and office equipment is jointly used by Hope Springs Water and Hope Springs, Inc. The acquisition costs of these assets were shared by an estimated usage of 50% for each entity.

Hope Springs Water website is www.hopespringswater.org and Hope Springs Inc.'s website is www.hopespringsinc.com.

The Treasurer and a Director of Hope Springs Water is married to the Treasurer and a Director of Hope Springs, Inc. A Director of Hope Springs Water is the father of a Director of Hope Springs, Inc. During 2014, Jim Palmer, an advisor to the Board, performed administrative duties and supervision of wells drilled in Africa and was paid a fee of \$400. The Board approved the fees which were considered reasonable.

Subsequent events

Hope Springs Water filed IRS Form 990 for the year ended December 31, 2014. A copy of the Form 990 can be viewed on our website, www.hopespringswater.org.