

Hope Springs Water  
**Financial Statement**  
As of December 31, 2016

	Dec 31, 16
<b>ASSETS</b>	
<b>Current Assets- Cash</b>	\$187,309
<b>Restricted Cash</b>	\$122,621
	\$309,930
<b>Other Current Assets</b>	
<b>Prepaid Expense</b>	\$37,133
<b>Total Current Assets</b>	\$347,063
<b>Fixed Assets</b>	
<b>Ethiopia Container</b>	
<b>Ethiopia Container</b>	\$2,700
<b>Acc Dep Ethiopia Container</b>	-\$1,575
<b>Total Ethiopia Container</b>	\$1,125
<b>Ethiopia Electric Generator</b>	
<b>Ethiopia Electric Generator</b>	\$1,035
<b>Acc Dep Electric Generator</b>	-\$604
<b>Total Ethiopia Electric Generator</b>	\$431
<b>Ethiopia Platform Shuttering</b>	
<b>Ethiopia Platform Shuttering</b>	\$850
<b>Acc Dep Platform</b>	-\$496
<b>Total Ethiopia Platform Shuttering</b>	\$354
<b>Ethiopia Trailer</b>	
<b>Ethiopia Trailer</b>	\$4,655
<b>Acc Dep Ethiopia Trailer</b>	-\$797
<b>Total Ethiopia Trailer</b>	\$3,858
<b>Total Fixed Assets</b>	\$5,769
<b>Other Assets</b>	
<b>Well Repair Kits</b>	
<b>Well repair kits-Belize</b>	\$4,372
<b>Well repair kits-Ethiopia</b>	\$12,991
<b>Total Well Repair Kits</b>	\$17,363
<b>Investments</b>	
<b>1000 Shares Hope Springs, Inc.</b>	\$311
<b>Cummulative Equity in Income of Hope Sp</b>	\$31,472
<b>Total Investments</b>	\$31,783
<b>Donated Land Held For Sale</b>	
<b>Henderson County 2,57acres</b>	\$7,500
<b>Total Land</b>	\$7,500
<b>Total Other Assets</b>	\$56,646
<b>TOTAL ASSETS</b>	<b>\$409,478</b>

Hope Springs Water  
**Financial Statement**  
As of December 31, 2016

Dec 31, 16

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liability**

Accounts Payable \$0

Payroll Liabilities \$1,465

Unearned Contributions \$31,106

**Total Current Liability** \$32,571

**Total Liabilities** \$32,571

**Equity**

Restricted Cash \$122,621

Unrestricted Net Assets \$188,759

Cumulative Equity in Income of Hope Springs, \$31,472

Net Revenues in excess of expenditures \$34,055

**Total Equity** \$376,907

**TOTAL LIABILITIES & EQUITY** \$409,478

Hope Springs Water  
**Statement of Activities**  
As of December 31, 2016

	Jan - Dec 16
<b>Revenues</b>	
<b>Designated Funds</b>	
Legacy Donation	\$4,168
Purchase water from HSI	\$121
Restore Hope	\$3,500
<b>Total Designated Funds</b>	\$7,789
<b>Designated Water Well Funds</b>	
Total Africa	\$61,993
Total Belize	\$51,958
WaterWell	\$6,825
<b>Total Designated Water Well Funds</b>	\$120,775
Total Gifts in Kind	\$9,947
Total Fundraising Revenue	\$28,879
Int. Income Hope Springs, Inc.	\$0
Memorial and Other Contributions	\$9,414
<b>Unrestricted Contributions</b>	
Hope Springs Inc. Donation	\$1,000
Unrestricted Contributions	\$76,240
<b>Total Unrestricted Contributions</b>	\$77,240
Other Income	\$916
<b>Total Income</b>	\$254,960
<b>Expenditures</b>	
<b>Designated Water Well Expense</b>	
Total Africa Water Well Expenditures	\$35,712
Total Designated Belize	\$56,743
<b>Total Designated Water Well Expenditures</b>	\$92,455
<b>Water Project Expenditures</b>	
Total Belize	\$2,095
<b>Total Water Project Expenditures</b>	\$2,095
<b>Fundraising Expenditures</b>	
Depreciation	\$9,165
Dep. Exp. Ethiopia Trailer	\$797
Dep. Exp. Drilling Rig	\$26,715
Dep. Exp. Drilling Truck	\$8,530
Dep. Building & Storage	\$10,694
Dep. Exp. Equipment	\$1,248
Dep. Office Equipment	\$1,615
<b>Total Depreciation</b>	\$49,599
<b>Other Expense</b>	
Technology	\$2,392
General and Administrative	\$1,552
Training	\$345
Utilities	\$1,061
Office Expenses	\$829
Promotional Expenses	\$5,102
Shared Employee Expense	\$56,310
<b>Total Other Expense</b>	\$67,591
<b>Total Expenditures</b>	\$220,905
Equity in Income of Hope Springs, Inc.	\$12,062
Deferred Tax Expense Inc.	-\$1,812
<b>Net Revenues in excess of expenditures</b>	\$44,305

\*See notes to financial statements

Hope Springs Water  
**Statement of Cash Flow**  
As of December 31, 2016

	Dec 31, 16
<b>Cash flows from Operating Activities</b>	
Changes in net assets	\$44,305
Adjustments to reconcile changes in net assets to cash provided by operating activities:	
Depreciation	\$49,599
Increase in Liabilities	-\$5,163
Increase in Prepaid Expense	-\$25,572
Decrease in Notes Receivable	\$0
	\$18,864
<b>Cash flows from Investing Activities</b>	
Increase in fixed assets (in Ethiopia)	-\$5,087
Increase in fixed assets	-\$7,500
Net purchase of well repair kits	\$6,380
Increase in equity of Hope Springs, Inc.	-\$10,250
Increase in unearned contributions	\$26,852
<b>Net cash used by investing activities</b>	\$10,396
<b>Net change in cash</b>	\$73,565
Cash, beginning of year	\$236,365
Cash, end of year	\$309,930

\*See notes to financial statements

Hope Springs Water  
**Statement of Functional Activities**  
As of December 31, 2016

	Program Services	Management and General	Fundraising	Total
Grants & Other Assistance	\$9,304			\$9,304
Compensation of Key Employees		\$51,179		\$51,179
Other salaries and wages		-\$655		-\$655
Payroll taxes		\$5,787		\$5,787
Other Employee Benefits				\$0
Advertising and promotion		\$4,337		\$4,337
Office expenses		\$2,660		\$2,660
Information technology		\$2,319		\$2,319
Occupancy		\$1,061		\$1,061
Travel	\$64,712	\$57		\$64,769
Depreciation	\$47,984	\$1,615		\$49,599
Insurance	\$636			\$636
Waterwell Expenses - Belize	\$6,034			\$6,034
Waterwell Expenses - Africa	\$13,675			\$13,675
Water sanitation hygiene training	\$189			\$189
Cost of fundraising events			\$9,165	\$9,165
Other fundraising expenses				\$0
Other expenses		\$847		\$847
<b>Total</b>	<b>\$142,534</b>	<b>\$69,206</b>	<b>\$9,165</b>	<b>\$220,905</b>

\*See notes to the financial statements

**Hope Springs Water**  
**A Texas Non-Profit Organization**  
**Notes to Financial Statements**  
**January 1, 2016 through December 31, 2016**

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

**Nature of Operations**

Hope Springs Water is a not-for-profit organization under 501 (c ) (3) of the Internal Revenue code 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.

Hope Springs Water is exempt from federal income tax under 501 (c) (3) of the Internal Revenue Code.

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 prefer the equity method of accounting for HSI as we consider this to be the most appropriate presentation of the financial position of HSW. However, for information purposes, consolidated summary statements are disclosed in a following footnote.

**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, 2016, Hope Springs Water exceeded the federally insured limit. The Board and Management evaluates their banking relationships routinely to mitigate the risk to bank deposits. As of May 24, 2017, the bash balance was below the insured limit.

\$122,621 of cash is restricted to be spent in certain countries, primarily Africa and Belize.

#### Fixed Assets

Property and Equipment is reported at cost, if purchased, or at estimated fair value at date of gift, if donated. Amounts over \$750 are capitalized. Depreciation is calculated in a straight line basis over their estimated useful life. Due to the uncertainties noted in the following footnotes, the drilling rig and drilling truck and storage shed were fully depreciated in the amount of \$45,939 in 2016 due to our review of asset impairment.

#### 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.	\$21,533
Add: 2016 Net Income—Hope Springs, Inc.	<u>10250</u>
Investment—Hope Springs, Inc.	<u>\$31,783</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 complete and refurbish water wells during the year.

2.57 acres of land held for resale was donated to Hope Springs Water in 2016.

#### 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 one full time and one part-time employee. Hope Springs, Inc. has no employees and was staffed by volunteers. Most of the employee's time was spent on Hope Springs Water and Hope Springs, Inc. was billed for the estimated time they spent working on Hope Springs, Inc. Hope Springs Water reimbursed Hope Springs, Inc. for their portion of shared expenses during 2016.

## **Water Well, Pump and Installation Expenditures**

HSW made their first Ethiopian drilling trip for 2016 in March of 2016 and drilled five successful water wells in the Tolle Wareda of central Ethiopia. A second trip was planned for May of 2016, but our partner organization, Restore Hope, was having trouble with their legal status in the country so that trip had to be cancelled. We also had a trip planned for October of 2016, but the week before we were due to leave, violence broke out in the country and the central government declared martial law and suspended their constitution. Due to this uncertainty, certain assets were fully depreciated. Thus, for the safety of our team members, that trip also had to be cancelled. Martial law was lifted in mid-December and our partners in Ethiopia were able to travel out of the capital city of Addis Ababa to the rural villages where the wells had been drilled in March and found that during the period between the drilling of the wells and December that two of the wells had been vandalized and filled with rocks and were unusable. The other three wells either had pumps on them and were still functional or the pumps were placed on them shortly after that visit. So, corporate political problems and inter-tribal violence limited our ability to drill as many wells as we have in the past, but we are geared up to begin early in 2017 to get the drilling teams again going to the villages to provide much needed safe water. A change that we will be making will be that, whenever possible during future trips, the pumps will be placed on the wells and the concrete bases poured before we leave the country.

In 2016 HSW Belize had three well teams Henderson-ETBU-Frankston recover 7 wells in the Belizean villages of; 1-San Lucas 3-Otoxha 1-San Miguel 1-Golden Stream 1-Citque Jute WASH programs and the VBS Armour of God were performed in each village school. UNICEF village health assessment forms were completed for each village. Water samples were taken to determine PH and solids levels. We also tested for Ecoli. None was found. An exploratory trip was taken to the Sarstoon River Area to look at potential well drilling sites in Guatemala for 2017.

### **Related Party Disclosure**

During 2016, Hope Springs Water paid Hope Springs, Inc. for shared employee expense. The total staff expense of \$62,392 which included payroll, payroll taxes and insurance was allocated based on the time spent on each entity.

Hope Springs Water received a charitable contribution of \$1,000 from Hope Springs, Inc. during 2016.

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. Other expenses are allocated based on estimated usage by each entity.

Hope Springs Water website is [www.hopespringswater.org](http://www.hopespringswater.org) and Hope Springs Inc.'s website is [www.hopespringsinc.com](http://www.hopespringsinc.com).

As of December 31, 2016, Janet Tindle, Treasurer and a Director of Hope Springs Water is married to Frank Tindle, Treasurer and a Director of Hope Springs, Inc. Two directors of Hope Springs Water, Jimmy and Debbie Leatherwood, are married. Jacqueline Lowe and Tyler Lowe are directors and are married. Steve Akin, Director of Hope Springs Water, is the father of Matt Akin, Director of Hope Springs, Inc. Matt Akin was paid \$400 by Hope Springs, Inc. to delivery water. Jim Palmer, an advisor to the Board, performed administrative duties and supervision of wells drilled in Africa.

Hope Springs Water  
**Consolidated Financial Statement**  
As of December 31, 2016

ASSETS	<u>Dec 31, 16</u>
Current Assets - Cash	\$212,184
Restricted Cash	\$122,621
	<u>\$334,805</u>
Other Current Assets	
Inventory	\$5,271
Prepaid Expense	\$38,578
Accounts Receivable	\$778
Total current Assets	\$379,432
Fixed Assets	
Ethiopia	
Building and Storage	\$3,551
Acc dep Building and Storage	-\$2,071
Total Building and Storage	<u>\$1,480</u>
Equipment	\$5,690
Acc Dep Equipment	-\$1,401
Total Equipment	<u>\$4,289</u>
Fixed Assets in Ethiopia	<u>\$5,769</u>
Truck, Equipment and Other Fixed Assets	\$25,251
Acc Dep Truck, Equipment and Other Fixed Assets	-\$5,095
	<u>\$20,156</u>
Total Fixed Assets	\$25,925
Other Assets	
Well repair kits-Belize	\$4,372
Well repair kits-Ethiopia	\$12,991
Total Well Repair Kits	<u>\$17,363</u>
Prepaid Taxes	\$824
Henderson County 2.57 acres	\$7,500
Total Other Assets	\$25,687
<b>TOTAL ASSETS</b>	<u><u>\$431,045</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Trade Accounts Payable	\$3,639
N/P FSBAthens 2008 Isuzu Truck	\$13,517
Accrued Expenses	\$0
Payroll Liabilities	\$1,465
Deferred Tax Expense	\$1,812
Total Liabilities	<u>\$20,432</u>
Unearned Contributions	<u>\$31,106</u>
Total Liabilities	\$51,539
Total Liabilities	\$51,539
Equity	
Additional Paid in Capital	
Preferred Stock	\$2,600
Restricted cash	\$122,621
Unrestricted Net Assets	\$209,980
Net Revenues in excess of expenditures	\$44,305
Total Equity	<u>\$379,506</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>\$431,045</u></u>

\* Preferred Stock: owned by 3rd parties, is non-dividends and only has liquidation preference over common stock

Hope Springs Water  
**Consolidated Statement of Activities**

As of December 31, 2016

Revenues	<u>Jan - Dec 16</u>
Designated Funds	
Legacy Donation	\$4,168
Purchase water from HIS	\$121
Restore Hope	\$3,500
<b>Total Designated Funds</b>	<b>\$7,789</b>
Designated Water Well Funds	
Total Africa	\$61,993
Total Belize	\$51,958
Designated Water Well Funds	\$6,824
<b>Total Designated Water Well Funds</b>	<b>\$120,775</b>
Total Gifts in Kind	\$9,947
Fundraising Revenue	\$28,879
Memorial and Other Contributions	\$9,414
Unrestricted Contributions	
Hope Springs Inc. Donation	\$1,000
Unrestricted Contributions	\$76,240
<b>Total Unrestricted Contributions</b>	<b>\$77,240</b>
Other Income	\$916
Bottled Water Sales	\$119,202
Cost of Sales	-\$89,896
<b>Gross Profit Bottled Water</b>	<b>\$29,306</b>
<b>Total Revenues</b>	<b>\$284,266</b>
Expenditures	
Designated Water Well Expense	
Total Africa Water Well Expenditures	\$35,712
Total Designated Belize	\$56,743
<b>Total Designated Water Well Expense</b>	<b>\$92,455</b>
Water Project Expenditures	
Total Belize	\$2,095
<b>Total Water Project Expenditures</b>	<b>\$2,095</b>
Total Major Fundraiser Expenditures	\$9,165
Depreciation	
Depreciation Exp. Ethiopia Trailer	\$797
Depreciation Exp Drilling Rig	\$26,715
Depreciation Exp Drilling Truck	\$8,530
Depreciation Building and Storage	\$10,694
Depreciation Exp Equipment	\$1,248
Depreciation Office Equipment	\$1,615
Depreciation Delivery Equipment	\$3,532
<b>Total Depreciation</b>	<b>\$53,131</b>
Other Expense	
Auto and Truck	\$1,207
Technology	\$2,393
General and Administrative	\$4,230
Training	\$345
Utilities	\$2,122
Office expenses	\$1,875
Promotional Expense	\$5,303
Charitable Contribution	\$1,000
Interest Expense: Isuzu Truck	\$436
Shared Employee Expense	\$62,392
<b>Total Other Expense</b>	<b>\$81,303</b>
Federal Income Tax Expense	\$0
Deferred Tax Expense	\$1,812
<b>Total Expenditures</b>	<b>\$239,961</b>
<b>Net Revenues in excess of expenditures</b>	<b>\$44,305</b>

## Subsequent events

Hope Springs Water filed IRS Form 990 for the year ended December 31, 2016. A copy of the Form 990 can be viewed on our website, [www.hopespringswater.org](http://www.hopespringswater.org).