

Hope Springs Water
Financial Statement
As of December 31, 2017

12/31/17

ASSETS	
Current Assets- Cash	\$96,229
Restricted Cash	\$73,849
	<u>\$170,078</u>
Prepaid Expense	\$7,354
Total Current Assets	<u>\$177,432</u>
Fixed Assets	
2017 Drilling Rig	
Drilling Rig	\$60,610
Acc Dep Drilling Rig	\$0
Total Drilling Rig	<u>\$60,610</u>
Belize	
Belize Van	\$14,900
Acc Dep Belize Van	-\$828
Total Belize Van	<u>\$14,072</u>
Ethiopia Container	
Ethiopia Container	\$2,700
Acc Dep Ethiopia Container	-\$2,475
Total Ethiopia Container	<u>\$225</u>
Ethiopia Electric Generator	
Ethiopia Electric Generator	\$1,035
Acc Dep Electric Generator	-\$949
Total Ethiopia Electric Generator	<u>\$86</u>
Ethiopia Platform Shuttering	
Ethiopia Platform Shuttering	\$850
Acc Dep Platform	-\$779
Total Ethiopia Platform Shuttering	<u>\$71</u>
Ethiopia Trailer	
Ethiopia Trailer	\$4,655
Acc Dep Ethiopia Trailer	-\$1,594
Total Ethiopia Trailer	<u>\$3,061</u>
Total Fixed Assets	<u>\$78,126</u>
Other Assets	
Well Repair Kits	
Well repair kits-Belize	\$2,709
Well repair kits-Ethiopia	\$7,795
Total Well Repair Kits	<u>\$10,504</u>
Total Assets to drill/complete wells	<u>\$10,504</u>
Investments	
1000 Shares Hope Springs, Inc.	\$311
Cummulative Equity in Income of Hope Springs, Inc.	\$23,323
Total Investments	<u>\$23,634</u>
Total Other Assets	<u>\$34,138</u>
TOTAL ASSETS	<u><u>\$289,695</u></u>

Hope Springs Water
Financial Statement
As of December 31, 2017

12/31/17

LIABILITIES & EQUITY

Liabilities

Current Liability

Accounts Payable \$710

Payroll Liabilities \$6,554

Unearned Contributions \$2,131

Total Current Liability \$9,395

Total Current Liability \$9,395

Total Liabilities \$9,395

Equity

Restricted Cash \$73,849

Unrestricted Net Assets \$271,586

Cumulative Equity in Income of Hope Springs, Inc. \$23,323

Net Expenditures in excess of Revenues -\$88,458

Total Equity \$280,300

TOTAL LIABILITIES & EQUITY \$289,695

Hope Springs Water
Statement of Activities
 FYE December 31, 2017

	Jan - Dec 17
Revenues	
Designated Funds	
2017 New Drilling Rig	\$16,857
Hurricane Harvey	\$5,952
Legacy Donation	\$2,400
Total Designated Funds	\$25,210
Designated Water Well Funds	
Total Africa	\$22,302
Total Belize	\$26,147
Total Guatemala	\$18,100
Total Nicaragua	\$1,200
WaterWell	\$2,500
Total Designated Water Well Funds	\$70,248
Total Gifts in Kind	\$3,505
Total Fundraising Revenue	\$34,278
Memorial and Other Contributions	\$5,421
Unrestricted Contributions	
Hope Springs Inc. Donation	\$1,000
Unrestricted Contributions	\$63,593
Total Unrestricted Contributions	\$64,593
Total Income	\$203,255
Expenditures	
Designated Water Well Expense	
Total Africa Water Well Expenditures	\$49,196
Total Designated Belize	\$42,544
Total Designated Guatemala	\$22,854
Total Designated Nicaragua	\$1,111
Total Designated Water Well Expens	\$115,705
Water Project Expenditures	
Total Belize	\$2,095
Total Water Project Expenditures	\$2,095
NGO & RH Program Expenses	
Total Ethiopia NGO	\$1,000
Total Ethiopia RH Expenses	\$37,610
Total NGO & RH Program Expenses	\$38,610
Projects	
Total Honduras Project Funding	\$13,200
Total Kenya Project Funding	\$7,500
Total Nicaragua Project Funding	\$3,568
Total Projects	\$24,268
Fundraising Expenditures	\$11,587
Depreciation	
Dep. Exp. Ethiopia Trailer	\$797
Dep. Exp. Electric Generator	\$345
Dep. Exp. Belize Van	\$828
Dep. Exp. Platform	\$283
Dep. Exp. Container	\$900
Dep. Office Equipment	\$0
Total Depreciation	\$3,153

Hope Springs Water
Statement of Activities
FYE December 31, 2017

Other Expense	
Technology	\$1,777
General and Administrative	\$1,275
Utilities	\$2,361
Donor Relations	\$3,097
Office Expenses	\$4,597
Promotional Expenses	\$4,174
Shared Employee Expense	\$74,256
Loss on Prepaid Airfare	\$957
Loss on Sale of Land	\$3,800
Total Other Expense	<u>\$96,294</u>
Total Expenditures	\$291,712
Equity in Loss of Hope Springs, Inc.	<u>-\$9,962</u>
Net Expenditures in excess of Revenues	<u>-\$98,419</u>

*See notes to financial statements

Hope Springs Water
Statement of Cash Flow
 FYE December 31, 2017

	12/31/17
Cash flows from Operating Activities	
Changes in net assets	-\$98,419
Adjustments to reconcile changes in net assets to cash provided by operating activities:	
Depreciation	\$3,153
Increase in Liabilities	\$1,377
Increase in Prepaid Expense	\$29,779
	\$34,309
Cash flows from Investing Activities	
Increase in fixed assets (Belize)	-\$14,900
Increase in fixed assets (Ethiopia)	-\$60,610
Decrease in fixed assets	\$7,500
Net purchase of well repair kits	\$6,859
Decrease in equity of Hope Springs, Inc.	\$9,961
Increase in unearned contributions	-\$24,552
Net cash used by investing activities	-\$75,742
Net change in cash	-\$139,852
Cash, beginning of year	\$309,930
Cash, end of year	\$170,078

*See notes to financial statements

Hope Springs Water
Statement of Functional Activities
 FYE December 31, 2017

	Program Services	Management and General	Fundraising	Total
Compensation of Key Employees	\$37,931	\$30,960		\$68,891
Payroll taxes	\$2,941	\$2,424		\$5,365
Other Employee Benefits	\$4,403	\$1,468		\$5,871
Advertising and promotion	\$2,295	\$1,878		\$4,173
Office expenses	\$3,620	\$2,962		\$6,582
Occupancy	\$1,348	\$1,103		\$2,451
Travel	\$94,730	\$1,252		\$95,982
Depreciation	\$3,153			\$3,153
Insurance	\$1,893	\$2,187		\$4,080
Waterwell Expenses - Belize	\$9,856			\$9,856
Waterwell Expenses - Africa	\$45,716			\$45,716
Water sanitation hygiene training	\$2,482			\$2,482
Project Funding & Other Program Expense	\$28,193			\$28,193
Cost of fundraising events			\$11,587	\$11,587
Total	<u>\$238,561</u>	<u>\$44,234</u>	<u>\$11,587</u>	<u>\$294,382</u>

*See notes to the financial statements

Hope Springs Water
A Texas Non-Profit Organization
Notes to Financial Statements
January 1, 2017 through December 31, 2017

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 only when a fair value can be reasonably estimated and when the materials 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, 2017, 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 April 9, 2017, the cash balance was below the insured limit. \$73,849 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. Depreciation is calculated in a straight-line basis over their estimated useful life.

In 2017, we purchased a new drilling rig to be used for drilling in the future. We also purchased a new van to be used in Belize for groups that travel on trips sponsored by Hope Springs Water.

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 loss 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.	\$33,595
Add: 2017 Net Loss—Hope Springs, Inc.	<u>-9,961</u>
Investment—Hope Springs, Inc.	<u>\$23,634</u>

Hope Springs, Inc. Net Income is down: \$22,022 from previous year. This is primarily due to truck repairs in the amount \$23,185 and an Increase of \$3830 in fuel for deliveries.

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.

Sale of Land: 2.57 acres of land was sold during 2017 at a book value loss of \$3,800 as the original FMV was estimated to be \$7,500.

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 2 full time employees. 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, in the amount of \$8,078, during 2017.

Water Well, Pump and Installation Expenditures

Our work in Belize, under the leadership of Bruce Hinds, Operations Director for Central America, has continued to flourish. We now have completed the recovery of over 35 wells, and drilled 6 wells, in the Toledo District of southern Belize (and into the Sarstoon region of Guatemala), providing access to safe water for over 17,000 people in that region. This year also brought greater recognition and cooperation with the government of Belize with the invitation by the government for Hope Springs Water's Jimmy Leatherwood to train the government drilling crews in the art of drilling water wells with drilling mud. This will expand their ability to drill in sandy environments, which has, to this point, been a real problem for them. Jimmy has been asked to expand his training for them into all types of drilling and bring their drilling operation up to date, to maximize their efforts to bring safe water to their people.

HSW had three well teams working in Belize:

- March 2017- ETBU team: 2 well recoveries in the Village of Otoxha
- April 2017- Nesbit Baptist. 1 well in the village of Jalacte, 1 well in the village of Lucky Strike 1 & submersible installation in Otoxha
- Nov. 2017- Instructional class on the use of Bentonite mud well drilling for the drill team of Belize. We also scouted a well site for January 2018 trip Sarstoon River.

HSW had a well team working in Guatemala:

- Jan. 2017- Henderson Team 1 drilled well lower Sarstoon River -Guatemala.

This year Hope Springs Water has begun a cooperative effort with a Nicaraguan nonprofit, Nica Team, to begin a drilling program in the Northeastern area of Nicaragua among the Mayangna and Miskito Indians of that area. We have purchased a new drilling rig, an R-100 rig, constructed by Rockbuster, International in Jewett, Texas. This rig is capable of drilling up to 450 feet deep and is adaptable for air and hammer drilling as well. We plan to have that program up and running in 2018.

In Ethiopia, Hope Springs Water is in the process of facilitating the establishment of a national NGO in Ethiopia, in partnership with a group of US organizations, that will allow us to pursue a more aggressive drilling program in the central Ethiopian region of Oromia. Thus far, through your support, Hope Springs Water has been able to drill 25 wells in the Oromia region, providing safe water for over 12,000 people in that area. In 2017 alone, we were able to drill 8 water wells for the region.

The year 2017 brought ten new wells drilled by Hope Springs Water teams in the Tollee region of Ethiopia. We are becoming more efficient in ensuring that the wells that we drill are completed before we leave the country, and therefore more clean water is flowing for the inhabitants of the villages we serve. This year, also, we decided that it was time for us to have our own NGO whose legal platform we would be able to work from in Ethiopia. We have, therefore, in cooperation with other U.S. non-profit organizations and a group of philanthropic Ethiopians, applied for an Ethiopian NGO license from the Ethiopian Department of Societies and Charities. We will soon have our own legal platform from which to work, making our work there much more organized and focused. The list of completed drilled wells for 2017 is as follows:

1. Tuluu Boloo Hospital-2/27/17: 08 degrees 39' 56" N; 38 degrees 13' 9" E. 140 ft. deep
2. Berria School (re-drill)-Lalessee. 08 degrees 43' 39" N; 38 degrees 21' 47" E. 3/3/17
3. Belida community (3/3/17): 08 degrees 40' 4" N; 38 degrees 25' 33". 125 ft. deep.
4. Wasarbi Elementary School (broken off casing, abandoned in March 2017): 08 degrees 44' 47" N; 38 degrees 23' 52" E. 140 feet deep. Re-drilled and completed in May, 2017.
5. Alaanquaa Kamatoo community (Tulu Bolo area)-08 degrees 37' 38.51"N; 38 degrees 15' 01.37"E. Dry well. May 2017.
6. Sisso Lammaffa (near Abebe in the Belida area)-08 degrees 40' 51.44" N; 38 degrees 25' 22.23" E. November 2017
7. Dhaka (Belida area)-Dhaabii community-08 degrees 40' 42.84" N; 38 degrees 24' 53.37" E. November 2017.
8. Billi Millimma (near Abebe) South-08 degrees 38' 29.18" N; 38 degrees 22' 27.80" E. November 2017.
9. Billi Millimma North (Booreyoo community)-08 degrees 39' 03.49" N; 38 degrees 22' 20.70" E. November 2017.

Nearly 30,000 people have been served by the work of Hope Springs Water. We see 2018 as a time of significant growth for Hope Springs Water.

In 2017, Hope Springs Water funded 3 Water Well Projects through our project funding process.

- Honduras: 2017 Thrive CC/Pier Church Well: \$13,200
- Kenya: Open Heart Ministries: \$7,500
- Nicaragua: Alamikamba Well: \$3,568

Related Party Disclosure

During 2017, Hope Springs Water paid Hope Springs, Inc. for shared employee expense. The total staff expense of \$74,256 included payroll, payroll taxes and insurance were allocated based on the time spent on each entity.

Hope Springs Water received a charitable contribution of \$1,000 from Hope Springs, Inc. in 2017.

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 purchased water from Hope Springs, Inc. in the amount of \$4998. This water was used to help with Hurricane Harvey relief.

Hope Springs Water website is www.hopespringswater.org.

As of December 31, 2017, 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 \$1,430 by Hope Springs, Inc. to delivery water. Jim Palmer, an advisor to the Board, performed administrative duties and supervision of wells drilled in Africa.

Non-Discrimination Clause

Employment with Hope Springs Water and access to its programs or activities or funding opportunities shall not be limited on the basis of race, color, creed, national origin, religion, age, gender, sexual orientation, political affiliation, or disability.

Subsequent events

Hope Springs Water filed IRS Form 990 for the year ended December 31, 2017. A copy of the Form 990 can be viewed on our website, www.hopespringswater.org.

Hope Springs Water
Consolidated Financial Statement
As of December 31, 2017

ASSETS	<u>12/31/17</u>
Current Assets - Cash	\$115,673
Restricted Cash	\$73,849
	\$189,522
Other Current Assets	
Inventory	\$3,943
Prepaid Expense	\$9,946
Accounts Receivable	\$2,800
Total current Assets	\$206,211
Fixed Assets	
Ethiopia	
Total Building and Storage	\$296
Total Equipment	\$3,147
Total Drilling Rig	\$60,610
Fixed Assets in Ethiopia	\$64,053
Fixed Assets in Belize	\$14,072
Truck & Other Equipment	
Truck, Equipment and Other Fixed Assets	\$22,326
Acc Dep Truck, Equipment and Other Fixed Assets	-\$7,070
Total Truck Equipment and Other Fixed Assets	\$15,256
Total Fixed Assets	\$93,381
Other Assets	
Well repair kits-Belize	\$2,709
Well repair kits-Ethiopia	\$7,795
Total Well Repair Kits	\$10,504
Total Other Assets	\$10,504
TOTAL ASSETS	\$310,096
LIABILITIES & EQUITY	
Liabilities	
Accounts Payable	\$710
N/P FSBAthens 2008 Isuzu Truck	\$9,801
Truck Repair Loan	\$8,000
Payroll Liabilities	\$6,554
Total Liabilities	\$25,065
Unearned Contributions	\$2,131
Total Liabilities	\$27,196
Total Liabilities	\$27,196
Equity	
Preferred Stock	\$2,600
Restricted cash	\$73,849
Unrestricted Net Assets	\$304,870
Net Expenditures in excess of Revenues	-\$98,419
Total Equity	\$282,900
TOTAL LIABILITIES & EQUITY	\$310,096

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

Hope Springs Water
Consolidated Statement of Activities
 FYE December 31, 2017

Revenues	<u>Jan - Dec 17</u>
Designated Funds	
2017 New Drilling Rig	\$16,857
Hurricane Harvey	\$5,952
Legacy Donation	\$2,400
Total Designated Funds	<u>\$25,210</u>
Designated Water Well Funds	
Total Africa	\$22,302
Total Belize	\$26,147
Total Guatemala	\$18,100
Total Nicaragua	\$1,200
WaterWell	\$2,500
Total Designated Water Well Funds	<u>\$70,248</u>
Total Gifts in Kind	\$3,505
Fundraising Revenue	\$34,278
Memorial and Other Contributions	\$5,421
Unrestricted Contributions	
Hope Springs Inc. Donation	\$1,000
Unrestricted Contributions	\$63,593
Total Unrestricted Contributions	<u>\$64,593</u>
Bottled Water Sales	\$149,980
Cost of Sales	-\$110,549
Gross Profit Bottled Water	<u>\$39,431</u>
Total Revenues	<u><u>\$242,686</u></u>
Expenditures	
Designated Water Well Expense	
Total Africa Water Well Expenditures	\$49,196
Total Designated Belize	\$42,544
Total Designated Guatemala	\$22,854
Total Designated Nicaragua	\$1,111
Total Designated Water Well Expense	<u>\$115,705</u>
Water Project Expenditures	
Total Belize	\$2,095
Total Water Project Expenditures	<u>\$2,095</u>
Total Major Fundraiser Expenditures	\$11,588
NGO & RH Program Expenses	
Total Ethiopia NGO	\$1,000
Total Ethiopia RH Expenses	\$37,610
Total NGO & RH Program Expenses	<u>\$38,610</u>
Projects	
Total Honduras Project Funding	\$13,200
Total Kenya Project Funding	\$7,500
Total Nicaragua Project Funding	\$3,568
Total Projects	<u>\$24,268</u>
Depreciation	
Dep. Exp. Ethiopia Trailer	\$797
Dep. Exp. Electric Generator	\$345
Dep. Exp. Belize Van	\$828
Dep. Exp. Platform	\$283
Dep. Exp. Container	\$900
Dep. Office Equipment	\$12
Depreciation Delivery Equipment	\$4,890
Total Depreciation	<u>\$8,055</u>

Hope Springs Water
Consolidated Statement of Activities

FYE December 31, 2017

Other Expense	
Auto and Truck	\$28,830
Technology	\$1,777
General and Administrative	\$6,025
Donor Relations	\$3,097
Utilities	\$2,623
Office expenses	\$6,167
Promotional Expense	\$4,174
Loss on Prepaid Airfare	\$957
Loss on Sale of Land	\$3,800
Charitable Contribution	\$1,000
Employee Expense	\$82,334
Total Other Expense	<u>\$140,784</u>
Total Expenditures	<u>\$341,105</u>
Net Expenditures in excess of Revenues	<u><u>-\$98,419</u></u>