

Hope Springs Water
Financial Statement
As of December 31, 2018

| | 12/31/18 |
|---|------------------|
| ASSETS | |
| Current Assets- Cash | \$34,958 |
| Restricted Cash | \$71,889 |
| | \$106,847 |
| Prepaid Expense | \$26,966 |
| Total Current Assets | \$133,813 |
| Fixed Assets | |
| 2017 Drilling Rig | |
| Drilling Rig | \$60,610 |
| Acc Dep Drilling Rig | -\$10,102 |
| Total Drilling Rig | \$50,508 |
| Belize | |
| Belize Van | \$14,900 |
| Acc Dep Belize Van | -\$5,794 |
| Total Belize Van | \$9,106 |
| Ethiopia Container | |
| Ethiopia Container | \$2,700 |
| Acc Dep Ethiopia Container | -\$2,700 |
| Total Ethiopia Container | \$0 |
| Ethiopia Electric Generator | |
| Ethiopia Electric Generator | \$1,035 |
| Acc Dep Electric Generator | -\$1,035 |
| Total Ethiopia Electric Generator | \$0 |
| Ethiopia Platform Shuttering | |
| Ethiopia Platform Shuttering | \$850 |
| Acc Dep Platform | -\$850 |
| Total Ethiopia Platform Shuttering | \$0 |
| Ethiopia Trailer | |
| Ethiopia Trailer | \$4,655 |
| Acc Dep Ethiopia Trailer | -\$2,391 |
| Total Ethiopia Trailer | \$2,265 |
| Total Fixed Assets | \$61,878 |
| Other Assets | |
| Well Repair Kits | |
| Well repair kits-Belize | \$1,981 |
| Well repair kits-Ethiopia | \$7,795 |
| Total Well Repair Kits | \$9,776 |
| Total Assets to drill/complete wells | \$9,776 |
| Investments | |
| 1000 Shares Hope Springs, Inc. | \$311 |
| Cumulative Equity in Income of Hope Springs, Inc. | \$63,745 |
| Total Investments | \$64,056 |
| Total Other Assets | \$73,832 |
| TOTAL ASSETS | \$269,523 |

Hope Springs Water
Financial Statement
As of December 31, 2018

12/31/18

| LIABILITIES & EQUITY | |
|---|-------------------------|
| Liabilities | |
| Current Liability | |
| Accounts Payable | \$0 |
| Payroll Liabilities | \$10,810 |
| Unearned Contributions | \$2,998 |
| Total Current Liability | <u>\$13,808</u> |
| Total Current Liability | <u>\$13,808</u> |
| Total Liabilities | <u>\$13,808</u> |
| Equity | |
| Restricted Cash | \$71,889 |
| Unrestricted Net Assets | \$185,088 |
| Cumulative Equity in Income of Hope Springs, Inc. | \$63,745 |
| Net Expenditures in excess of Revenues | -\$65,007 |
| Total Equity | <u>\$255,715</u> |
| TOTAL LIABILITIES & EQUITY | <u><u>\$269,523</u></u> |

Hope Springs Water
Statement of Activities
FYE December 31, 2018

| | Jan - Dec 18 |
|---|--------------|
| Revenues | |
| Designated Funds | |
| Legacy Donation | \$2,450 |
| Relief Funds | \$1,032 |
| Total Designated Funds | \$3,482 |
| Designated Water Well Funds | |
| Total Africa | \$52,159 |
| Total Belize | \$25,627 |
| Total Guatemala | \$12,509 |
| Total Designated Water Well Funds | \$90,295 |
| Total Gifts in Kind | \$2,428 |
| Total Fundraising Revenue | \$44,615 |
| Memorial and Other Contributions | \$1,075 |
| Unrestricted Contributions | |
| Hope Springs Inc. Donation | \$1,000 |
| Unrestricted Contributions | \$49,250 |
| Total Unrestricted Contributions | \$50,250 |
| Total Income | \$192,144 |
| Expenditures | |
| Designated Water Well Expense | |
| Total Africa Water Well Expenditures | \$22,570 |
| Total Designated Belize | \$32,551 |
| Total Designated Guatemala | \$15,409 |
| Total Designated Nicaragua | \$0 |
| Total Designated Water Well Expens | \$70,530 |
| Ethiopia NGO | |
| Coordination & Operational Exp. | \$11,262 |
| NGO Start-up | \$10,039 |
| Total NGO & RH Program Expenses | \$21,301 |
| Relief Funds | \$5,952 |
| Projects | |
| Sarstun River Well | \$500 |
| Samachique Well | \$6,000 |
| Total Projects | \$6,500 |
| Fundraising Expenditures | \$15,588 |
| Depreciation | |
| Dep. Exp. Ethiopia Trailer | \$797 |
| Dep. Exp. 2017 Drilling Rig | \$10,102 |
| Dep. Exp. Electric Generator | \$86 |
| Dep. Exp. Belize Van | \$4,967 |
| Dep. Exp. Platform | \$71 |
| Dep. Exp. Container | \$225 |
| Total Depreciation | \$16,247 |
| Other Expense | |
| Technology | \$951 |
| General and Administrative | \$5,853 |
| Utilities | \$2,377 |
| Donor Relations | \$1,134 |
| Office Expenses | \$3,103 |
| Promotional Expenses | \$11,027 |
| Shared Employee Expense | \$96,587 |
| Total Other Expense | \$121,032 |
| Total Expenditures | \$257,150 |
| Equity in Loss of Hope Springs, Inc. | \$40,422 |
| Net Expenditures in excess of Revenues | -\$24,584 |

*See notes to financial statements

Hope Springs Water
Statement of Cash Flow
 FYE December 31, 2018

| | HSW |
|--|-----------|
| Cash flows from Operating Activities | |
| Changes in net assets | -\$24,584 |
| Adjustments to reconcile changes in net assets to cash provided by operating activities: | |
| Depreciation | -\$16,247 |
| Increase in Liabilities | -\$2,998 |
| Increase in Prepaid Expense | \$16,037 |
| | -\$3,208 |
| Cash flows from Investing Activities | |
| Increase in fixed assets (Belize) | \$0 |
| Increase in fixed assets (Ethiopia) | \$0 |
| Decrease in fixed assets | \$0 |
| Net purchase of well repair kits | \$728 |
| Increase in equity of Hope Springs, Inc. | -\$40,422 |
| Increase in unearned contributions | \$4,255 |
| Net cash used by investing activities | -\$35,439 |
| Net change in cash | -\$63,231 |
| Cash, beginning of year | \$170,077 |
| Cash, end of year | \$106,846 |

*See notes to financial statements

Hope Springs Water
Statement of Functional Activities
 FYE December 31, 2018

| | Program Services | Management and General | Fundraising | Total |
|---|---------------------|---------------------------|-------------|-----------|
| Compensation of Key Employees | \$51,938 | \$28,716 | | \$80,654 |
| Payroll taxes | \$4,533 | \$2,508 | | \$7,041 |
| Other Employee Benefits | \$4,587 | \$1,529 | | \$6,116 |
| Advertising and promotion | \$7,714 | \$6,312 | | \$14,026 |
| Office expenses | \$5,239 | \$4,286 | | \$9,525 |
| Travel | \$56,530 | \$2,760 | | \$59,290 |
| Depreciation | \$16,247 | | | \$16,247 |
| Insurance | \$910 | \$2,774 | | \$3,684 |
| Waterwell Expenses - Africa | \$26,571 | | | \$26,571 |
| Waterwell Expenses - Belize | \$7,131 | | | \$7,131 |
| Waterwell Expenses - Guatemala | \$1,191 | | | \$1,191 |
| Project Funding & Other Program Expense | \$13,086 | | | \$13,086 |
| Cost of fundraising events | | | \$12,589 | \$12,589 |
| Total | \$195,677 | \$48,885 | \$12,589 | \$257,151 |

*See notes to the financial statements

HOPE



SPRINGS WATER

A Texas Non-Profit Organization
Notes to Financial Statements
January 1, 2018 through December 31, 2018

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. There were no new fixed assets purchased in 2018.

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. | \$23,323 |
| Add: 2018 Net Income—Hope Springs, Inc. | <u>\$40,422</u> |
| Investment—Hope Springs, Inc. | \$63745 |

Hope Springs, Inc. Net Income up: \$50,383 from previous year. This is primarily due to increase in sales of Hope Springs bottled water.

Other 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.

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 3 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 \$9,743 during 2018.

Water Well Projects

The year 2018 has been one of significant changes (for the better) for Hope Springs Water, both in our water bottling and sales division, Hope Springs, Inc, and in our nonprofit division, Hope Springs Water. This “Letter From the Executive Director” will attempt to convey to you in a few short sentences the magnitude of the amazing things that has been accomplished in 2018.

Hope Springs Water’s work in Central America has been steadily growing, with new opportunities continuing to be presented over the past year. Our Director of Central American Operations, Bruce Hinds, reports that, by the end of the 2018-2019 WaSH season, we will have recovered 48 wells in the Toledo District of Belize, and drilled three new wells in the Sarstoon River region of Guatemala. Another nonprofit company in Guatemala has given us access to an LS-200, trailer-mounted drilling rig that offers us the opportunity to expand our WaSH Zone into the region between Puerto Barrios and the Sarstoon River on the East Coast of Guatemala, where there is great need for both safe water and sanitation programs. We have found this region of Guatemala to be relatively free of the political turmoil that is found in the northern regions of Guatemala. Discussions for beginning a WaSH program in the northeastern region of Nicaragua are ongoing and are currently awaiting a continued calming of the political climate in that area.

Our water sales division has seen incredible growth this year, with a marked increase in sales through Brookshire Grocery Company stores across north and east Texas, Louisiana, and Arkansas. Our water sales to automobile dealerships and area merchants, universities, and churches has also seen significant expansion. Hope Springs, Inc is also currently negotiating with a large hotel chain in an effort to gain entry into that market. We are actively seeking to increase sales in all of these areas throughout the state and region, and are seeing increased interest in supporting our model of value-based branding and cause marketing. More and more people and companies are coming to appreciate the core value associated with supporting a company/product that uses its profits to produce positive change in the world. As always, all available profits from the sale of Hope Springs Water are used by our nonprofit company to help support the safe water projects of our nonprofit company.

In Ethiopia, 2018 has been a year of significant change and infrastructure growth. Before 2018, Hope Springs Water’s drilling and sanitation projects in Ethiopia were managed through partnerships with existing NGOs (nonprofit companies) already working in Ethiopia. After our third partner NGO changed directions and no longer desired/required our help with water and sanitation projects, Hope Springs Water decided to form an Ethiopian NGO whose primary purpose matched up perfectly with the goals of Hope Springs Water.

The Ethiopian NGO **Tesfa Le Hiwot, or Hope for Life**, was approved by the Ethiopian government this year, and with Hope Springs Water as its principal community development partner, has opened an office in Addis Ababa and hired employees who are actively working to pursue the goals of Hope Springs Water on a daily basis. In November of this year, we participated with our US partner, Ethio Team, in deworming students in rural schools in the Tollee Wareda of Ethiopia and launched our new Women's Health Initiative, called Hope for Girls. This program is designed to help girls in rural areas of Ethiopia remain in school beyond puberty. We plan to positively impact the number of girls who can remain in school by providing sanitary supplies, adequate sanitary facilities in the schools, and drilling wells in the schools to simplify their daily water collection duties for their homes. We are sending sea cargo containers to Ethiopia in the near future that contain a new, more powerful drilling rig, and supplies to support all of our operations in Ethiopia. We will begin actively drilling again in January of 2019, and have agreements with the Ethiopian government to drill at least twelve wells in 2019 in villages in the Elu Wareda in the Southwest Shewa Zone of Central Ethiopia. We will also be helping provide sanitation projects, hygiene education, and Women's Health programs in the schools in this region.

The area where we are drilling in Ethiopia is a volcanic region and has many areas where subterranean rock prevents us from reaching the depth that is needed to find safe water. Our fundraising efforts are currently focusing on the purchase of a hammer bit for the drilling rig that sells for \$4000, and a high-volume air compressor to run the hammer bit that sells for about \$30,000. Please consider joining our efforts in the villages of Ethiopia with a generous tax-exempt gift to our hammer bit and compressor fund. Give the gift of life this Christmas...give safe drinking water.

The future for Hope Springs Water is bright as we continue to focus on our goals of safe water, sanitation, and hygiene education for the people we serve.

Related Party Disclosure

During 2018, Hope Springs, Inc. paid Hope Springs Water for shared employee expense. The total staff expense 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 2018.

Hope Springs Water purchased water from Hope Springs, Inc. in the amount of \$520. This water was used for promotion and marketing purposes.

Hope Springs Water website is www.hopespringswater.org.

As of December 31, 2018, 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. 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, 2018. 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, 2018

| ASSETS | <u>12/31/18</u> |
|---|-------------------------|
| Current Assets - Cash | \$55,242 |
| Restricted Cash | \$71,889 |
| | <u>\$127,131</u> |
| Other Current Assets | |
| Inventory | \$3,735 |
| Prepaid Expense | \$28,801 |
| Accounts Receivable | \$126,538 |
| Total current Assets | <u>\$286,205</u> |
| Fixed Assets | |
| Ethiopia | |
| Total Building and Storage | \$0 |
| Total Equipment | \$2,265 |
| Total Drilling Rig | \$50,508 |
| Fixed Assets in Ethiopia | <u>\$52,773</u> |
| Fixed Assets in Belize | <u>\$9,106</u> |
| Truck & Other Equipment | |
| Truck, Equipment and Other Fixed Assets | \$22,326 |
| Acc Dep Truck, Equipment and Other Fixed Assets | <u>-\$11,535</u> |
| Total Truck Equipment and Other Fixed Assets | <u>\$10,791</u> |
| Total Fixed Assets | <u>\$72,670</u> |
| Other Assets | |
| Well repair kits-Belize | \$1,981 |
| Well repair kits-Ethiopia | \$7,795 |
| Total Well Repair Kits | <u>\$9,776</u> |
| Total Investments | \$311 |
| Total Other Assets | <u>\$10,087</u> |
| TOTAL ASSETS | <u><u>\$368,962</u></u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Accounts Payable | \$90,637 |
| N/P FSB Athens 2008 Isuzu Truck | \$5,890 |
| Payroll Liabilities | \$10,810 |
| Total Liabilities | <u>\$107,337</u> |
| Unearned Contributions | \$2,998 |
| Total Liabilities | <u>\$110,335</u> |
| Total Liabilities | <u>\$110,335</u> |
| Equity | |
| Additional Paid in Capital | \$311 |
| Preferred Stock | \$2,600 |
| Restricted cash | \$71,889 |
| Unrestricted Net Assets | \$208,411 |
| Net Expenditures in excess of Revenues | <u>-\$24,584</u> |
| Total Equity | <u>\$258,627</u> |
| TOTAL LIABILITIES & EQUITY | <u><u>\$368,962</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
 FYE December 31, 2018

| | Jan - Dec 18 |
|--|--------------|
| Revenues | |
| Designated Funds | |
| Legacy Donation | \$2,450 |
| Relief Funds | \$1,032 |
| Total Designated Funds | \$3,482 |
| Designated Water Well Funds | |
| Total Africa | \$52,159 |
| Total Belize | \$25,627 |
| Total Guatemala | \$12,509 |
| Total Nicaragua | \$0 |
| WaterWell | \$0 |
| Total Designated Water Well Funds | \$90,295 |
| Total Gifts in Kind | \$2,428 |
| Total Fundraising Revenue | \$44,615 |
| Int. Income Hope Springs, Inc. | \$0 |
| Memorial and Other Contributions | \$1,075 |
| Unrestricted Contributions | |
| Hope Springs Inc. Donation | \$1,000 |
| Unrestricted Contributions | \$49,250 |
| Total Unrestricted Contributions | \$50,250 |
| Bottled Water Sales | \$341,575 |
| Cost of Sales | \$264,486 |
| Gross Profit Bottled Water | \$77,089 |
| Total Income | \$269,233 |
| Expenditures | |
| Designated Water Well Expense | |
| Total Africa Water Well Expenditures | \$15,519 |
| Total Ethiopia Drilling Supplies | \$7,051 |
| Total Designated Belize | \$32,551 |
| Total Designated Guatemala | \$15,409 |
| Total Designated Nicaragua | \$0 |
| Total Designated Water Well Expense | \$70,530 |
| Ethiopia NGO | |
| Coorination & Operational Exp. | \$11,262 |
| NGO Start-up | \$10,039 |
| Total NGO & RH Program Expenses | \$21,301 |
| Relief Funds | \$5,952 |
| Projects | |
| Sarstun River Well | \$500 |
| Samachique Well | \$6,000 |
| Total Projects | \$6,500 |
| Fundraising Expenditures | \$15,588 |
| Depreciation | |
| Dep. Exp. Ethiopia Trailer | \$797 |
| Dep. Exp. 2017 Drilling Rig | \$10,102 |
| Dep. Exp. Electric Generator | \$86 |
| Dep. Exp. Belize Van | \$4,967 |
| Dep. Exp. Platform | \$71 |
| Dep. Exp. Container | \$225 |
| Depreciation Delivery Equipment | \$4,465 |
| Total Depreciation | \$20,713 |

Hope Springs Water
Consolidated Statement of Activities
FYE December 31, 2018

| | |
|---|-------------------------|
| Other Expense | |
| Auto & Truck Expense | \$10,345 |
| Technology | \$1,635 |
| Interest Expense: Isuzu Truck | \$537 |
| General and Administrative | \$9,346 |
| Utilities | \$2,377 |
| Donor Relations | \$1,134 |
| Office Expenses | \$3,634 |
| Promotional Expenses | \$11,091 |
| Charitable Contribution | \$1,000 |
| Federal Income Tax Expense | \$5,090 |
| Employee Expense | \$107,044 |
| Total Other Expense | <u>\$153,233</u> |
| Total Expenditures | <u>\$293,817</u> |
| Net Expenditures in excess of Revenues | <u><u>-\$24,584</u></u> |