

Hope Springs Water
Financial Statement
as of December 31, 2020

ASSETS

Current Assets

Unrestricted cash	\$ 82,023
Restricted cash	65,060
Cash	147,083
Other Current Assets	
A/R Hope Springs, Inc.	28,050
Prepaid Belize Operating	2,000
Prepaid expense Ethiopia	7,220
Prepaid Hope4Girls Nobel Cups	16,000
Prepaid Hopewell	11,722
Total Other Current Assets	64,992

Total Current Assets 212,075

Other Assets

Well repair kits-Belize	1,820
Investment in Hope Springs, Inc.	
Hope Springs, Inc. beginning equity	53,461
Hope Springs, Inc. 2020 profit	2,501
1000 Shares Common Stock Hope Springs, Inc.	311
Net Investment in Hope Springs, Inc.	56,273

Total Other Assets 58,093

TOTAL ASSETS \$ 270,168

LIABILITIES & NET ASSETS

Liabilities

Unearned Revenue HopeWELL	20,200
Payroll Liabilities	3,895
Total Liabilities	24,095

Net Assets 246,073

TOTAL LIABILITIES & NET ASSETS \$ 270,168

See Notes to Financial Statements

Hope Springs Water
Statement of Activities
January through December 2020

Revenues

Designated Funds	
Legacy	\$ 2,400
Africa	30,000
Ethiopia	5,695
Belize	15,387
Kenya	24,157
The Colonias	3,500
Wash	35,771
Relief Funds	8,012
Truck Wrap	1,000
Total Designated Funds	<u>125,922</u>
Promotional Income	
Annual Gala	100
Turkey Trot Fundraiser	21,808
Total Promotional Income	<u>21,908</u>
Unrestricted Contributions	
Memorial Contributions	2,167
Contributions	96,296
Total Unrestricted Contributions	<u>98,463</u>
Gifts in Kind	<u>284</u>
Total Revenues	246,577

Expenditures

Depreciation Exp Belize Van	4,139
Designated Water Well and WaSH expenditures	
Belize Program	9,913
Belize Water Projects	9,728
Ethiopia NGO Coordination	534
Ethiopia NGO Operational Expense	83,748
Ethiopia Water Projects	25,848
Kenya Water Projects	22,856
Nicaragua Water Projects	10,000
Relief Expense	6,890
WaSH	1,575
Total Designated Water Well and WaSH expenditures	<u>\$ 171,092</u>

Hope Springs Water
Statement of Activities
January through December 2020

Major Fundraiser Expenditures	
Turkey Trot	\$ 81
Promotional	10,241
General Administrative Expenditures	
Payroll	82,765
Auto Expense	203
Dues & Subscriptions	657
General Liability Ins.	2,900
Interest expense PPP loan	111
Meals	1,486
Office Furniture	1,223
Office Supplies	2,985
Telephone & Internet Expense	1,400
Processing Fees	2,002
Miscellaneous	4,002
Total General Administrative Expenditures	<u>99,734</u>
Total Expenditures	285,287
Revenues less Expenditures	<u>(38,710)</u>
PPP Loan and interest forgiven	16,611
Expenditures over Revenues	<u>\$ (22,099)</u>
Hope Springs, Inc. 2020 profit	2,501
Net Expenditures over Revenues	<u>\$ (19,598)</u>

See Notes to Financial Statements

Hope Springs Water
Statement of Functional Activities
FYE December 31, 2020

	Program Services	Management and General	Fundraising	Total
Hurricane Relief	\$ 5,000			\$ 5,000
Assistance to Ethiopia Water projects	109,101			109,101
Assistance to Kenya Water projects	23,193			23,193
Assistance to Nicaragua Water projects	10,000			10,000
Assistance to Belize Water projects	11,354			11,354
Compensation of Key Employees	33,351	33,350		66,701
Payroll taxes	4,586	4,585		9,171
Fees	1,287	2,995		4,282
Advertising and promotion	8,737	80	125	8,942
Office expense	4,970	754		5,724
Information technology	7,275	1,050	9	8,334
Travel	9,037	317		9,354
Meetings	287			287
Interest		111		111
Depreciation	4,139			4,139
Insurance	3,853	347		4,200
Water well Expenses-Belize	2,157			2,157
Water well Expenses-Ethiopia	388			388
Miscellaneous	20	939		959
Hurricane Relief expense	1,890			1,890
	<u>\$ 240,625</u>	<u>44,528</u>	<u>134</u>	<u>\$ 285,287</u>

See Notes to Financial Statements

Hope Springs Water
Statement of Cash Flow
Year ended 12/31/2020

Changes in net assets	\$ (19,598)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	4,139
Gain on investment in Hope Springs, Inc.	(2,501)
Non cash expenditures	<u>1,638</u>
 (Increase) decrease in operating assets:	
A/R Hope Springs, Inc.	(28,050)
Prepaid Belize Operating	(2,000)
Prepaid expense Ethiopia	(7,220)
Prepaid Hope4Girls Nobel Cups	(16,000)
Prepaid Hopewell	(11,722)
Prepaid expenses - other	13,650
Well kits	161
	<u>(51,181)</u>
 Increase(decrease) in operating liabilities:	
Unearned Revenue HopeWell	20,200
Payroll Liabilities	1,031
Unearned Revenue Belize	(17,120)
	<u>4,111</u>
 Net increase(decrease) in cash:	 (65,030)
Cash, beginning of year	<u>212,113</u>
Cash, end of year	<u><u>\$ 147,083</u></u>

See Notes to Financial Statements



A Texas Non-Profit Organization
Notes to Financial Statements
January 1, 2020 through December 31, 2020

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 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 is 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 to present 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.

Contributions

Under SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

PPP Loan Forgiveness

The PPP loan for \$16,500 plus interest expense was forgiven resulting in a gain on extinguishment of debt and interest of \$16,611. This is in accordance with FASB ASC Topic 470.

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, 2020, Hope Springs Water did not exceed the federally insured limit. The Board and Management evaluates their banking relationships routinely to mitigate the risk to bank deposits. \$65,060 of cash was restricted as of 2020 yearend.

Prepays

Prepays consist of expenditures to be used primarily for future program and promotional expenditures.

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. Property that is received in Ethiopia is expensed in 2020 because the government retains ownership of all property in Ethiopia.

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.	\$53,461
Less preferred stock of Hope Springs, Inc.	(\$2,600)
Add: 2020 Net profit—Hope Springs, Inc.	<u>\$2,501</u>
Investment—Hope Springs, Inc.	\$53,362

Hope Springs, Inc. net income is up \$12,698 from the previous year. As reimbursements of the advertising costs are unpredictable, these are recognized on a cash basis.

In July 2020 HSI changed bottling companies. We also added a new line of water called Purified. Costs were lowered. Freight in and Unloading charges are included in the costs. The prior bottling company charged us \$10,193 for preprinted labels to close the account.

Total Sales decreased by \$43,883 from 2019 to 2020. During the second quarter of 2020, we changed suppliers. Label errors and wrong UPC on the new bottles were made by the bottling company which contributed to the lack of sales.

Despite Covid 19 which reduced total water sales and the aforementioned errors which significantly reduced sales in the fall and the previous bottling company printing a year's worth of labels we had to pay for but could not use, we made \$2,501. If you add the overhead of Hope Springs Water shared by Hope Springs, Inc. for the non-profit Water, a total of \$40,391 in overhead was contributed by Hope Springs, Inc.

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, except for the kits in Ethiopia which are expensed because the government in Ethiopia retains ownership of all in-country assets.

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 and 1 part time on HSW and is assisted by volunteers. Based on employee's time spent on Hope Springs Water, Hope Springs, Inc. was billed for the estimated time they spent working on Hope Springs, Inc. Hope Springs Inc. will reimburse Hope Springs Water for their portion of shared expenses, in the amount of \$40,391 during 2020.

Contingent Liabilities

Hope Springs Water is not aware of any contingent liabilities.

Deferred Revenue

Deferred revenue consists of designated contributions to be utilized for future program expenditures.

Water Well Projects and WaSH

The leadership team at Hope Springs Water has taken this time to become more focused and intentional with work in our WaSH Zones, and to focus on the sale of our bottled water in order to further our mission. We established new WaSH Zones in Kenya and the Colonias along the Texas-Mexico border. We have been able to drill six new water wells in Ethiopia, one well in our new Kenyan WaSH Zone, with three more funded and planned to be drilled during December 2020 in schools in central Ethiopia. Our Central American team has also reclaimed and repaired three wells in Belize. This will total 13 completed water projects in 2020. These projects will provide safe drinking water to more than 4000 people living in the areas we serve.

Our Women's Menstrual Hygiene teams have provided education and reusable menstrual management kits to 774 women in these regions. This project allows girls, who currently have no source of menstrual management products, to remain in school during their menstrual cycle, effectively giving them an additional 180 days of school attendance. Many girls even drop out of school due to their falling so far behind from unavoidable monthly absences. This project is critical to the continued development of these areas.

In July, Hope Springs Water provided malaria vaccines and physical exams for more than 400 orphans in Kenya. Then later this year, during an epidemic, we were blessed to be able to provide medical treatment to the children suffering from Typhoid fever and vaccinate them to prevent infections altogether. At the same time, Hope Springs Water funded the drilling of a new well at an orphanage in Bungoma, Kenya, that will provide safe water to the children and staff as well as their surrounding neighbors. Our leadership traveled to the Texas Rio Grande Valley and into Matamoros, Mexico, where we discovered significant needs for safe drinking water. We have partnered with Hearts4Kids to help provide safe drinking water and menstrual management kits to the thousands of people living along the border. We plan to spend \$40,000 over the next twelve months to meet this need.

Hurricane season not only caused problems along the south Texas border with Mexico, but also for our partners in Nicaragua. Two major hurricanes battered their region within two weeks of each other, destroying their wells and other sources of drinking water, and cutting them off from other parts of the country. We provided \$10,000 towards emergency supplies for water, sanitation, and cleaning to those caught in this natural disaster.

Related Party Disclosure

During 2020, Hope Springs, Inc. paid Hope Springs Water for shared employee expense. The total staff expense included payroll, payroll taxes, telephone and internet, and insurance were allocated based on the time spent on each entity.

Hope Springs Water purchased water from Hope Springs, Inc. in the amount of \$3,060.50. This water was used primarily to provide drinking water in support of HSW Relief activities on our border and for promotion and marketing purposes. A Director of Hope Springs, Inc. contributed \$3,500 to Hearts4Kids which Hearts4Kids used to purchase water from Hope Springs, Inc. The purchase price was approved by executive management.

Hope Springs Water website is www.hopespringswater.org.

As of December 31, 2020, Debbie and Jimmy Leatherwood are married and serve on the non-profit board. Stephen Akin and Matthew Akin are father and son. Stephen serves on the non-profit board and Matthew serves on the for-profit board. Bliss Nelson and Daniel Nelson are married. Bliss is the Executive Director of Hope Springs Water and Daniel serves on the for-profit board and is the President of Hope Springs, Inc. A key employee, Colleen Nelson, is a sister of Daniel Nelson, President of Hope Springs, Inc. and sister-in-law of Bliss Nelson, Executive Director of Hope Springs Water and a key employee. Frank Tindle and Janet Tindle are married. Frank is Treasurer and a Director of Hope Springs Water and Janet serves on the for-profit board. Eddy Dark and Amy Dark are married. Eddy serves on the non-profit and Amy serves on the for-profit. Kenneth McGee is a Director of Hope Springs, Inc. and he is a Director of First State Bank of Athens, where Hope Springs Water does its banking, which was approved by the Board of Directors.

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, 2020. A copy of prior Form 990 can be viewed on our website, www.hopespringswater.org.

During 2020, the Covid-19 virus has prohibited travel. As of now, Hope Springs Water does not know when teams will be able to travel and assist in drilling programs and the WaSH program and hold fund raising events.

Consolidated Financial Statements

The following are financial statements as if Hope Springs Water and Hope Springs, Inc. are consolidated in accordance with GAAP/FASB.

Hope Springs Water
Consolidated Financial Statement
as of December 31, 2020

ASSETS

Current Assets		
Unrestricted cash	\$	144,306
Restricted cash		65,060
Cash		<u>209,366</u>
Trade Accounts Receivable		20,446
Bottled Water Inventory		6,177
Well repair kits-Belize		1,820
Total Current Assets		<u>237,809</u>
Other Current Assets		
Prepays		
Prepaid Belize Operating		2,000
Prepaid expense Ethiopia		7,220
Prepaid Hope4Girls Nobel Cups		16,000
Prepaid Hopewell		11,722
FIT prepayment		2,200
Total Other Current Assets		<u>39,142</u>
Total Current Assets		<u>276,951</u>
Fixed Assets		
2012 Truck		27,307
Acc Dep 2018 Box Truck		(7,737)
Total Fixed Assets		<u>19,570</u>
TOTAL ASSETS	\$	<u><u>296,521</u></u>

LIABILITIES & NET ASSETS

Liabilities		
Trade Accounts Payable	\$	7,118
Unearned Revenue HopeWELL		20,200
Payroll Liabilities		3,895
FSB Athens 2012 Box Truck		16,635
Preferred Stock		2,600
Total Liabilities		<u>50,448</u>
Net Assets		246,073
TOTAL LIABILITIES & NET ASSETS	\$	<u><u>296,521</u></u>

Hope Springs Water
Consolidated Income Statement
FYE 12/31/2020

Income		
	Bottled Water Sales	\$ 297,668
	Unrestricted Contributions	98,463
	Designated Funds	125,922
	Fundraisers	21,908
	Gifts in Kind	284
		<u>544,245</u>
Gross Revenue		
	COGS Water Sales	224,603
	Water Well WaSH Exp.	171,092
	Fundraiser Exp.	81
		<u>395,776</u>
COGS and Expenditures		
Gross Profit		\$ 148,469
Other Expenditures		
	Depreciation on Trucks	9,600
	Auto and Truck	5,340
	Insurance	8,273
	Interest Expense	1,242
	Marketing and Promotional	18,235
		<u>42,690</u>
	Subtotal	
General and Administrative		
	Office and Software	4,999
	Processing fees	2,497
	Telephone and internet	2,800
	Dues & Subscriptions	657
	Payroll	115,318
	Miscellaneous	5,615
		<u>131,886</u>
	Subtotal	
Other Income/Expense		
	Interest Income	91
	Labels expense-Premium	10,193
		<u>10,102</u>
Total Other Income/Expense		
Total Expenditures		<u>184,678</u>
	Less PPP Loan and interest forgiven	16,611
Total Expenditures and PPP Loan and interest forgiven		\$ <u>168,067</u>
Net Income (Loss)		\$ <u><u>(19,598)</u></u>