

Hope Springs Water
Financial Statement
as of December 31, 2019

ASSETS

Current Assets	
Unrestricted cash	\$ 134,630
Restricted cash	77,483
Cash	<u>212,113</u>
Other Current Assets-Prepays	<u>13,650</u>
Total Current Assets	225,763
Fixed Assets	
Belize Van	14,901
Belize Van Acc Dep	<u>(10,761)</u>
Total Fixed Assets	<u>4,140</u>
Other Assets	
Well repair kits-Belize	1,981
Investment in Hope Springs, Inc.	
Hope Springs, Inc. beginning equity	63,658
Hope Springs, Inc. 2019 loss	<u>(10,197)</u>
1000 Shares Common Stock Hope Springs, Inc.	311
Net Investment in Hope Springs, Inc.	<u>53,772</u>
Total Other Assets	<u>55,753</u>
TOTAL ASSETS	<u><u>\$ 285,656</u></u>

LIABILITIES & NET ASSETS

Liabilities	
Unearned Revenue	17,121
Accrued Payroll Liabilities	<u>2,864</u>
Total Liabilities	19,985
Net Assets	265,671
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 285,656</u></u>

See Notes to the Financial Statements

Hope Springs Water
Statement of Activities
January through December 2019

Revenues

Designated Funds	
Legacy	\$ 2,400
Africa	30,000
Ethiopia	94,410
Belize	9,020
WaSH*	6,230
Total Designated Funds	<u>142,060</u>
Promotional Income	
Golf Well Fundraiser	36,829
Harmonies 4 Hope	17,863
Turkey Trot Fundraiser	12,200
Total Promotional Income	<u>66,892</u>
Unrestricted Contributions	
Memorial Contributions	6,655
General	140,921
Hope Springs Inc. Donation	2,000
Total Unrestricted Contributions	<u>149,576</u>
Total Revenues	<u><u>358,529</u></u>

Expenditures

Depreciation	
Ethiopia Trailer	664
Drilling Rig	8,418
Belize Van	4,967
Total Depreciation	<u>14,049</u>

See Notes to the Financial Statements

Hope Springs Water
Statement of Activities
January through December 2019

Designated Water Well and WaSH expenditures	
Belize Water Projects	19,383
Ethiopia	
NGO Coordination	6,637
NGO Operational Exp.	71,790
Water Projects	91,557
Total Ethiopia	<u>169,983</u>
Nicaragua	3,729
WASH	3,927
Designated Water Well and WaSH Exp.	<u>197,023</u>
Major Fundraiser Expenditures	
Golfwell	9,506
Harmonies 4 Hope	7,182
Turkey Trot	3,975
Total Fundraiser Expenditures	<u>20,664</u>
Promotional	9,369
General Administrative Expenditures	
Payroll	78,399
Miscellaneous	8,952
Office	7,954
Processing Fees	1,880
Total General Administrative Expenditures	<u>97,185</u>
Total Functional Expenditures	338,289
Total Expenditures	<u>338,289</u>
Revenues less Expenditures	<u><u>\$20,240</u></u>
Hope Springs, Inc. Loss	(10,197)
Net Revenues over Expenditures	<u><u>\$10,043</u></u>

* Water Access, Sanitation and Hygiene
See Notes to the Financial Statements

Hope Springs Water
Statement of Cash Flows FYE
December 2019

Cash flows from Operating Activities:

Changes in net assets	\$ 9,956
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	10,049
Loss on investment in Hope Springs, Inc.	10,197
Non cash expenditures	<u>20,246</u>
Prepaid expenses	13,316
Accrued Payroll	(7,946)
Deferred revenue	14,123
Well kits	7,795
Other	<u>86</u>
Net cash provided by operating activities	27,374
Equipment transferred to Ethiopia	47,690
Net change in cash	105,266
Cash, beginning of year	106,847
Cash, end of year	<u><u>\$ 212,113</u></u>

See Notes to the Financial Statements

Hope Springs Water
Statement of Functional Activities
FYE December 31, 2019

	Program Services	Management and General	Fundraising	Total
Assistance to Ethiopia	\$ 102,623			\$ 102,623
Compensation of Key Employees	38,942	25,961		64,903
Payroll taxes	4,462	2,974		7,436
Other salaries and wages	2,318	1,545		3,863
Other employee benefits		81		81
Advertising and promotion	5,154	4,216		9,370
Office expenses	8,736	7,147		15,883
Travel	31,546	2,903		34,449
Depreciation	14,049			14,049
Insurance	237	2,116		2,353
Waterwell Expenses-Africa	48,689			48,689
Waterwell Expenses-Central America	13,926			13,926
Project Funding & Other Program Expense			2,011	2,011
Cost of fundraising events			18,653	18,653
Total	<u>\$270,682</u>	<u>\$46,943</u>	<u>\$20,664</u>	<u>\$338,289</u>

See Notes to the Financial Statements

HOPE



SPRINGS WATER

A Texas Non-Profit Organization
Notes to Financial Statements
January 1, 2019 through December 31, 2019

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 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.

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, 2019, 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. \$77,483 of cash is restricted to be spent primarily in Africa.

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 2019 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.	\$63,658
Less preferred stock of Hope Springs, Inc.	(\$2,600)
Add: 2019 Net Loss—Hope Springs, Inc.	<u>(\$10,197)</u>
Investment—Hope Springs, Inc.	\$50,861

Hope Springs, Inc. Net Income is down \$30,138 from the previous year. This is primarily due to the loss on the sale of a truck because the engine was not repairable, increased freight costs, increased salaries and office renovation expenses. Also, there were additional advertising expenses sponsored by a vendor of \$13,295 instead of \$9,315 income in 2018. As reimbursements of the advertising costs are unpredictable, these are recognized on a cash basis.

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 2 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. reimbursed Hope Springs Water for their portion of shared expenses, in the amount of \$26,480 during 2019.

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

The spring of 2019 brought attempts to drill a well at the school in Sarstoon, Guatemala. The drilling rig that is used in Guatemala is an LS-100, which is a lightweight rig whose value lies in being able to break it down into multiple parts that can be loaded in a canoe or boat and taken across the bay or up the river to the villages that need water. However, its light weight is also a drawback when, as in Sarstoon, rocks are encountered during the drilling process. During the drilling of this well in Sarstoon, multiple rocks were encountered, leading to a broken drill bit and a partially completed well that may well need to be abandoned.

The Central America team was given three drilling rigs in 2019, two used LS-100 rigs from Living Water International and a larger, used, trailer mounted rig, similar to an LS-200, donated by Refuge International. The two LS-100 rigs are being stored in the clinic in Sarstoon, and will continue to be used in areas of that region that require extreme portability for the rig. The larger rig is being stored in Livingston, Guatemala, and plans are currently being considered to use it along the coast of Guatemala. There are currently three projects

planned for Belize and Guatemala for 2020, to include water well drilling, hygiene education, existing well rehabilitation, and women's menstrual management programs.

Hope Springs Water formed an Ethiopian national NGO (non-governmental organization, or nonprofit organization) with a home office in Addis Ababa, Ethiopia. They have five people there who run the office; handle all of our governmental affairs and agreements/permissions; organize, plan, and monitor our projects; and help plan and execute all logistical requirements for the five or six teams that travel there during the dry season every year to drill water wells, work on sanitation projects, teach hygiene education in the schools, and provide the Hope for Girls menstrual management program and materials to girls to help them stay in school following menarche.

We drilled eight wells in 2019 throughout the Illuu and Tolle Waredas. We also started drilling two other wells, one in a church in Woliso and another at an area health clinic in Bantu, that had to be abandoned due to hitting hard rock before water was encountered. Another well was drilled 180 feet deep, but still was a dry hole and had to be abandoned. The eight functional wells provide water for between 2400 and 4000 people who live in those rural villages.

Hope Springs filled two shipping containers with a drilling rig, a water trailer, thousands of dehydrated meals, and large quantities of drilling and women's hygiene materials in January of 2019. They arrived in Bantu, Ethiopia in October of this year. Upon arrival, the undepreciated, FMV of these items were expensed as program expenditures as Ethiopia retains ownership of all in-country assets.

Related Party Disclosure

During 2019, 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 \$2,000 from Hope Springs, Inc. in 2019.

Hope Springs Water purchased water from Hope Springs, Inc. in the amount of \$2,045.20. This water was used for promotion and marketing purposes.

Hope Springs Water website is www.hopespringswater.org.

As of December 31, 2019, 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. 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. Tyler Lowe and Jacqueline Lowe are married and both serve on the non-profit board. Kenneth McGee is the Secretary/Treasurer and Director of Hope Springs, Inc. and he is a Director of First State Bank of Athens, where Hope Springs Water does its banking.

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.

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, 2019

ASSETS	
Unrestricted cash	\$146,215
Restricted cash	<u>77,483</u>
Cash	<u>223,698</u>
Trade Accounts Receivable	56,478
Bottled Water Inventory	4,994
Other Current Assets	
Prepays	
Program Expenditures	13,650
Insurance	1,363
Federal Income Tax	13,200
Other	<u>874</u>
Subtotal	29,087
Fixed Assets	
Box Truck	27,307
Acc. Dep. Box Truck	<u>(2,275)</u>
	<u>25,032</u>
Van-Belize	14,901
Acc. Dep. Van-Belize	<u>(10,761)</u>
	<u>4,140</u>
Subtotal	29,172
Other Assets	
Well Repair Kits-Belize	1,981
Total Assets	<u><u>\$345,410</u></u>
Current Liabilities	
Trade Accounts Payable	33,932
Accrued Expenses	2,864
Deferred Revenue and Other	<u>19,721</u>
Subtotal	56,517
Longterm Liabilities	
Note Payable FSB Athens	<u>23,222</u>
Total Liabilities	<u>79,739</u>
Equity	
HSW Net Assets	<u>265,671</u>
Total Liabilities and Equity	<u><u>\$345,410</u></u>

Hope Springs Water
Consolidated Income Statement
FYE 12/31/2019

Income		
	Bottled Water Sales	\$341,552
	Unrestricted Contributions	147,576
	Designated Funds	142,060
	Fundraisers	<u>66,892</u>
	Gross Revenue	<u>698,080</u>
	COGS Water Sales	275,475
	Water Well WaSH Exp.	197,023
	Fundraiser Exp.	<u>20,664</u>
	COGS and Expenditures	<u>493,162</u>
	Gross Profit	<u>204,918</u>
Other Expenditures		
	Depreciation on Truck and Equipment	10,139
	Depreciation Drilling Rig	<u>8,414</u>
	Subtotal	18,553
	Auto and Truck	10,895
	Insurance	5,611
	Interest expense	659
	Marketing and Promotional	<u>23,297</u>
	Subtotal	<u>59,015</u>
General and Administrative		
	Office	11,479
	Processing fees	2,630
	Telephone and Internet	1,248
	Miscellaneous	9,066
	Payroll	<u>104,879</u>
	Subtotal	<u>129,302</u>
Other expense		
	Loss on disposal of truck	<u>6,558</u>
	Total Expenditures	<u>194,875</u>
	Net Income (Loss)	<u>\$10,043</u>

Subsequent events

Hope Springs Water filed IRS Form 990 for the year ended December 31, 2019. A copy of the Form 990 can be viewed on our website, www.hopespringswater.org.

During 2020, the Covid-19 virus has prohibited travel so far this year. 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.