

LIFEWATER, INC. d.b.a
LIFEWATER INTERNATIONAL

Financial Statements
With Independent Auditors' Report

December 31, 2023

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lifewater, Inc. d.b.a. Lifewater International
Bentonville, Arkansas

Opinion

We have audited the accompanying financial statements of Lifewater, Inc. d.b.a Lifewater International (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lifewater, Inc d.b.a Lifewater International. as of December 31, 2023, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lifewater, Inc. d.b.a Lifewater International and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lifewater, Inc. d.b.a Lifewater International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Lifewater, Inc. d.b.a Lifewater International
Bentonville, Arkansas

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lifewater, Inc. d.b.a Lifewater International's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lifewater, Inc. d.b.a Lifewater International's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Indianapolis, Indiana
July 23, 2024

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Statement of Financial Position

December 31, 2023

ASSETS:

Cash and cash equivalents	\$ 1,375,996
Grant receivable	30,000
Prepaid expenses and other assets	106,355
Right-of-use asset - operating lease	80,279
Property and equipment—net	<u>607,997</u>

Total Assets \$ 2,200,627

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable	\$ 71,438
Accrued expenses	388,896
Operating lease liabilities	<u>80,279</u>
Total liabilities	<u>540,613</u>

Net assets:

Without donor restrictions	960,014
With donor restrictions:	
Time-restricted for future periods	<u>700,000</u>

Total net assets 1,660,014

Total Liabilities and Net Assets \$ 2,200,627

See notes to financial statements

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Statement of Activities

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 4,601,818	\$ -	\$ 4,601,818
Grant income	729,237	700,000	1,429,237
Other income	68,578	-	68,578
	5,399,633	700,000	6,099,633
NET ASSETS RELEASED FROM RESTRICTIONS:			
Satisfaction of purpose restrictions	433,430	(433,430)	-
Total Support, Revenue, and Net Assets Released from Restrictions	5,833,063	266,570	6,099,633
EXPENSES:			
Program services	5,264,913	-	5,264,913
Supporting activities:			
Management and general	226,451	-	226,451
Fundraising	1,072,844	-	1,072,844
Total Expenses	6,564,208	-	6,564,208
Change in Net Assets	(731,145)	266,570	(464,575)
Net Assets, Beginning of Year	1,691,159	433,430	2,124,589
Net Assets, End of Year	\$ 960,014	\$ 700,000	\$ 1,660,014

See notes to financial statements

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Statement of Functional Expenses

Year Ended December 31, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary and benefits	\$ 3,012,557	\$ 82,422	\$ 712,258	\$ 3,807,237
Construction materials and contractors	841,210	-	-	841,210
Community WASH training and events	253,192	-	-	253,192
Transportation and meetings	335,133	28,750	60,857	424,740
Information technology	208,069	17,037	26,527	251,633
Depreciation and amortization	165,972	3,942	2,628	172,542
Office occupancy and operations	144,810	5,150	10,537	160,497
Grants	84,310	-	-	84,310
Professional services	47,919	32,429	78,979	159,327
Advertising and promotion	1,008	-	129,769	130,777
Other	170,733	56,721	51,289	278,743
Total	<u>\$ 5,264,913</u>	<u>\$ 226,451</u>	<u>\$ 1,072,844</u>	<u>\$ 6,564,208</u>

See notes to financial statements

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Statement of Cash Flows

Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (464,575)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	172,542
Gain on sale of property and equipment	(22,315)
Bad debt expense	26,512
Change in:	
Grant receivable	(29,424)
Prepaid expenses and other assets	(18,101)
Accounts payable	15,817
Accrued expenses	79,133
Net Cash Used by Operating Activities	<u>(240,411)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of property and equipment	<u>30,004</u>
Net Cash Provided by Investing Activities	<u>30,004</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings on line of credit	120,000
Repayments on line of credit	(120,000)
Payments on lease obligations	<u>(67,723)</u>
Net Cash Used by Financing Activities	<u>(67,723)</u>

Change in Cash and Cash Equivalents	(278,130)
Cash and Cash Equivalents, Beginning of Year	<u>1,654,126</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,375,996</u>

See notes to financial statements

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Notes to Financial Statements

December 31, 2023

1. NATURE OF ORGANIZATION:

Lifewater, Inc. d.b.a. Lifewater International (the Organization or Lifewater), a non-profit organization, is a Christian community development organization dedicated to effectively serve vulnerable children and families by partnering with underserved communities to overcome water poverty. With experience in more than 40 countries since 1977, Lifewater serves all people by providing them with contextually appropriate water access, sanitation, and hygiene (WASH) interventions. Lifewater is funded primarily by individual and organizational donors.

Lifewater is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable state law, and contributions to the organization are tax deductible within the limitations prescribed by the Code. Lifewater has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents include checking and savings accounts and cash on hand. These accounts may, at times, exceed federally insured limits. As of December 31, 2023, approximately \$689,000 held in U.S. bank accounts was in excess of federally insured limits. In addition, approximately \$104,000 was held in foreign accounts and currencies as of December 31, 2023.

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Notes to Financial Statements

December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

GRANT RECEIVABLE:

During the year ended December 31, 2023, Lifewater was a recipient of a grant in the amount of \$60,000. As of December 31, 2023, the grant is an unconditional promise to give and \$30,000 has not yet been received. Accordingly, a grant receivable was recorded. Lifewater received these funds in April 2024.

INVENTORY

Inventory consists of water point construction parts. Inventory is carried at the lower of cost or net realizable value, determined using average cost.

PROPERTY, EQUIPMENT, AND DEPRECIATION

Purchased property and equipment greater than \$2,000 are recorded at cost and donated assets are valued at their estimated fair value on the date donated. Assets are depreciated over estimated useful lives on a straight line basis, once placed into service. Expenditures that significantly increase asset values or extend useful lives are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are included on the statement of activities. Depreciation is reported on the straight-line method over the estimated useful lives of the assets (generally three to ten years). Repairs and maintenance and small equipment purchases are expensed as incurred. The Organization capitalizes software purchased from third parties as part of property and equipment. Internally developed software costs for internal-use are capitalized during the application development stage.

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Notes to Financial Statements

December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are currently available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

SUPPORT AND REVENUE

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or when ownership of donated assets is transferred to Lifewater. Unconditional promises to give are recorded in the statement of financial position when the organization is notified of the unconditional promise and allowances are made for amounts estimated as uncollectible. All contributions are considered available for general use unless specifically restricted by the donor or other legal restrictions. Currency losses from translation adjustments are included in other revenue on the statement of activities and approximate to \$14,000 for the year ended December 31, 2023.

CONCENTRATION OF SUPPORT RISK

During the year ended December 31, 2023, Lifewater received approximately 37% of its contributions and grant income from its top ten donors.

GRANT INCOME

Grant income is recognized as either with or without donor restriction if received as a contribution or recognized as earned when the barriers to recognition are met and eligible expenses are incurred (i.e., an exchange transaction). Lifewater has also elected the simultaneous release option and reports conditional grants in which the donor-imposed restriction is met in the same fiscal year as grant revenue without donor restrictions. For the year ended December 31, 2023, all grant income were donations rather than exchange transactions.

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Notes to Financial Statements

December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

EXPENSES, ALLOCATION OF EXPENSES, ADVERTISING, AND JOINT COSTS

Expenses are recorded when incurred and reported by function in the statement of activities. Accordingly, expenses have been allocated among the various program services and supporting activities benefited. For the year ended December 31, 2023, expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived. Lifewater incurred no joint costs for the year ended December 31, 2023. Advertising expenses approximated \$131,000 for the year ended December 31, 2023.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects Lifewater's financial assets reduced by amounts not available for general use because of contractual or donor-imposed restrictions, within one year of the statement of financial position date.

Financial assets:	
Cash and cash equivalents	\$ 1,375,996
Grant receivable	30,000
Financial assets, at year end	<u>1,405,996</u>
Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 1,405,996</u></u>

Lifewater is substantially supported by contributions some of which are restricted. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Lifewater must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. For the year ended December 31, 2023, Lifewater had \$700,000 in net assets with donor restrictions of which all are considered available to meet the needs for general expenditures within one year. Additionally, Lifewater has a revolving line of credit with a maximum borrowing of \$250,000, of which all is available at December 31, 2023 (Note 6).

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Notes to Financial Statements

December 31, 2023

4. PROPERTY AND EQUIPMENT-NET:

Property and equipment-net consists of:

	U.S	Foreign	Total
Computers and other equipment	\$ -	\$ 1,619	\$ 1,619
Field vehicles and drill rigs	-	883,716	883,716
Software and website	49,393	-	49,393
Application development costs	614,377	-	614,377
	<u>663,770</u>	<u>885,335</u>	<u>1,549,105</u>
Less accumulated depreciation	<u>(636,620)</u>	<u>(304,488)</u>	<u>(941,108)</u>
	<u>\$ 27,150</u>	<u>\$ 580,847</u>	<u>\$ 607,997</u>

Management has reviewed the assets in foreign countries and in its opinion, has determined that they are under the control and ownership of Lifewater. While such items are recognized as assets of Lifewater, it should be noted that the political situation in the foreign countries are subject to rapid change. Therefore, the reader should be aware that while Lifewater believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the value of the assets in other countries. In addition, it should be understood that the carrying value of the assets in the foreign countries may not be representative of the amount that would be realized should the assets be sold. Many of the assets that were designed to carry out the programs of Lifewater might have limited resale potential.

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Notes to Financial Statements

December 31, 2023

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES:

Lifewater has a lease for the corporate headquarters office building location that was renegotiated in March 2022 and expires March 2025. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease terms. Monthly payments under this lease total \$5,787.

Operating right-of-use assets	\$	80,279
Operating lease liabilities	\$	80,279
Operating lease costs	\$	67,723
Weighted-average discount rate		1.47%
Weighted-average remaining lease terms (in years)		1.17

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 69,444
2025	11,575
	<hr/> 81,019
Less amount representing interest	(740)
	<hr/> <hr/> \$ 80,279

LIFEWATER, INC d.b.a LIFEWATER INTERNATIONAL

Notes to Financial Statements

December 31, 2023

6. LINE OF CREDIT:

Lifewater has an unsecured \$250,000 revolving line of credit with an expiration in November 2024. The line carries a variable interest rate based on the Wall Street Journal U.S Prime Rate, where the variable rate is not to fall below 4.00%. As of December 31, 2023, the interest rate was 8.5%, and no balance was outstanding as of December 31, 2023.

7. BENEFIT PLANS:

The Organization maintains a Simple IRA plan for its eligible employees in the United States. Employer contributions are made equal to an employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. The Organization also makes retirement contributions into local retirement or savings accounts for employees in the field offices. Employer retirement plan contributions totaled \$170,995 for the year ended December 31, 2023.

8. RELATED PARTIES:

For the year ended December 31, 2023, Lifewater received donations from board of director members, who are considered related parties, approximating \$76,000.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 23, 2024, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

On December 29, 2023, Lifewater entered into an agreement to integrate its operations with Water for Good effective January 1, 2024. The two corporate entities will be maintained, but Water for Good will become the parent organization of Lifewater and the leadership of the two corporations will be combined. Water for Good and Lifewater will establish joint HQ offices in Bentonville, Arkansas and Addis Ababa, Ethiopia.