

Lifewater, Inc. d.b.a. Lifewater International

Financial Statements

December 31, 2020 and 2019

C O N T E N T S

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Independent Auditors' Report on the Financial Statements

To the Board of Directors
Lifewater, Inc. d.b.a. Lifewater International
San Luis Obispo, California

We have audited the accompanying financial statements of the Lifewater, Inc. d.b.a. Lifewater International ("the Organization"), a non-profit organization, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent Auditors' Report on the Financial Statements - Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lifewater, Inc. d.b.a. Lifewater International, as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for years then ended in accordance with accounting principles generally accepted in the United States of America.

Caliber Audit & Attest, LLP

San Luis Obispo, California
June 28, 2021

Lifewater, Inc. d.b.a. Lifewater International

*Statements of Financial Position
December 31, 2020 and 2019*

<i>ASSETS</i>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,344,244	\$ 1,210,262
Short-term investments	17,755	2,503
Foreign exchange contracts receivable	4,444	32,604
Contributions receivable, net of allowance	491,038	592,352
Prepaid expenses and deposits	59,616	73,944
Inventory	6,842	32,944
Property and equipment, less accumulated depreciation	856,546	740,153
Total assets	<u>\$ 2,780,485</u>	<u>\$ 2,684,762</u>
 <i>LIABILITIES AND NET ASSETS</i>		
Accounts payable	\$ 42,787	\$ 85,484
Accrued expenses	262,605	157,347
Total liabilities	<u>305,392</u>	<u>242,831</u>
 <i>Commitments and Contingencies</i>		
 <i>Net Assets</i>		
Without donor restrictions	1,759,537	1,879,689
With donor restrictions:		
Purpose restrictions	715,556	562,242
Total net assets	<u>2,475,093</u>	<u>2,441,931</u>
Total liabilities and net assets	<u>\$ 2,780,485</u>	<u>\$ 2,684,762</u>

See Notes to Financial Statements.

Lifewater, Inc. d.b.a. Lifewater International

*Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020*

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Total</u></i>
<i>Support and Revenue:</i>			
Contributions	\$ 5,301,001	\$ 715,556	\$ 6,016,557
Special events, including contributions, net of direct expenses of \$253	129,711	-	129,711
In-kind contributions	99,700	-	99,700
Other income	16,834	-	16,834
Total support and revenue	<u>5,547,246</u>	<u>715,556</u>	<u>6,262,802</u>
Net assets released from restrictions	<u>562,242</u>	<u>(562,242)</u>	<u>-</u>
Total support and revenues	<u>6,109,488</u>	<u>153,314</u>	<u>6,262,802</u>
<i>Functional Expenses:</i>			
Program services	4,869,627	-	4,869,627
Management and general	631,719	-	631,719
Fundraising and development	728,294	-	728,294
Total functional expenses	<u>6,229,640</u>	<u>-</u>	<u>6,229,640</u>
Change in net assets	(120,152)	153,314	33,162
Net assets - beginning of year	<u>1,879,689</u>	<u>562,242</u>	<u>2,441,931</u>
Net assets - end of year	<u>\$ 1,759,537</u>	<u>\$ 715,556</u>	<u>\$ 2,475,093</u>

See Notes to Financial Statements.

Lifewater, Inc. d.b.a. Lifewater International

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<i>Support and Revenue:</i>			
Contributions	\$ 5,240,656	\$ 562,242	\$ 5,802,898
Special events, including contributions, net of direct expenses of \$38,713	773,683	-	773,683
In-kind contributions	170,156	-	170,156
Other income	6,498	-	6,498
Total support and revenue	<u>6,190,993</u>	<u>562,242</u>	<u>6,753,235</u>
 Net assets released from restrictions	 <u>819,362</u>	 <u>(819,362)</u>	 <u>-</u>
 Total support and revenues	 <u>7,010,355</u>	 <u>(257,120)</u>	 <u>6,753,235</u>
<i>Functional Expenses:</i>			
Program services	5,289,983	-	5,289,983
Management and general	440,001	-	440,001
Fundraising and development	705,738	-	705,738
Total functional expenses	<u>6,435,722</u>	<u>-</u>	<u>6,435,722</u>
 Change in net assets	 574,633	 (257,120)	 317,513
 Net assets - beginning of year	 <u>1,305,056</u>	 <u>819,362</u>	 <u>2,124,418</u>
 Net assets - end of year	 <u>\$ 1,879,689</u>	 <u>\$ 562,242</u>	 <u>\$ 2,441,931</u>

See Notes to Financial Statements.

Lifewater, Inc. d.b.a. Lifewater International

*Statement of Functional Expenses
Year Ended December 31, 2020*

	<u><i>Program Services</i></u>	<u><i>Management & General</i></u>	<u><i>Fundraising</i></u>	<u><i>Total</i></u>
Salaries and benefits	\$ 2,843,545	\$ 409,146	\$ 416,211	\$ 3,668,902
Hardware construction and WASH training	881,194	-	-	881,194
Office occupancy and operations	226,552	40,833	12,474	279,859
Travel and meetings	226,941	8,620	6,224	241,785
Information technology	134,479	47,791	14,872	197,142
Advertising and promotion	-	17,393	98,581	115,974
Professional services	58,347	25,729	20,543	104,619
Donated goods and services	65,437	28,303	5,960	99,700
Partnership grants	95,682	-	-	95,682
Depreciation	240,324	15,045	6,366	261,735
Other expenses	97,126	38,859	147,063	283,048
	<u>\$ 4,869,627</u>	<u>\$ 631,719</u>	<u>\$ 728,294</u>	<u>\$ 6,229,640</u>
Total functional expenses				

See Notes to Financial Statements.

Lifewater, Inc. d.b.a. Lifewater International

*Statement of Functional Expenses
Year Ended December 31, 2019*

	<u><i>Program Services</i></u>	<u><i>Management & General</i></u>	<u><i>Fundraising</i></u>	<u><i>Total</i></u>
Salaries and benefits	\$ 2,685,876	\$ 260,042	\$ 386,056	\$ 3,331,974
Hardware construction and WASH training	1,412,592	-	-	1,412,592
Office occupancy and operations	251,981	16,566	9,071	277,618
Travel and meetings	339,442	18,793	17,406	375,641
Information technology	160,674	10,620	12,934	184,228
Advertising and promotion	-	3,758	94,878	98,636
Professional services	110,345	48,174	7,482	166,001
Donated goods and services	68,072	27,456	74,628	170,156
Partnership grants	24,416	-	-	24,416
Depreciation	230,233	13,030	5,665	248,928
Other expenses	6,352	41,562	97,618	145,532
	<u>\$ 5,289,983</u>	<u>\$ 440,001</u>	<u>\$ 705,738</u>	<u>\$ 6,435,722</u>

See Notes to Financial Statements.

Lifewater, Inc. d.b.a. Lifewater International

Statement of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 33,162	\$ 317,513
<i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i>		
Depreciation	261,735	248,928
<i>Changes in operating assets and liabilities:</i>		
Foreign exchange contracts receivable	28,160	(32,604)
Contributions receivable, net	101,314	86,730
Prepaid expenses and deposits	14,328	(19,700)
Inventory	26,102	(7,842)
Accounts payable	(42,697)	15,755
Accrued expenses	105,258	27,295
	<u>527,362</u>	<u>636,075</u>
Net cash provided by operating activities		
<i>Cash flows from investing activities:</i>		
Sales of short-term investments	-	125,177
Purchases of short-term investments	(15,252)	-
Purchases of property and equipment	(378,128)	(524,670)
	<u>(393,380)</u>	<u>(399,493)</u>
Net cash used in investing activities		
<i>Net increase in cash and cash equivalents</i>	133,982	236,582
<i>Cash and cash equivalents, beginning of year</i>	<u>1,210,262</u>	<u>973,680</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 1,344,244</u>	<u>\$ 1,210,262</u>

See Notes to Financial Statements.

Lifewater, Inc. d.b.a. Lifewater International

Notes to Financial Statements

Note 1. Operations and Summary of Significant Accounting Policies

Nature of operations:

Lifewater, Inc. d.b.a. Lifewater International (the Organization or Lifewater), a non-profit organization, is a Christian community development organization dedicated to effectively serving 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.

Basis of accounting:

The financial statements are presented on an accrual basis, which recognizes income when performance obligations are met, and expenses when incurred.

Financial statement presentation and net assets:

To ensure the observance of limitations and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions or with donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions: Net assets 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 recognized as revenue when the assets are placed in service.

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Notes to Financial Statements

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Support and revenue:

All support and revenue is considered to be available for use without donor restriction unless specifically restricted by the donor or the terms of a grant. Revenue from public support including contributions from individuals, foundations, and business entities is recognized at the time an unconditional promise to give or transfer of assets is made. Revenues from program fees are recognized over the terms of the program and the period of service provided, if any.

Donated services and assets:

The Organization records the value of donated goods and services when there is an objective basis available to measure their fair market value. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with these skills, and would otherwise be purchased by the Organization.

During the years ended December 31, 2020 and 2019, the Organization recorded \$99,700 and \$170,156 of donated goods and services, respectively.

Use of estimates:

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair value measurements:

The Fair Value Measurements topic of the FASB *ASC*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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Notes to Financial Statements

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The donated services and assets recorded by the Organization have been recorded at fair values, based on management's estimate of fair value on a non-recurring basis from comparisons of similar assets or services or from the value as provided by the donor. This is considered Level 2 of the fair value hierarchy.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain donated services, assets and use of facilities could result in a different fair value measurement at the reporting date.

Cash and cash equivalents:

The Organization considers cash equivalents to be highly liquid instruments purchased with an original maturity of three months or less.

The Organization maintains its cash balances in financial institutions in the United States and abroad. The balances at the institutions in the United States are generally insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In February 2019, the Organization began using an Insured Cash Sweep (ICS) account with its primary operating bank account that ensures that any balances greater than \$250,000 are also insured by the FDIC. Balances in foreign banks are held in large reputable banks in the local country and are maintained at a minimum balance to mitigate the risk of bank failure.

Contributions receivable:

Contributions receivables are recognized at fair market value as revenues in the period in which there is sufficient evidence in the form of verifiable documentation that an unconditional gift was received. Conditional gifts are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional

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Notes to Financial Statements

promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of estimated cash flows beyond one year. Amortization of the discount is included in contribution revenue, if applicable. The allowance for uncollectible amounts is estimated based upon historical collection rates and specific identification of uncollectible amounts, if necessary.

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 and equipment:

Purchased property and equipment 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. Repairs and maintenance and small equipment purchases are expensed as incurred.

Assets in the international field countries are expensed as the cost is incurred if they are purchased duty free, since the Organization has no ultimate legal control of the assets since the assets are imported duty-free and/or are subject to project agreements for their utilization. Assets in the international field countries are capitalized if taxes are paid and the Organization has legal authority of the assets. Estimated useful lives are as follows:

	<u>Years</u>
Furniture and fixtures	5
Computers and other equipment	3 – 5
Field vehicles and drill rigs	5 – 10
Software and website	3
Fundraising platform	3

Capitalized software:

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.

Income tax status:

The Organization's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Franchise Tax Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense. The

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Organization is not a private foundation. Management is not aware of any transactions that would impact the Organization's tax-exempt status.

For the years ended December 31, 2020 and 2019, management of the Organization is not aware of any material uncertain tax positions to be accounted for in the financial statements under the principles of the *Income Taxes* topic of the FASB (*ASC*). The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

Functional expense allocations:

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Advertising:

The Organization expenses advertising costs as incurred. Marketing and promotion expense for the years ended December 31, 2020 and 2019 was \$115,974 and \$98,636, respectively.

Foreign currency:

The functional currency of the foreign operations is the US dollar. Transaction gains or losses from foreign exchange transactions are included in net income. Although the effect is not determinable, changes in the exchange rate subsequent to year-end could have an effect on unsettled foreign currency transactions.

Recent accounting pronouncements:

The FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The new standard is effective for private companies for fiscal years beginning after December 15, 2021, which means it will be effective for the Organization for the year beginning January 1, 2022. Early adoption is permitted. The new standard is required to be adopted using a modified retrospective approach. Management will be evaluating the potential impact of the new guidance.

Reclassifications:

Certain amounts in the 2019 financial statements have been reclassified for comparative purposes to conform with presentation in the 2020 financial statements.

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Notes to Financial Statements

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,344,244
Short-term investments	17,755
Contributions receivable	458,037
	<u>\$ 1,820,036</u>

The Organization's liquidity management plan is designed to cover operating expenses and cash flow needs.

Note 3. Contributions Receivable

Contributions receivable at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Contributions receivable - current	\$ 458,037	\$ 562,547
Litigation receivable	49,501	49,901
Other receivables - current	8,451	4,855
Total contributions receivable	<u>515,989</u>	<u>617,303</u>
Less allowance for litigation receivable	<u>(24,951)</u>	<u>(24,951)</u>
Total contributions receivable, net	<u>\$ 491,038</u>	<u>\$ 592,352</u>

Contributions receivable at December 31, 2020 and 2019, are collectible as follows:

Years Ending

December 31,

	<u>2020</u>	<u>2019</u>
Within one year	\$ 466,488	\$ 567,402
One to five years	49,501	49,901
	<u>515,989</u>	<u>617,303</u>
Less allowance for litigation receivable	<u>(24,951)</u>	<u>(24,951)</u>
	<u>\$ 491,038</u>	<u>\$ 592,352</u>

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Notes to Financial Statements

Note 4. Property and Equipment

Major classes of property and equipment and accumulated depreciation are as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 29,259	\$ 37,359
Computers and other equipment	50,078	54,776
Field vehicles and drill rigs	665,330	280,533
Software and website	33,065	62,266
Fundraising platform	614,377	614,377
	<u>1,392,109</u>	<u>1,049,311</u>
Less accumulated depreciation	<u>(535,563)</u>	<u>(309,158)</u>
Total property and equipment	<u>\$ 856,546</u>	<u>\$ 740,153</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$261,735 and \$248,928, respectively.

Note 5. Accrued Expenses

Accrued expenses consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accrued payroll	\$ 71,546	\$ 73,826
Accrued employee benefits	12,233	4,476
Accrued paid leave	85,570	40,692
Accrued payroll taxes	8,817	11,756
Accrued expenses - other	1,780	34
Accrued severance	14,008	-
Credit cards payable	12,743	26,563
Deferred payroll tax - due December 2021	27,954	-
Deferred payroll tax - due December 2022	27,954	-
Total accrued expenses	<u>\$ 262,605</u>	<u>\$ 157,347</u>

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Notes to Financial Statements

Note 6. Line of Credit

In February 2020, the Organization obtained a revolving line of credit allowing for borrowings up to \$250,000. The interest rate on the line of credit is set at an initial rate of 4.75%. The line of credit expires February 2021. There was no outstanding balance on the line of credit at December 31, 2020 and 2019.

Note 7. Commitments and Contingencies

Operating Leases:

The Organization enters into lease agreements in the countries of operation. The lease payment terms vary and enforceability also varies by country and region. As the payments for leases in foreign countries are not material to the overall financial statements, the payments are recorded on a cash basis, in general, and no future payout schedule is provided even though there is possible future commitment.

The Organization had a lease for the corporate headquarters office building location which commenced on September 1, 2019. The monthly base rent was \$8,700, but was reduced by 50% for three months due to the COVID-19 pandemic. At the end of the first year of the lease, the Organization swapped buildings with another business and that business took over the current lease. This lease swap reduced rent to \$3,566 for the remainder of the year. At the end of the current year, the Organization signed a new lease agreement commencing January 1, 2021 and expires on April 30, 2023. There is a one year option to extend this lease. The monthly base rent is \$2,990.

The Organization has a lease for another office in Bentonville, Arkansas. The lease commenced on March 20, 2020 and expires on March 20, 2023. The monthly base rent is \$2,600.

The future minimum lease payments under these leases are as follows:

<u>Years Ending</u> <u>December 31,</u>	
2021	\$ 67,082
2022	67,082
2023	18,461
	<u>\$ 152,625</u>

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Notes to Financial Statements

Note 8. PPP Funds and COVID-19 Impact

On April 17, 2020, the Organization was granted a loan (the Loan) from Community West Bank in the aggregate amount of \$392,750, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 17, 2020 issued by the Bank, matures on April 17, 2022 and bears interest at a rate of 1.00% per annum. The Note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the Loan may be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities incurred before November 3, 2020. The Organization used the entire Loan amount for qualifying expenses.

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

In December 2020, the Organization was given official forgiveness of the loan amount, as the funds were used for qualifying expenses. The Organization is accounting for the loan as a conditional contribution under the accounting guidance. The Organization substantially met all conditions for forgiveness during the year ended December 31, 2020, and recorded revenue, included in contributions, in connection with the forgiven PPP loan during 2020.

Subsequent to the year ended December 31, 2020, the second round of PPP funds became available and the Organization received a PPP loan of \$402,935 in January 2021. Management expects to use the funds for qualifying expenditures and expects to receive full forgiveness on this second round PPP loan. If not forgiven, the loan bears interest at 1% and is due in January 2026.

Note 9. Net Assets with Donor Restrictions

As of December 31, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Drill rig for Ethiopia programs	\$ 304,030	\$ 289,804
Ethiopia programs	352,731	-
Tanzania programs	46,219	111,040
Donor relations growth & expansion	-	156,736
Healthy churches program launch	12,576	4,662
	<u>\$ 715,556</u>	<u>\$ 562,242</u>

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Notes to Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Contributions receivable - time restricted	\$ -	\$ 38,805
Satisfaction of purpose restrictions:		
Drill rig for Ethiopia programs	289,804	-
Ethiopia programs	-	120,202
Uganda programs	-	177,121
Tanzania programs	111,040	16,144
Donor relations growth & expansion	156,736	-
Healthy churches program launch	4,662	-
Capacity building	-	13,294
Healthy schools	-	47,550
Software and website development	-	406,246
	<u>\$ 562,242</u>	<u>\$ 819,362</u>

Note 10. Related Parties

As of December 31, 2019, the Organization held funds in accounts at a bank where the Audit Committee Chair during that year was an executive. For the years ended December 31, 2020 and 2019, the Organization receives donations from board of director members, who are considered related parties.

Note 11. Retirement Plan

The Organization maintains a Simple IRA plan for its eligible employees in the United States. Employer contributions are made equal to 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 as required by the governments of the countries in the respective field offices. Employer retirement plan contributions totaled \$103,772 and \$85,792 for the years ended December 31, 2020 and 2019.

Note 12. Subsequent Events

The date to which events occurring after December 31, 2020 have been evaluated for possible adjustment to the financial statements or disclosure is June 28, 2021, which is the date on which the financial statements were available to be issued.