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

*Financial Statements*

*December 31, 2021 and 2020*

## *C O N T E N T S*

CALIBER
AUDIT & ATTEST, LLP

## *Independent Auditors' Report on the Financial Statements*

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

### *Opinion*

We have audited the accompanying financial statements of the Lifewater, Inc. d.b.a. Lifewater International ("the Organization"), a California non-profit organization, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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; and for 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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Caliber Audit & Attest, LLP

***Independent Auditors' Report on the Financial Statements - Continued***

***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 auditor's 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, including omissions, 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 the Organization'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 the Organization'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.

Caliber Audit & Attest, LLP

San Luis Obispo, California
July 11, 2022



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

***Statements of Financial Position***
***December 31, 2021 and 2020***

| ***ASSETS*** | ***2021*** | ***2020*** |
|---|---|---|
| Cash and cash equivalents | $ 2,596,923 | $ 1,344,244 |
| Short-term investments | 18,351 | 17,755 |
| Receivables, net of allowance | 52,456 | 491,038 |
| Payroll tax credit receivable | 310,497 | - |
| Prepaid expenses and deposits | 53,779 | 64,060 |
| Inventory | 28,383 | 6,842 |
| Property and equipment, less accumulated depreciation | 766,237 | 856,546 |
| Total assets | $ 3,826,626 | $ 2,780,485 |
| ***LIABILITIES AND NET ASSETS*** | | |
| Accounts payable | $ 76,279 | $ 42,787 |
| Accrued expenses | 402,754 | 262,605 |
| Total liabilities | 479,033 | 305,392 |
| ***Commitments and Contingencies*** | | |
| ***Net Assets*** | | |
| Without donor restrictions | 2,997,093 | 1,759,537 |
| With donor restrictions: | | |
| Purpose restrictions | 350,500 | 715,556 |
| Total net assets | 3,347,593 | 2,475,093 |
| Total liabilities and net assets | $ 3,826,626 | $ 2,780,485 |

*See Notes to Financial Statements.*

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

***Statement of Activities and Changes in Net Assets***
***Year Ended December 31, 2021***

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| ***Support and Revenue:*** | | | |
| Contributions | $ 6,875,805 | $ 350,500 | $ 7,226,305 |
| Government grant - federal PPP funds | 402,935 | - | 402,935 |
| Government grant - payroll tax credits | 310,497 | - | 310,497 |
| In-kind contributions | 86,697 | - | 86,697 |
| Other income | 24,608 | - | 24,608 |
| Total support and revenue | 7,700,542 | 350,500 | 8,051,042 |
| Net assets released from restrictions | 715,556 | (715,556) | - |
| Total support and revenues | 8,416,098 | (365,056) | 8,051,042 |
| ***Functional Expenses:*** | | | |
| Program services | 5,704,914 | - | 5,704,914 |
| Management and general | 322,155 | - | 322,155 |
| Fundraising and development | 1,151,473 | - | 1,151,473 |
| Total functional expenses | 7,178,542 | - | 7,178,542 |
| Change in net assets | 1,237,556 | (365,056) | 872,500 |
| Net assets - beginning of year | 1,759,537 | 715,556 | 2,475,093 |
| Net assets - end of year | $ 2,997,093 | $ 350,500 | $ 3,347,593 |

*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*

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| ***Support and Revenue:*** | | | |
| Contributions | $ 4,908,251 | $ 715,556 | $ 5,623,807 |
| Special events, including contributions, net of direct expenses of $253 | 129,711 | - | 129,711 |
| Government grant - federal PPP funds | 392,750 | - | 392,750 |
| In-kind contributions | 99,700 | - | 99,700 |
| Other income | 16,834 | - | 16,834 |
| Total support and revenue | 5,547,246 | 715,556 | 6,262,802 |
| Net assets released from restrictions | 562,242 | (562,242) | - |
| Total support and revenues | 6,109,488 | 153,314 | 6,262,802 |
| ***Functional Expenses:*** | | | |
| Program services | 4,869,628 | - | 4,869,628 |
| Management and general | 631,720 | - | 631,720 |
| Fundraising and development | 728,292 | - | 728,292 |
| Total functional expenses | 6,229,640 | - | 6,229,640 |
| Change in net assets | (120,152) | 153,314 | 33,162 |
| Net assets - beginning of year | 1,879,689 | 562,242 | 2,441,931 |
| Net assets - end of year | $ 1,759,537 | $ 715,556 | $ 2,475,093 |

*See Notes to Financial Statements.*

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

***Statement of Functional Expenses***
***Year Ended December 31, 2021***

| | *Program Services* | *Management & General* | *Fundraising* | *Total* |
|---|---|---|---|---|
| Salaries and benefits | $ 1,929,049 | $ 1,197,283 | $ 437,134 | $ 3,563,466 |
| Construction infrastructure and community training | 1,489,785 | - | - | 1,489,785 |
| Transportation and meetings | 316,913 | 45,600 | 35,525 | 398,038 |
| Information technology | 101,900 | 152,813 | 23,290 | 278,003 |
| Professional services | 51,270 | 79,801 | 119,768 | 250,839 |
| Office occupancy and operations | 105,391 | 132,660 | 7,783 | 245,834 |
| Advertising and promotion | 1,406 | 13,208 | 223,441 | 238,055 |
| Donated goods and services expense | - | 79,991 | 6,706 | 86,697 |
| Partnership grants | 70,741 | - | - | 70,741 |
| Depreciation | 86,677 | 223,707 | - | 310,384 |
| Other expenses | 123,050 | 50,610 | 73,040 | 246,700 |
| Total functional expenses before functional allocation | 4,276,182 | 1,975,673 | 926,687 | 7,178,542 |
| Functional allocation | 1,428,732 | (1,653,518) | 224,786 | - |
| Total functional expenses | $ 5,704,914 | $ 322,155 | $ 1,151,473 | $ 7,178,542 |

*See Notes to Financial Statements.*

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

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

| | Program Services | Management & General | Fundraising | Total |
|---|---|---|---|---|
| Salaries and benefits | $ 2,013,671 | $ 1,163,738 | $ 361,287 | $ 3,538,696 |
| Construction infrastructure and community training | 881,194 | - | - | 881,194 |
| Transportation and meetings | 210,845 | 25,489 | 5,451 | 241,785 |
| Information technology | 55,377 | 131,003 | 10,761 | 197,141 |
| Professional services | 29,203 | 56,270 | 19,147 | 104,620 |
| Office occupancy and operations | 122,404 | 150,349 | 7,104 | 279,857 |
| Advertising and promotion | - | 17,393 | 98,581 | 115,974 |
| Donated goods and services expense | - | 97,178 | 2,522 | 99,700 |
| Partnership grants | 95,682 | - | - | 95,682 |
| Depreciation | 33,498 | 228,237 | - | 261,735 |
| Other expenses | 130,745 | 136,328 | 146,183 | 413,256 |
| Total functional expenses before functional allocation | 3,572,619 | 2,005,985 | 651,036 | 6,229,640 |
| Functional allocation | 1,297,009 | (1,374,265) | 77,256 | - |
| Total functional expenses | $ 4,869,628 | $ 631,720 | $ 728,292 | $ 6,229,640 |

*See Notes to Financial Statements.*

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

***Statements of Cash Flows***
***Years Ended December 31, 2021 and 2020***

| | 2021 | 2020 |
|---|---|---|
| ***Cash flows from operating activities:*** | | |
| Change in net assets | $ 872,500 | $ 33,162 |
| ***Adjustments to reconcile the change in net assets to net cash provided by operating activities:*** | | |
| Depreciation | 310,384 | 261,735 |
| Net gain on investments | (596) | (15,252) |
| ***Changes in operating assets and liabilities:*** | | |
| Foreign exchange contracts receivable | - | 28,160 |
| Receivables, net | 438,582 | 101,314 |
| Payroll tax credit receivable | (310,497) | - |
| Prepaid expenses and deposits | 10,281 | 14,328 |
| Inventory | (21,541) | 26,102 |
| Accounts payable | 33,492 | (42,697) |
| Accrued expenses | 140,149 | 105,258 |
| Net cash provided by operating activities | 1,472,754 | 512,110 |
| ***Cash flows from investing activities:*** | | |
| Purchases of property and equipment | (220,075) | (378,128) |
| Net cash provided by (used in) investing activities | (220,075) | (378,128) |
| ***Net increase in cash and cash equivalents*** | 1,252,679 | 133,982 |
| ***Cash and cash equivalents, beginning of year*** | 1,344,244 | 1,210,262 |
| ***Cash and cash equivalents, end of year*** | $ 2,596,923 | $ 1,344,244 |

*See 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.

***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, 2021 and 2020, the Organization recorded $86,697 and $99,700 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.

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 insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 with an additional $100,000 insured by the Organization's primary operating bank. 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.

***Short-term investments:***

The Organization records short-term investments at fair market value.

***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 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.

Estimated useful lives are as follows:

| | ***Years*** |
|---|---|
| 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 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, 2021 and 2020, 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, 2021 and 2020 was $238,055 and $115,974, 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 2020 financial statements have been reclassified for comparative purposes to conform with presentation in the 2021 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 | $ 2,596,923 |
| Short-term investments | 18,351 |
| Contributions receivable - current | 10,000 |
| Other receivables - current | 18,539 |
| Payroll tax credit receivable | 310,497 |
| | $ 2,954,310 |

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

***Note 3. Receivables***

Receivables at December 31, 2021 and 2020 are as follows:

| | ***2021*** | ***2020*** |
|---|---|---|
| Pledges receivable - current | $ 10,000 | $ 458,037 |
| Litigation receivable | 48,868 | 49,501 |
| Other receivables - current | 18,539 | 8,451 |
| Total receivables | 77,407 | 515,989 |
| Less allowance for litigation receivable | (24,951) | (24,951) |
| Total receivables, net | $ 52,456 | $ 491,038 |

Receivables at December 31, 2021 and 2020, are collectible as follows:

| ***Years Ending December 31,*** | ***2021*** | ***2020*** |
|---|---|---|
| Within one year | $ 28,539 | $ 466,488 |
| One to five years | 48,868 | 49,501 |
| | 77,407 | 515,989 |
| Less allowance for litigation receivable | (24,951) | (24,951) |
| | $ 52,456 | $ 491,038 |

## *Note 4. Property and Equipment*

Major classes of property and equipment and accumulated depreciation are as follows at December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Furniture and fixtures | $ - | $ 29,259 |
| Computers and other equipment | 12,286 | 50,078 |
| Field vehicles and drill rigs | 896,829 | 665,330 |
| Software and website | 36,074 | 33,065 |
| Fundraising platform | 614,377 | 614,377 |
| | 1,559,566 | 1,392,109 |
| Less accumulated depreciation | (793,329) | (535,563) |
| Total property and equipment | $ 766,237 | $ 856,546 |

Depreciation expense for the years ended December 31, 2021 and 2020 was $310,384 and $261,735, respectively.

## *Note 5. Accrued Expenses*

Accrued expenses consist of the following at December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Accrued payroll | $ 62,144 | $ 71,546 |
| Accrued employee benefits | 24,641 | 12,233 |
| Accrued paid leave | 68,064 | 85,570 |
| Accrued payroll taxes | 6,699 | 8,817 |
| Accrued construction and other expenses | 151,551 | 1,780 |
| Accrued severance | 41,720 | 14,008 |
| Credit cards payable | 9,473 | 12,743 |
| Deferred payroll tax - due December 2022 | 38,462 | 27,954 |
| Deferred payroll tax - due December 2021 | - | 27,954 |
| Total accrued expenses | $ 402,754 | $ 262,605 |

## *Note 6. Line of Credit*

The Organization had a revolving line of credit allowing for borrowings up to $250,000, expiring in February 2022 with an initial rate of interest of 3.25%. In 2021, the Organization obtained a new line of credit with a new bank, allowing for borrowings up to $250,000 with an expiration date in November 2022, with a base rate of 4%. There was no outstanding balance on the lines of credit at December 31, 2021 and 2020.

## *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 international 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 has a lease for the corporate headquarters office building location that commenced on January 1, 2021 and expires on April 30, 2023. There is a one year option to extend this lease. The monthly base rent is $3,566. However, the Organization moved out of this office at the end of the year but is responsible for payments through the end of the lease unless they find a sublessor.

The Organization has a lease for another office in Bentonville, Arkansas for the new corporate headquarters. The lease commenced on March 20, 2020 and expires on March 20, 2023. The monthly base rent is $2,600. However, during the year, the Organization rented additional rooms within the office building, bringing the total rent to $4,500 per month. In March 2022, the Organization renegotiated this lease for additional space with monthly rental payments totaling $5,787 that expire March 2025.

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

| ***Years Ending December 31,*** | | |
|---|---|---|
| 2022 | $ | 109,662 |
| 2023 | | 83,708 |
| 2024 | | 69,444 |
| 2025 | | 11,574 |
| | $ | 274,388 |

### *Equipment Leases:*

The Organization began leasing laptops during the year. There are currently five contracts in total with three in place for the year ended December 31, 2021. These are operating leases with a fair value purchase option at the end. However, the Organization plans on turning all computers back in at the end of each three-year lease term. The monthly expense for all five leases is $856.

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

| *Years Ending December 31,* | | |
|---|---|---|
| 2022 | $ | 9,884 |
| 2023 | | 10,272 |
| 2024 | | 7,297 |
| 2025 | | 388 |
| | $ | 27,841 |

### *Note 8. Government Grants and COVID-19 Impact*

On April 17, 2020, the Organization was granted a loan (the Loan) under the Paycheck Protection Program (PPP) of the CARES Act, from Community West Bank in the aggregate amount of $392,750. 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. Since the funds were used for qualifying expenses, the Organization accounted for the loan as revenue, included in contributions, in connection with the forgiven PPP loan during 2020.

In January 2021, the Organization was granted a second loan under the PPP of the CARES Act, in the aggregate amount of $402,935. In August 2021, the Organization was given official forgiveness of the loan amount, as the funds were used for qualifying expenses. Since the funds were used for qualifying expenses, the Organization is accounting for the loan as revenue, included in contributions, under the accounting guidance.

In November 2021, the Organization filed for Employee Retention Credits for Q1 and Q2 of 2021. The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees through the end of 2021. These credits were approved and are expected to be received during 2022.

### *Note 9. Net Assets with Donor Restrictions*

As of December 31, 2021 and 2020, net assets with donor restrictions are restricted for the following purposes or periods:

| | 2021 | 2020 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Drill rig for Ethiopia programs | $ - | $ 304,030 |
| Ethiopia programs | 350,500 | 352,731 |
| Tanzania programs | - | 46,219 |
| Healthy churches program launch | - | 12,576 |
| | $ 350,500 | $ 715,556 |

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, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Satisfaction of purpose restrictions: | | |
| 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 |
| | $ 715,556 | $ 562,242 |

### *Note 10. 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 into local retirement or savings accounts for employees in the field offices. Employer retirement plan contributions totaled $97,286 and $103,772 for the years ended December 31, 2021 and 2020.

### *Note 11. Concentrations – Major Donors*

For the year ended December 31, 2021, the Organization had one donor which contributed 14% of the total contributions. The Organization did not have any major donors for the year ended December 31, 2020.

## *Note 12. Subsequent Events*

The date to which events occurring after December 31, 2021 have been evaluated for possible adjustment to the financial statements or disclosure is July 11, 2022, which is the date on which the financial statements were available to be issued.