

# Neverthirst, Inc.

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## Financial Statements

Years Ended December 31, 2016 and 2015

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## **Independent Auditors' Report**

Board of Directors  
Neverthirst, Inc.  
Birmingham, Alabama

We have audited the accompanying financial statements of Neverthirst, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Organization'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 Organization'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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neverthirst, Inc. as of December 31, 2016 and 2015, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

**Birmingham, Alabama  
April 25, 2017**

**Neverthirst, Inc.**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 466,075	\$ 674,889
Accounts receivable	2,866	1,912
Total current assets	<u>468,941</u>	<u>676,801</u>
Property and equipment, net	<u>25,377</u>	<u>13,589</u>
Total assets	<u><u>\$ 494,318</u></u>	<u><u>\$ 690,390</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	<u>\$ 17,251</u>	<u>\$ 23,050</u>
Total current liabilities	<u>17,251</u>	<u>23,050</u>
Net assets:		
Unrestricted net assets	-	-
Temporarily restricted assets	<u>477,067</u>	<u>667,340</u>
	<u>477,067</u>	<u>667,340</u>
Total liabilities and net assets	<u><u>\$ 494,318</u></u>	<u><u>\$ 690,390</u></u>

See accompanying notes.

**Neverthirst, Inc.**  
**Statements of Activities**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and general operations income:			
Direct public support	\$ 16,019	\$ 1,987,972	\$ 2,003,991
Interest	14	-	14
Other income	-	-	-
	<u>16,033</u>	<u>1,987,972</u>	<u>2,004,005</u>
Net assets released from restrictions	<u>2,178,245</u>	<u>(2,178,245)</u>	<u>-</u>
Total support and general operations income	<u>2,194,278</u>	<u>(190,273)</u>	<u>2,004,005</u>
Expenses:			
Program services	1,811,486	-	1,811,486
Management and general	132,114	-	132,114
Fundraising and public relations	250,678	-	250,678
	<u>2,194,278</u>	<u>-</u>	<u>2,194,278</u>
Total expenses	<u>2,194,278</u>	<u>-</u>	<u>2,194,278</u>
Decrease in net assets	-	(190,273)	(190,273)
Net assets at the beginning of year	<u>-</u>	<u>667,340</u>	<u>667,340</u>
Net assets at end of year	<u>\$ -</u>	<u>\$ 477,067</u>	<u>\$ 477,067</u>

**Neverthirst, Inc.**  
**Statements of Activities**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and general operations income:			
Direct public support	\$ 141,238	\$ 1,600,055	\$ 1,741,293
Interest	161	-	161
Other Income	1,184	-	1,184
	<u>142,583</u>	<u>1,600,055</u>	<u>1,742,638</u>
Net assets released from restrictions	<u>1,064,291</u>	<u>(1,064,291)</u>	<u>-</u>
Total support and general operations income	<u>1,206,874</u>	<u>535,764</u>	<u>1,742,638</u>
Expenses:			
Program services	1,223,191	-	1,223,191
Management and general	82,377	-	82,377
Fundraising and public relations	183,985	-	183,985
	<u>1,489,553</u>	<u>-</u>	<u>1,489,553</u>
(Decrease) increase in net assets	(282,679)	535,764	253,085
Net assets at the beginning of year	<u>282,679</u>	<u>131,576</u>	<u>414,255</u>
Net assets at end of year	<u>\$ -</u>	<u>\$ 667,340</u>	<u>\$ 667,340</u>

**Neverthirst, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended December 31, 2016**

	Program Services	Supporting Services		Total
		Management and General	Fundraising and Public Relations	
Conference expense	\$ 3,083	\$ -	\$ -	\$ 3,083
Computer expense	839	280	280	1,399
Depreciation	2,280	1,140	2,280	5,700
Fundraising expenses	44,211	-	66,316	110,527
Gifts	-	2,375	-	2,375
Insurance	-	500	-	500
Lease	5,967	11,932	5,967	23,866
Meals and entertainment	-	914	2,134	3,048
Ministry projects	1,405,643	-	-	1,405,643
Miscellaneous	-	5,542	-	5,542
PayPal fees	-	-	842	842
Payroll	176,535	58,845	58,845	294,225
Postage and mailing service	-	1,302	5,206	6,508
Professional fees	9,150	15,250	6,100	30,500
Promotional	-	-	82,553	82,553
Supplies	12,550	31,377	18,826	62,753
Travel	149,899	-	-	149,899
Utilities	1,329	2,657	1,329	5,315
	<u>\$ 1,811,486</u>	<u>\$ 132,114</u>	<u>\$ 250,678</u>	<u>\$ 2,194,278</u>

**Neverthirst, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended December 31, 2015**

	Program Services	Supporting Services		Total
		Management and General	Fundraising and Public Relations	
Conference expense	\$ 600	\$ -	\$ -	\$ 600
Computer expense	966	322	322	1,610
Depreciation	1,941	971	1,941	4,853
Fundraising expenses	40,456	-	69,398	109,854
Insurance	-	868	-	868
Lease	2,672	5,343	2,672	10,687
Meals and entertainment	-	575	1,344	1,919
Ministry projects	894,596	-	-	894,596
Miscellaneous	-	3,604	-	3,604
PayPal fees	-	-	1,303	1,303
Payroll	129,073	43,024	43,024	215,121
Postage and mailing service	-	1,406	5,625	7,031
Professional fees	7,380	12,300	4,920	24,600
Promotional	-	-	45,175	45,175
Supplies	5,115	12,789	7,672	25,576
Travel	139,803	-	-	139,803
Utilities	589	1,175	589	2,353
	<u>\$ 1,223,191</u>	<u>\$ 82,377</u>	<u>\$ 183,985</u>	<u>\$ 1,489,553</u>

See accompanying notes.



**Neverthirst, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (190,273)	\$ 253,085
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,700	4,853
Change in accounts receivable	(954)	1,224
Change in accounts payable	<u>(5,799)</u>	<u>23,050</u>
Net cash (used) provided by operating activities	<u>(191,326)</u>	<u>282,212</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(17,488)</u>	<u>(6,329)</u>
Net cash used in investing activities	<u>(17,488)</u>	<u>(6,329)</u>
Net (decrease) increase in cash	(208,814)	275,883
Cash, beginning of year	<u>674,889</u>	<u>399,006</u>
Cash, end of year	<u>\$ 466,075</u>	<u>\$ 674,889</u>

See accompanying notes.

## **Notes to Financial Statements**

### **1. Organization**

Neverthirst, Inc. ("the Organization") is a not-for-profit organization which solicits contributions of funds for various programs and serves as a voice to the poor and powerless while spreading awareness and creating accountability for its donors. After funding carefully screened projects, the Organization's volunteers and personnel travel into remote villages abroad and areas with low cost housing, builds relationships with partners, monitors the work and documents the people met and places seen. The primary goal of the Organization is to provide clean water to these areas.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of presentation***

The accompanying financial statements reflect the results of activities of the Organization on the accrual basis and are prepared in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Not-for Profit Entities* which is in accordance with accounting principles generally accepted in the United States of America.

#### ***Use of estimates***

The preparation of 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.

#### ***Accounts receivable***

Accounts receivable represents cash donated through a third party vendor which has not yet been transferred to the Organization.

#### ***Revenue recognition***

At times, the Organization receives support from private grants. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any grantor restrictions. The Organization recognizes grant revenue when the donor makes a promise to give that is, in substance, unconditional.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted grants whose restrictions are met in the same reporting period are reported as unrestricted support.

#### ***Property and equipment***

Property and equipment are capitalized and stated at cost. Ordinary maintenance and repair costs are expensed as incurred, while major additions and improvements are capitalized. Provisions for depreciation are computed by the straight-line method based on the estimated useful lives of the related assets, which range from 3 to 7 years.

**Neverthirst, Inc.**  
**Notes to Financial Statements**

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***Income taxes***

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code ("IRC") and has been determined to be an Organization which is not a private foundation. As a qualified tax-exempt organization, the Organization must operate in conformity with the IRC to maintain its tax-exempt status.

The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2016 and 2015, and there are no interests and penalties related to income tax assessments.

***Expense allocation***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

***Reclassification***

Certain amounts in the December 31, 2015 financial statements have been reclassified to conform with the 2016 presentation. Such reclassifications had no material effect on the previously reported statement of financial position, results of activities or cash flows.

***Subsequent Events***

The Organization has evaluated the effect subsequent events would have on the financial statements through April 25, 2017, which is the date the financial statements were available to be issued.

**3. Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 30,451	\$ 19,023
Media equipment	11,443	11,443
Website	26,647	26,647
Furniture & fixtures	<u>12,833</u>	<u>6,773</u>
	81,374	63,886
Less accumulated depreciation	<u>(55,997)</u>	<u>(50,297)</u>
	<u>\$ 25,377</u>	<u>\$ 13,589</u>

#### **4. Net Assets**

Net assets were released from donor restrictions by incurring expenses to satisfy the restricted purpose, by occurrence of events specified by the donors (including the passage of time) or by the change of restrictions specified by the donors. During the years ended December 31, 2016 and 2015, the Organization released \$2,178,245 and \$1,064,291, respectively of temporarily restricted net assets for well projects in the countries designated by the donation.

Remaining temporarily restricted donations for the years ended December 31, 2016 and 2015 were \$477,067 and \$667,340, respectively.

#### **5. Concentrations**

At December 31, 2016 and 2015, the Organization has concentrations of credit risk with certain financial institutions in the form of bank cash accounts in excess of federally insured limits.

In 2016, the Organization received approximately 6% of its contributions from two individuals and 5% from a Birmingham, Alabama business. In 2015, the Organization received approximately 6% from the Church of Brook Hills and 12% from two individuals.

#### **6. Commitments**

The Organization has entered into non-binding memorandums of understanding ("MOU") with several strategic partners for the purpose of accomplishing the Organization's goal to support well projects in various countries. These MOU's document the expected costs of each project, the time frames involved, and the desired results.

The Organization entered into a leasing agreement beginning December 1, 2016. The Organization also enters various month-to-month rental arrangements. Total rental expense for 2016 and 2015 were \$23,866 and \$10,687, respectively.

Future minimum lease payments under non-cancelable operating leases are as follows:

2017	\$	18,071
2018	\$	29,431
2019	\$	27,717

#### **7. IRA Savings Plan**

On September 1 2016, the Organization began sponsoring an IRA Savings Plan for eligible employees as defined by the plan agreement. Employees become eligible after being employed by the Organization for one year. The Plan permits a deferral of up to the maximum IRS allowed limits with a 3% Organization matching contribution. The Organization made contributions of approximately \$1,300 for the year ended December 31, 2016.