Neverthirst, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

Contents

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Independent Auditor's Report

Board of Directors
Neverthirst, Inc.
Birmingham, Alabama

Opinion

We have audited the financial statements of Neverthirst, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Neverthirst, Inc. as of December 31, 2023 and 2022, 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 (GAAS). 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 Neverthirst, Inc., 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 the 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 Neverthirst, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 GAAS 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 GAAS, 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.

Forvis Mazars, LLP

Birmingham, Alabama
June 24, 2024

Neverthirst, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash	$ 2,633,806	$ 1,533,856
Accounts receivable	918,393	613,273
Donor-advised funds	25,507	98,208
Prepaid expenses	2,375	2,375
Total current assets	3,580,081	2,247,712
Right-of-use asset	107,005	157,280
Property and equipment, net	134,191	142,554
Total assets	$ 3,821,277	$ 2,547,546
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other accrued liabilities	$ 117,039	$ 54,978
Accrued salaries and wages	219,702	86,213
Current portion of lease liability	52,418	50,275
Total current liabilities	389,159	191,466
Lease liability, net of current portion	54,587	107,005
Total liabilities	443,746	298,471
Net Assets		
Without donor restrictions	742,396	719,032
With donor restrictions	2,635,135	1,530,043
Total net assets	3,377,531	2,249,075
Total liabilities and net assets	$ 3,821,277	$ 2,547,546

Neverthirst, Inc.
Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and General Operations Income			
Direct public support	$ 4,312,736	$ 4,851,420	$ 9,164,156
Interest income, net	1,399	-	1,399
	4,314,135	4,851,420	9,165,555
Net assets released from donor restrictions	3,746,328	(3,746,328)	-
Total support and general operations income	8,060,463	1,105,092	9,165,555
Expenses			
Program services	6,420,241	-	6,420,241
Management and general	804,718	-	804,718
Fundraising and public relations	812,140	-	812,140
Total expenses	8,037,099	-	8,037,099
Increase in Net Assets	23,364	1,105,092	1,128,456
Net Assets, Beginning of Year	719,032	1,530,043	2,249,075
Net Assets, End of Year	$ 742,396	$ 2,635,135	$ 3,377,531

Neverthirst, Inc.
Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and General Operations Income			
Direct public support	$ 4,848,588	$ 3,362,196	$ 8,210,784
Interest	257	-	257
	4,848,845	3,362,196	8,211,041
Net assets released from donor restrictions	4,497,112	(4,497,112)	-
Total support and general operations income (loss)	9,345,957	(1,134,916)	8,211,041
Expenses			
Program services	7,628,713	-	7,628,713
Management and general	756,438	-	756,438
Fundraising and public relations	960,806	-	960,806
Total expenses	9,345,957	-	9,345,957
Decrease in Net Assets	-	(1,134,916)	(1,134,916)
Net Assets, Beginning of Year	719,032	2,664,959	3,383,991
Net Assets, End of Year	$ 719,032	$ 1,530,043	$ 2,249,075

Neverthirst, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

		Supporting Services		
	Program Services	Management and General	Fundraising and Public Relations	Total
Computer expense	$ 169	$ 6,697	$ -	$ 6,866
Conference expense	8,648	5,400	-	14,048
Depreciation	6,670	3,335	3,335	13,340
Fundraising expenses	148,398	-	143,857	292,255
Gifts	-	16,892	4,580	21,472
Insurance	33,970	31,478	19,735	85,183
Lease costs	31,604	12,975	12,975	57,554
Meals and entertainment	236	17,021	67	17,324
Ministry projects	5,343,047	-	-	5,343,047
Miscellaneous	20	32,032	2,198	34,250
Payroll	598,713	474,043	508,638	1,581,394
Postage and mailing service	68	40,505	-	40,573
Professional fees	27,767	92,328	417	120,512
Promotional	-	-	113,597	113,597
Supplies	9,404	26,153	-	35,557
Third-party processing fees	83,811	20,953	-	104,764
Travel	125,253	15,975	2,741	143,969
Utilities	2,463	8,931	-	11,394
	$ 6,420,241	$ 804,718	$ 812,140	$ 8,037,099

Neverthirst, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

		Supporting Services		
	Program Services	Management and General	Fundraising and Public Relations	Total
Computer expense	$ 2,555	$ 18,507	$ 6,673	$ 27,735
Depreciation	7,364	3,682	3,682	14,728
Fundraising expenses	194,000	-	304,479	498,479
Gifts	6	7,831	-	7,837
Insurance	30,859	32,096	16,816	79,771
Lease costs	28,540	12,906	12,600	54,046
Meals and entertainment	1,355	12,360	-	13,715
Ministry projects	6,696,891	-	-	6,696,891
Miscellaneous	1,940	10,012	-	11,952
Payroll	535,133	417,409	414,451	1,366,993
Postage and mailing service	35	28,965	335	29,335
Professional fees	4,017	33,613	417	38,047
Promotional	-	-	183,748	183,748
Supplies	17,531	58,194	-	75,725
Third-party processing fees	-	103,127	-	103,127
Travel	106,426	12,742	17,605	136,773
Utilities	2,061	4,994	-	7,055
	$ 7,628,713	$ 756,438	$ 960,806	$ 9,345,957

Neverthirst, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	$ 1,128,456	$ (1,134,916)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	13,340	14,728
Noncash operating lease expense	50,275	46,967
Change in operating assets and liabilities		
Change in accounts receivable	(305,120)	132,996
Donor-advised funds	72,701	(98,208)
Change in accounts payable and other accrued liabilities	195,550	86,687
Operating lease liabilities	(50,275)	(46,967)
Net cash provided (used) by operating activities	1,104,927	(998,713)
Investing Activities		
Purchases of property and equipment	(4,977)	(28,715)
Net Increase (Decrease) in Cash	1,099,950	(1,027,428)
Cash, Beginning of Year	1,533,856	2,561,284
Cash, End of Year	$ 2,633,806	$ 1,533,856

Note 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.

Note 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 third-party vendors which have not yet been transferred to the Organization, and unconditional promises to give that are expected to be collected within one year. Due to the nature and composition of accounts receivable, no allowance for credit losses is recorded.

Donor-Advised Funds

On occasion, certain donors make irrevocable contributions to certain donor-advised funds. The Organization maintains advisory rights of these contributions and typically converts these contributions to cash within 12 months of the initial contribution.

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.

Revenue Recognition

At times, the Organization receives support from private grants. Contributions received are recorded as support with or without donor restrictions, depending upon the existence and/or nature of any contribution. The Organization recognizes grant revenue when the donor makes a promise to give that is, in substance, unconditional.

All contributions without donor restrictions are reported as an increase in net assets without donor restrictions. These contributions are not restricted for use and may be used by the Organization for operating expenses, or other project expenses that the Organization deems necessary.

All contributions with donor restrictions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the support with donor restrictions are reclassified to net assets without donor restrictions 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 contributions without donor restrictions.

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, 2023 and 2022, 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.

Change in Accounting Principle

Effective January 1, 2023, the Company adopted ASU 2016-13, *Financial Instrument - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* related to the impairment of financial instruments. This guidance, commonly referred to as Current Expected Credit Loss (“CECL”), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including trade receivables. The adoption of ASU 2016-13 did not have a material impact on the Organization’s financial statements as of January 1, 2023, or the year ended December 31, 2023.

Subsequent Events

The Organization has evaluated the effect subsequent events would have on the financial statements through June 24, 2024, which is the date the financial statements were available to be issued.

Note 3. Property and Equipment

Property and equipment consist of the following at December 31:

	2023	2022
Computer equipment	$ 31,538	$ 28,358
Media equipment	12,236	12,236
Leasehold improvements	125,492	125,492
Furniture & fixtures	29,211	27,414
	198,477	193,500
Accumulated depreciation	(64,286)	(50,946)
	$ 134,191	$ 142,554

Depreciation expense for the years ended December 31, 2023 and 2022 was approximately $13,000 and $15,000, respectively.

Note 4. Leases

Operating Leases under ASC Topic 842

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use ("ROU") assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date. The Organization combines lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives.

The Organization has made a policy election to discount the lease payments using a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The Organization leases an office space that contains fixed escalating rents, and expires 2025, and may be renewed for multiple various periods. As of December 31, 2023, the weighted average remaining lease term is 2 years, and the weighted average incremental borrowing rate is 1.25%.

During the year ended December 31, 2023, the Organization incurred approximately $52,000 in operating lease expenses, which are allocated across program and supporting services on the accompanying statement of activities. During the year ended December 31, 2023, the Organization incurred approximately $5,600 of lease costs for leases with a term of less than 12 months, which are allocated across program and supporting services on the accompanying statement of activities.

As of December 31, 2023, annual future commitments under noncancelable operating leases, are as follows:

2024	$ 53,400
2025	54,900
Total future undiscounted operating lease payments	108,300
Imputed interest	(1,295)
Operating lease liability	$ 107,005

Note 5. 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, 2023 and 2022, the Organization released $3,746,328 and $4,497,112, respectively, of net assets with donor restrictions for well projects in the countries designated by the donation.

Remaining net assets restricted for well projects for the years ended December 31, 2023 and 2022 were $2,635,135 and $1,530,043, respectively.

Note 6. Concentrations

The Organization maintains cash in deposit accounts with federally insured banks which at times may have balances in excess of federally insured limits. For the years ended December 31, 2023 and 2022, the Organization received approximately 14% and 12% of all direct public support from two donors, respectively.

Note 7. 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.

Note 8. IRA Savings Plan

The Organization sponsors 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. For the years ended December 31, 2023 and 2022, the Organization made contributions of approximately $30,000 and $31,000, respectively.

Note 9. Related Party Transactions

The Organization received approximately $284,000 and $245,000 from related party donors during the years ended December 31, 2023 and 2022, respectively,