

# Neverthirst, Inc.

---

## Financial Statements

Years Ended December 31, 2019 and 2018

## Table of Contents

<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements:</b>	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	5
Statements of Cash Flows.....	7
Notes to Financial Statements .....	8



## **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, 2019 and 2018, 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, 2019 and 2018, 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  
May 13, 2020**

**Neverthirst, Inc.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 783,604	\$ 386,881
Accounts receivable	100,520	130,250
Prepaid expenses	<u>2,375</u>	<u>2,520</u>
Total current assets	886,499	519,651
Property and equipment, net	<u>132,859</u>	<u>21,448</u>
Total assets	<u><u>\$ 1,019,358</u></u>	<u><u>\$ 541,099</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 112,006	\$ 29,993
Accrued salaries and wages	<u>24,306</u>	<u>17,166</u>
Total current liabilities	<u>136,312</u>	<u>47,159</u>
Net assets:		
Without donor restrictions	256,886	-
With donor restrictions	<u>626,160</u>	<u>493,940</u>
	<u>883,046</u>	<u>493,940</u>
Total liabilities and net assets	<u><u>\$ 1,019,358</u></u>	<u><u>\$ 541,099</u></u>

**Neverthirst, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and general operations income:			
Direct public support	\$ 280,489	\$ 2,735,543	\$ 3,016,032
Interest	203	-	203
	<u>280,692</u>	<u>2,735,543</u>	<u>3,016,235</u>
Net assets released from donor restrictions	<u>2,603,323</u>	<u>(2,603,323)</u>	<u>-</u>
Total support and general operations income	<u>2,884,015</u>	<u>132,220</u>	<u>3,016,235</u>
Expenses:			
Program services	1,999,477	-	1,999,477
Management and general	338,695	-	338,695
Fundraising and public relations	288,957	-	288,957
	<u>2,627,129</u>	<u>-</u>	<u>2,627,129</u>
Increase in net assets	<u>256,886</u>	<u>132,220</u>	<u>389,106</u>
Net assets at the beginning of year	<u>-</u>	<u>493,940</u>	<u>493,940</u>
Net assets at end of year	<u>\$ 256,886</u>	<u>\$ 626,160</u>	<u>\$ 883,046</u>

**Neverthirst, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and general operations income:			
Direct public support	\$ 8,379	\$ 2,631,702	\$ 2,640,081
Interest	276	-	276
	<u>8,655</u>	<u>2,631,702</u>	<u>2,640,357</u>
Net assets released from donor restrictions	<u>2,636,280</u>	<u>(2,636,280)</u>	<u>-</u>
Total support and general operations income	<u>2,644,935</u>	<u>(4,578)</u>	<u>2,640,357</u>
Expenses:			
Program services	2,199,639	-	2,199,639
Management and general	149,461	-	149,461
Fundraising and public relations	295,835	-	295,835
Total expenses	<u>2,644,935</u>	<u>-</u>	<u>2,644,935</u>
Decrease in net assets	-	(4,578)	(4,578)
Net assets at the beginning of year	<u>-</u>	<u>498,518</u>	<u>498,518</u>
Net assets at end of year	<u>\$ -</u>	<u>\$ 493,940</u>	<u>\$ 493,940</u>

See accompanying notes.

**Neverthirst, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fundraising and Public Relations	
Conference expense	\$ -	\$ 856	\$ -	\$ 856
Computer expense	-	318	-	318
Depreciation	3,512	1,756	1,756	7,024
Fundraising expenses	63,545	-	44,311	107,856
Gifts	-	145	-	145
Insurance	14,147	15,302	5,339	34,788
Lease	12,671	8,855	8,075	29,601
Meals and entertainment	43	3,308	-	3,351
Ministry projects	1,632,019	-	-	1,632,019
Miscellaneous	-	8,325	-	8,325
PayPal fees	-	6,099	-	6,099
Payroll	228,717	193,828	148,857	571,402
Postage and mailing service	-	9,272	-	9,272
Professional fees	7,200	54,147	-	61,347
Promotional	-	-	80,619	80,619
Supplies	7,911	29,688	-	37,599
Travel	28,394	2,611	-	31,005
Utilities	1,318	4,185	-	5,503
	<u>\$ 1,999,477</u>	<u>\$ 338,695</u>	<u>\$ 288,957</u>	<u>\$ 2,627,129</u>

See accompanying notes.

**Neverthirst, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**

	Program Services	Supporting Services		Total
		Management and General	Fundraising and Public Relations	
Conference expense	\$ 1,110	\$ -	\$ -	\$ 1,110
Computer expense	-	149	-	149
Depreciation	2,862	1,431	2,862	7,155
Fundraising expenses	30,710	-	46,064	76,774
Gifts	-	2,207	31,455	33,662
Insurance	-	13,149	-	13,149
Lease	8,023	16,046	8,022	32,091
Meals and entertainment	-	1,028	2,397	3,425
Ministry projects	1,710,930	-	-	1,710,930
Miscellaneous	-	11,112	-	11,112
PayPal fees	-	-	2,810	2,810
Payroll	313,807	62,708	62,708	439,223
Postage and mailing service	-	816	3,263	4,079
Professional fees	8,632	14,387	5,755	28,774
Promotional	-	-	114,924	114,924
Supplies	9,446	23,614	14,168	47,228
Travel	112,712	-	-	112,712
Utilities	1,407	2,814	1,407	5,628
	<u>\$ 2,199,639</u>	<u>\$ 149,461</u>	<u>\$ 295,835</u>	<u>\$ 2,644,935</u>

See accompanying notes.



**Neverthirst, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 389,106	\$ (4,578)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,024	7,155
Loss on disposal of equipment	2,507	-
Change in accounts receivable	29,730	(16,911)
Change in prepaid expenses	145	(145)
Change in accounts payable and other accrued liabilities	<u>89,153</u>	<u>30,353</u>
Net cash provided by operating activities	<u>517,665</u>	<u>15,874</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(120,942)</u>	<u>(3,652)</u>
Net cash used in investing activities	<u>(120,942)</u>	<u>(3,652)</u>
Net increase in cash	396,723	12,222
Cash, beginning of year	<u>386,881</u>	<u>374,659</u>
Cash, end of year	<u>\$ 783,604</u>	<u>\$ 386,881</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, and unconditional promises to give that are expected to be collected within one year.

#### *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.

#### *Recent adoptions – revenue recognition*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. This standard became effective for the year ended December 31, 2019. The core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. During the years ended December 31, 2019 and 2018, the Organization did not receive contributions that would be considered contracts with customers under the new standard. As such, there was no impact to the financial statements as a result of this ASU becoming effective.

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

---

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, 2019 and 2018, 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.

***Reclassifications***

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on the previously reported net assets or net loss.

***Recent pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending December 31, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

***Subsequent events***

The Organization has evaluated the effect subsequent events would have on the financial statements through May 13, 2020, which is the date the financial statements were available to be issued.

### **3. Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 25,787	\$ 33,273
Media equipment	14,308	13,865
Leasehold improvements	89,282	-
Website	-	26,647
Furniture & fixtures	<u>16,942</u>	<u>15,478</u>
	146,319	89,263
Accumulated depreciation	<u>(13,460)</u>	<u>(67,815)</u>
	<u>\$ 132,859</u>	<u>\$ 21,448</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, 2019 and 2018, the Organization released \$2,603,323 and \$2,636,280, respectively, of net assets with donor restrictions for well projects in the countries designated by the donation.

Remaining net assets with donor restrictions for the years ended December 31, 2019 and 2018 were \$626,160 and \$493,940, respectively.

### **5. 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, 2019 and 2018, the Organization received approximately 14% and 12% of its contributions from one donor entity, respectively.

### **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.

As of December 31, 2019, the Organization has entered into an operating leasing agreement with an unrelated third party for office space. The Organization also enters various month-to-month rental arrangements. Total rental expenses for the years ended December 31, 2019 and 2018 were \$29,601 and \$32,091, respectively.

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

---

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

2020	\$	48,000
2021		49,200
2022		<u>50,400</u>
Total	\$	<u>147,600</u>

**7. 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 year ended December 31, 2019 and 2018, the Organization made contributions of approximately \$8,312 and \$8,428, respectively.

**8. Subsequent Events**

Subsequent to December 31, 2019, the outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization. The spread of the virus may disrupt our business along with the business of our donors. These disruptions could adversely affect our ability to obtain contributions and fund projects. The economic uncertainty caused by the virus has not been fully determined but could have a significant impact on our financial condition, results of operations, and cash flows. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.