

Wine To Water
**Financial Statements
and Independent Auditor's Report**
June 30, 2020 and 2019

Wine To Water

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Independent Auditor's Report

To Management
Wine To Water

Report on the Financial Statements

We have audited the accompanying financial statements of Wine To Water, which comprise the statements of financial position as of June 30, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wine To Water as of June 30, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Charlotte, North Carolina
March 5, 2021

Wine To Water

**Statements of Financial Position
June 30, 2020 and 2019**

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 598,351	\$ 161,827
Cash reserve	226,654	-
Accounts receivable	22,864	40,647
Inventory	222,696	81,498
Prepaid expenses	43,017	16,042
Notes receivable, net of allowance (\$4,362)	-	-
	<u>1,113,582</u>	<u>300,014</u>
Property and equipment		
Building and improvements	1,153,621	1,149,871
Computers and office equipment	43,417	36,404
Furniture and fixtures	11,203	11,203
Land	<u>331,000</u>	<u>331,000</u>
	1,539,241	1,528,478
Less accumulated depreciation	<u>(142,771)</u>	<u>(93,873)</u>
	<u>1,396,470</u>	<u>1,434,605</u>
Total assets	<u><u>\$ 2,510,052</u></u>	<u><u>\$ 1,734,619</u></u>

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Statements of Financial Position June 30, 2020 and 2019

Liabilities and Net Assets

	2020	2019
Current liabilities		
Accounts payable	\$ 10,382	\$ 76,783
Deferred revenue	185,595	27,261
Real estate taxes payable	3,809	10,921
Accrued bonuses	-	9,149
Accrued retirement contributions	-	15,932
Accrued interest	452	22,836
Current maturities of long-term debt	47,039	67,048
Lines of credit	-	104,019
	247,277	333,949
Total current liabilities		
Long-term liabilities		
Refundable advance liability	238,300	-
Notes payable	159,900	943,807
Mortgage payable	1,222,688	-
	1,620,888	943,807
Total long-term liabilities		
	1,868,165	1,277,756
Total liabilities		
Net assets		
Net assets without donor restrictions	518,787	456,863
Net assets with donor restrictions	123,100	-
	641,887	456,863
Total net assets		
	\$ 2,510,052	\$ 1,734,619
Total liabilities and net assets	\$ 2,510,052	\$ 1,734,619

See Notes to Financial Statements.

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Statement of Activities and Changes in Net Assets Year Ended June 30, 2020

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenues and other support			
Contribution revenue	\$ 2,110,302	\$ 142,750	\$ 2,253,052
Program revenue	704,013	-	704,013
Rental revenue	81,513	-	81,513
Other revenue	18,151	-	18,151
	<u>2,913,979</u>	<u>142,750</u>	<u>3,056,729</u>
Net assets released from restrictions	19,650	(19,650)	-
	<u>2,933,629</u>	<u>123,100</u>	<u>3,056,729</u>
Expenses			
Program services			
Water program	2,224,771	-	2,224,771
Support services			
General and administrative	284,943	-	284,943
Fundraising	361,991	-	361,991
	<u>2,871,705</u>	<u>-</u>	<u>2,871,705</u>
Changes in net assets	61,924	123,100	185,024
Net assets at beginning of year	<u>456,863</u>	<u>-</u>	<u>456,863</u>
Net assets at end of year	<u>\$ 518,787</u>	<u>\$ 123,100</u>	<u>\$ 641,887</u>

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Statement of Activities and Changes in Net Assets Year Ended June 30, 2019

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenues and other support			
Contribution revenue	\$ 1,308,066	\$ -	\$ 1,308,066
Program revenue	864,868	-	864,868
Event revenue	65,152	-	65,152
Rental revenue	78,788	-	78,788
Other revenue	36,549	-	36,549
	<u>2,353,423</u>	<u>-</u>	<u>2,353,423</u>
Net assets released from restrictions	51,746	(51,746)	-
	<u>2,405,169</u>	<u>(51,746)</u>	<u>2,353,423</u>
Expenses			
Program services			
Water program	1,671,623	-	1,671,623
Support services			
General and administrative	305,659	-	305,659
Fundraising	315,617	-	315,617
	<u>2,292,899</u>	<u>-</u>	<u>2,292,899</u>
Changes in net assets	112,270	(51,746)	60,524
Net assets at beginning of year	<u>344,593</u>	<u>51,746</u>	<u>396,339</u>
Net assets at end of year	<u>\$ 456,863</u>	<u>\$ -</u>	<u>\$ 456,863</u>

See Notes to Financial Statements.

Wine To Water

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services	Support Services			Total
	Water Program	General and administrative	Fundraising	Total support	
Grant expense	\$ 447,285	\$ -	\$ -	\$ -	\$ 447,285
Direct program expense	402,930	-	-	-	402,930
Freight expense	22,754	-	-	-	22,754
Salaries and wages	878,435	147,451	217,567	365,018	1,243,453
Professional fees	55,535	20,047	15,789	35,836	91,371
Marketing expense	213,870	1,387	32,389	33,776	247,646
Office expense	81,853	40,619	71,546	112,165	194,018
Miscellaneous expense	348	2,686	57	2,743	3,091
Travel expense	75,094	6,818	10,575	17,393	92,487
Depreciation expense	21,523	13,335	14,040	27,375	48,898
Interest expense	17,504	31,691	-	31,691	49,195
Insurance expense	7,640	1,830	28	1,858	9,498
Real estate tax expense	-	3,809	-	3,809	3,809
Loss on disposal of fixed assets	-	297	-	297	297
Inventory spoilage	-	14,973	-	14,973	14,973
	<u>\$ 2,224,771</u>	<u>\$ 284,943</u>	<u>\$ 361,991</u>	<u>\$ 646,934</u>	<u>\$ 2,871,705</u>

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Statement of Functional Expenses Year Ended June 30, 2019

	Program Services	Support Services			Total
	Water Program	General and administrative	Fundraising	Total support	
Grant expense	\$ 329,937	\$ -	\$ -	\$ -	\$ 329,937
Direct program expense	140,168	-	-	-	140,168
Freight expense	10,944	-	-	-	10,944
Salaries and wages	843,945	155,704	199,766	355,470	1,199,415
Professional fees	-	9,820	-	9,820	9,820
Marketing expense	118,766	-	54,686	54,686	173,452
Office expense	47,949	63,608	44,820	108,428	156,377
Miscellaneous expense	817	2,003	216	2,219	3,036
Travel expense	129,459	1,969	14,312	16,281	145,740
Depreciation expense	17,841	32,203	1,037	33,240	51,081
Interest expense	14,424	25,742	-	25,742	40,166
Insurance expense	17,373	4,272	780	5,052	22,425
Real estate tax expense	-	9,033	-	9,033	9,033
Loss on disposal of fixed assets	-	1,305	-	1,305	1,305
	<u>\$ 1,671,623</u>	<u>\$ 305,659</u>	<u>\$ 315,617</u>	<u>\$ 621,276</u>	<u>\$ 2,292,899</u>

See Notes to Financial Statements.

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Statements of Cash Flows Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Changes in net assets	\$ 185,024	\$ 60,524
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	48,898	51,081
Loss on disposal of fixed assets	297	1,305
Inventory spoilage	14,973	-
Net changes in assets and liabilities that provided (used) cash		
Accounts receivable	17,783	50,349
Inventory	(156,171)	711
Prepaid expenses	(26,975)	16,964
Accounts payable	(66,401)	(5,232)
Deferred revenue	158,334	(33,684)
Real estate taxes payable	(7,112)	6,310
Accrued bonuses	(9,149)	(76,831)
Accrued retirement contributions	(15,932)	12,639
Accrued interest	(22,384)	7,000
	121,185	91,136
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Net purchases of property and equipment	(11,060)	(142,846)
	(11,060)	(142,846)
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Payment of notes payable	(963,816)	(60,212)
Proceeds from notes payable	398,200	-
Payments of mortgage payable	(77,312)	-
Proceeds from mortgage payable	1,300,000	-
Advances on lines of credit	-	107,499
Payments on lines of credit	(104,019)	(3,480)
	553,053	43,807
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash, cash equivalents, and restricted cash	663,178	(7,903)
Cash, cash equivalents, and restricted cash at beginning of year	161,827	169,730
Cash, cash equivalents, and restricted cash at end of year	\$ 825,005	\$ 161,827
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 71,579	\$ 33,166

See Notes to Financial Statements.

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Notes to Financial Statements June 30, 2020 and 2019

Note 1 - Organization

Wine To Water ("Organization") was organized in 2007 as a charitable organization for the advancement of water availability and education and is headquartered in Boone, North Carolina.

Wine To Water is committed to support life and dignity for all through the power of clean water. Through water access programs, water, sanitation and hygiene training, and safe water management, efforts all led by local social mobilizers, Wine To Water sees water as a catalyst for community transformation that goes much deeper than the well. Wine To Water engages its supporters in service opportunities, emphasizing education and awareness of the water crisis.

By leveraging financial support from contributions and coupling international volunteer service and water filter build opportunities, Wine To Water is able to provide clean water to those in need from the Amazon jungle to the mountains of Nepal to the Caribbean communities of the Dominican Republic to the mountainous regions of Tanzania, and beyond.

Note 2 - Summary of significant accounting policies

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Additionally, information is required to segregate program service expenses from support expenses. Support expenses include management and fundraising expenses.

Revenue recognition

Contributions and grants received are recorded as with restriction or without restriction, depending on the existence and/or nature of any donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as without donor restriction revenues. The expiration of restrictions on net assets (i.e. the donor imposed stipulated purpose has been fulfilled, or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional pledges receivable that are expected to be collected within a year are recorded at their net realizable value when the donor makes the promise. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their established future cash flows.

Grants and sponsorships that are received prior to recognition are recorded as deferred revenue.

Revenues related to programs, conferences, and workshops are recognized when the event is held, at the time that all performance obligations are met.

Donated goods and services

Donated services, when significant and measurable as to value, are reflected in the statements of activities and changes in net assets as contributions when provided. In addition, a substantial number of volunteers have donated a significant amount of time to the Organization. These donated services have not been recognized as contributions in the financial statements since the recognition

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Notes to Financial Statements June 30, 2020 and 2019

criteria, as stated by generally accepted accounting principles, were not met. The Organization receives donated goods valued based at fair market value at the date of the contribution. This estimated amount was \$30,453 and \$0 for the year ended June 30, 2020 and 2019, respectively. The Organization also receives an estimated value of \$407,666 of donated assembled water filters for the year ended June 30, 2020. This estimated value was increased during the year ended June 30, 2020 as discussed further in Note 5.

Net assets

The Organization classifies net assets as with donor restrictions or without donor restrictions.

Net assets with donor restrictions result: (a) from contributions and other inflows of assets whose use by Wine To Water is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishment subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of Wine To Water pursuant to those stipulations. There are net assets with donor restrictions in the amount of \$123,100 and \$0 as of June 30, 2020 and 2019, respectively.

Receivables

The Organization records accounts receivable at total unpaid balances for water filter builds and Global Experiences trips, which approximates estimated fair value. At year end, the Organization determined that all receivables were collectible.

Property and equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Asset lives range from 15 to 40 years for building and improvements, and 3 to 7 years for software, office equipment, furniture and fixtures, and vehicles. The Organization's capitalization threshold is \$500.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

Rental income

Rental income is recognized on a straight-line basis over the life of the related lease. Rental payments received in advance are classified as deferred revenue. The lease between the Organization and the tenant of the property is an operating lease.

Impairment of long-lived assets

The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended June 30, 2020 and 2019.

Deferred revenue

Global Experience and Filter Program revenue received are recorded as deferred revenue and recognized as income in the period earned.

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Notes to Financial Statements June 30, 2020 and 2019

Income taxes

Wine To Water is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, certain activities not directly related to the Organization's tax-exempt purpose are subject to taxation. The Organization's primary activity subject to taxation includes rental income. The Organization files a 990-T Federal return to pay taxes owed on rental income

The Forms 990, Return of Organization Exempt from Income Tax, and Forms 990-T, Exempt Organization Business Income Tax Return, are subject to examination by the IRS generally for three years after they were filed. While none of the Organization's income tax returns are currently being examined by the Internal Revenue Service, tax years since the year ended June 30, 2017 remain open for potential examination.

Functional allocations of expenses

The costs of providing the various programs and the administration of the Organization have been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated on the basis of time records and estimates made by the Organization's management.

Program Services

Water Programs

Currently, Wine To Water has four international offices in: Nepal, the Dominican Republic, Colombia, and Tanzania. This means that, in each of these four countries, Wine To Water employs a collaboration of qualified nationals who work full time toward sustainable clean water solutions catered to the specific country's needs. Outside of Nepal, the Dominican Republic, Colombia, and Tanzania, Wine To Water is constantly branching into new territories through organizational partnerships and disaster relief preparedness.

Nepal - This year in Simara, Wine To Water Nepal created its first ever all women Water User Committee, which paved the way to finding sustainable clean water solutions for the community. Through 24 committee trainings and Water, Sanitation and Hygiene ("WASH") education, these 11 women were empowered with knowledge on bookkeeping, financial management, water use issues, construction processes and hygiene practices. Investing in the education of these women and electing them as water usage leaders built a foundation for the community to continue to invest in health, education and economic development initiatives. Through this committee, multiple clean water projects were executed, impacting many aspects of the community in Simara. This year the Organization implemented 3 water systems, 2 school handwashing stations, 149 tap stands, 41 latrines, and 8 WASH education sessions.

Dominican Republic - Clean water and proper hygiene habits are essential to success in the classroom. Every day, water borne illnesses, like cholera and diarrhea, prevent children from attending school and limit their ability to thrive both inside and outside of the classroom. Decreasing exposure to these illnesses means children are able to be in the classroom regularly, enabling them to grow up to become the innovators and leaders needed in their communities. Before the Organization's intervention, schools in the country were spending money on bottled water- a perishable and temporary resource for water access. Implementing a filter system allows schools to save money, reduce frequency of illness and reduce their environmental impact. Students also learn valuable information about sustainable water usage that they can share with their parents and future families,

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Notes to Financial Statements June 30, 2020 and 2019

rippling positive impact across generations. This year the Organization implemented 84 ceramic filters, 79 handwashing stations, 46 WASH trainings, and 22 school handwashing stations.

Colombia - Wine To Water Colombia adopted a holistic approach to engaging the people of Santa Luzia by starting a community-based WASH program, where community members worked alongside our team to strategically plan and implement sustainable water access technologies. Together, Wine To Water developed an approach tailored specifically to Santa Luzia's needs, including building a water access system and providing filtration for every home. To address the immediate need for clean water, the Organization kickstarted implementation of the plan with the distribution of in-home filtration. Wine To Water then installed a reservoir tank for the community, along with an additional tank for the school. But the Organization's plans did not stop there; work continues on building the well and piping system for tap stands, which, when completed, will make the entire water access system ready for use. This year the Organization implemented 1 community water access system and 200 filters for Venezuelan refugees.

East Africa - More than 75% of people living in the Tarangire Region of East Africa rely on surface water, such as mud ponds, as their only water source. Wine To Water East Africa identified household filtration and WASH education as substantial needs in these areas. Through a new community education program, the Organization was able to distribute: 1,054 ceramic filters, impacting 10,708 lives. Now that the foundation is laid and the initial stages of the program are in place, our team can focus on the next steps of the remaining work to be done. Plans for the coming year are to resume efforts in community WASH, while also creating a plan to provide additional aid to schools.

Disaster Relief - Up to 10% of filters from every filter build are set aside for disaster relief preparedness. After Hurricane Dorian hit the Abacos Islands in September 2019, our Founder and President, Doc Hendley, along with Wine To Water volunteer and firefighter, Clay Hess, responded quickly by jumping on a plane to the Bahamas and distributing filters to provide relief across the region, impacting 14,000 lives with clean water. These filters support our ongoing programs in many of our established field offices as an integral part of community wide water access projects. In Colombia and Nepal, the Organization implemented 867 filters this year. Wine To Water works to quickly and dramatically expand its reach by training other organizations through our WASH Partner Program. We equip WASH partners with clean water filters, as well as sanitation and hygiene workshops to amplify their efforts and promote change. This year the Organization implemented 8,409 Filters.

COVID-19 Programs - When the COVID-19 pandemic began to grow at an exponential rate, the Organization recognized that developing nations are extremely susceptible to the spread of disease because they do not have clean water to drink, much less with which to wash their hands. Internationally, Wine To Water's efforts pivoted to address this vulnerability by providing WASH resources, such as handwashing stations, personal protective equipment kits ("PPE"), and sanitation and hygiene education. The Organization responded domestically to help restaurant workers who lost their jobs due to COVID-19 by creating a Box Program. This program works to provide basic resources, such as healthy food, soap and toilet paper to service industry workers in need. This year the Organization distributed 2,340 food boxes impacting 1,628 families in the United States, distributed 212 PPE kits impacting 1,674 families in Colombia, implemented 477 handwashing stations and distributed 2,949 PPE kits impacting 34,952 in Dominican Republic, implemented 611 handwashing stations impacting 32,658 people in East Africa, and implemented 76 handwashing stations and distributed 239 PPE kits impacting 11,892 people in Nepal.

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Notes to Financial Statements June 30, 2020 and 2019

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Change in accounting principles

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Effective July 2019, the Organization adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Organization's contracts with customers. No practical expedients were applied. The majority of the Organization's revenue is derived from revenue based on the terms of related agreements that have a single performance obligation and transaction price. Therefore, adoption of ASU 2014-09 had no impact on the recognition of revenue during the period presented or on the opening balances of net assets as of July 1, 2019.

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18/ *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the statement of financial position and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. Consequently, ending cash and restricted cash as of June 30, 2019 and June 30, 2018 were not changed due to the Organization not having restricted cash that met the requirements of ASU 2016-18.

In June 2018, FASB Issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements. Accordingly, there is no effect on net assets in connection with the Organization's implementation of ASU 2018-08.

Note 3 - Liquidity and availability

As of June 30, 2020 and 2019, the Organization has \$1,113,582 and \$293,729, respectively, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$825,005 and \$161,827, accounts receivable of \$22,864 and \$40,647, inventory of \$222,696 and \$81,498, and prepaid expenses of \$43,017 and \$16,042, respectively.

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Notes to Financial Statements June 30, 2020 and 2019

Note 4 - Concentration of credit risk

The Organization places its cash and cash equivalents with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") covers up to \$250,000 for substantially all depository accounts. The Organization exceeds these limits by \$350,830 and \$0 as of June 30, 2020 and 2019, respectively.

Note 5 - Inventory

The Organization has two major inventory classes, including water filters and bottles of wine. The water filter inventory is used in connection with the Organization's awareness and filter program. During the year ended June 30, 2020, management reorganized water filters inventory to include two categories of unassembled and assembled water filters. Subsequently management determined that assembled water filters should be carried in inventory at Manufacturer's Suggested Retail Price. Both unassembled and assembled filters are not subject to inventory obsolescence. During the year ended June 30, 2020, the Organization's wine inventory was written-off due to spoilage.

The following is a summary of inventory as of June 30, 2020 and 2019:

	2020	2019
Unassembled water filters	\$ 63,852	\$ -
Assembled water filters	158,844	-
Water filters	-	68,208
Wine bottles	-	13,290
	<u>\$ 222,696</u>	<u>\$ 81,498</u>

Note 6 - Note receivable

Promissory note

On August 27, 2015, the Organization entered into a loan agreement with an unrelated third party for \$9,000. The note bears interest at the rate of 5% with a maturity date of February 27, 2017. Payments of principal and interest of \$320 are due on the 27th day of each month. The principal balance as of June 30, 2020 and 2019 is \$4,362 and \$4,362, respectively. No accrued interest associated with the note is receivable as of June 30, 2020 and 2019, respectively.

Allowance for doubtful accounts

The Organization stopped receiving scheduled payments associated with the note receivable in October 2016. Once payments stopped, the Organization stopped accruing interest on the note receivable. The collectibility of remaining scheduled payments is considered remote. The allowance for doubtful accounts as of June 30, 2020 and 2019 is \$4,362 and \$4,362, respectively.

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Notes to Financial Statements June 30, 2020 and 2019

Note 7 - Statements of cash flows

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts in the statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 598,351	\$ 161,827
Cash reserve	<u>226,654</u>	<u>-</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 825,005</u>	<u>\$ 161,827</u>

Amounts included in restricted cash are comprised of cash reserves.

Note 8 - Employee bonuses

The Organization distributes employee bonuses in the subsequent fiscal year in an amount up to 15 percent of each employee's salary. Employee bonus amounts were based on employee performance and organization benchmarks. The Organization ended the employee bonus incentive during the year ended June 30, 2019. Employee bonuses payable for the year ended June 30, 2020 and 2019 are \$0 and \$9,149, respectively.

Note 9 - Retirement contribution plan

The Organization offers a defined contribution retirement plan to full-time employees. The Organization will contribute up to 2% of each employee's contracted salary. Basic employee contributions up to 2% of compensation are eligible for a matching contribution by Wine To Water. Matching contributions are deposited at the end of the calendar year. During the years ended June 30, 2020 and 2019, the Organization made retirement contributions in the amount of \$9,849 and \$15,932, respectively. Accrued retirement contributions for the years ended June 30, 2020 and 2019 were \$0 and \$15,932, respectively.

Note 10 - Debt

Lines of credit

The Organization entered into a revolving line of credit with a third party on November 19, 2018. The Organization may borrow funds up to the amount of \$75,000. Interest is to accrue on the unpaid principal balance at the greater of a floating rate equal to the Index plus 0.5% or 5.5%. For the years ended June 30, 2020 and 2019, the outstanding balances related to the line of credit were \$0 and \$50,000, respectively. As of June 30, 2020, the line of credit remains available upon request.

The Organization entered into an additional line of credit agreement with a third party on January 28, 2019. The Organization may borrow funds up to the amount of \$100,000. Interest is to accrue on the unpaid balance at the Index Rate plus 2.03%. For the years ended June 30, 2020 and 2019, the outstanding balances related to the line of credit were \$0 and \$54,019, respectively. The line of credit is convertible to a term loan and is not subject to maturity. On October 25, 2019, the Organization paid the entire outstanding balance line of credit in the amount of \$54,019. On March 2, 2020, the line of credit was closed.

Wine To Water

Notes to Financial Statements June 30, 2020 and 2019

Promissory note - Paul Coffey

On February 2, 2017, the Organization entered into a loan agreement with Paul Coffey for \$650,000. The loan bears interest at the rate of 3.5% with a maturity date of December 10, 2022. Payments of principal and interest of \$4,647 are due on the 10th day of each month. On August 16, 2019, the Organization refinanced the Paul Coffey promissory note with the Wells Fargo Mortgage discussed below. The principal balance as of June 30, 2020 and 2019 was \$0 and \$410,647, respectively. Interest expense for the related note for the years ended June 30, 2020 and 2019 was \$0 and \$14,987, respectively. Accrued interest as of June 30, 2020 and 2019 was \$0 and \$1,323, respectively.

Promissory note - Marone A Mi, LLC

On February 14, 2017, the Organization entered into a loan agreement with Marone A Mi, LLC for \$350,000. The loan bears interest at the rate of 3.5% with a maturity date of February 1, 2032. Payments of principal and interest of \$2,502 are due on the 10th day of each month. On August 16, 2019, the Organization refinanced the Marone A Mi, LLC promissory note with the Wells Fargo Mortgage discussed below. The principal balance as of June 30, 2020 and 2019 was \$0 and \$305,368, respectively. Interest expense for the related note for the years ended June 30, 2020 and 2019 was \$0 and \$11,100, respectively. Accrued interest as of June 30, 2020 and 2019 was \$0 and \$950, respectively.

Promissory note - Dickson and Amber Hendley

On March 13, 2017, the Organization entered into a loan agreement with Dickson and Amber Hendley for \$100,000. The loan bears interest at the rate of 3.5% with a maturity date of March 13, 2027. Payments of interest only are due on the 13th day of each month. On August 16, 2019, the Organization refinanced the Dickson and Amber Hendley promissory note with the Wells Fargo Mortgage discussed below. The principal balance as of June 30, 2020 and 2019 was \$0 and \$100,000, respectively. Interest expense for the years ended June 30, 2020 and 2019 was \$0 and \$3,500, respectively. Accrued interest as of June 30, 2020 and 2019, was \$0 and \$8,021, respectively.

Dickson Hendley is the president of the Organization and an active member of the Board of Directors.

Promissory note - Jeff Hendley

On March 13, 2017, the Organization entered into a loan agreement with Jeff Hendley for \$100,000. The loan bears interest at the rate of 3.5% with a maturity date of June 1, 2027. Payments of principal and interest of \$715 are due on the 1st day of each month, commencing July 1, 2018. On August 16, 2019, the Organization refinanced the Jeff Hendley promissory note with the Wells Fargo Mortgage discussed below. The principal balance as of June 30, 2020 and 2019 was \$0 and \$94,840, respectively. Interest expense for the years ended June 30, 2020 and 2019 was \$0 and \$7,079, respectively. Accrued interest as of June 30, 2020 and 2019 was \$0 and \$4,521, respectively.

Promissory note - Kathleen Serano

On March 13, 2017, the Organization entered into a loan agreement with Kathleen Serano for \$100,000. The loan bears interest at the rate of 3.5% with a maturity date of March 13, 2027. Payments of interest of only are due on the 13th day of each month. On August 16, 2019, the Organization refinanced the Kathleen Serano promissory note with the Wells Fargo Mortgage discussed below. The principal balance as of June 30, 2020 and 2019 was \$0 and \$100,000, respectively. Interest expense for the years ended June 30, 2020 and 2019 was \$0 and \$3,500, respectively. Accrued interest as of June 30, 2020 and 2019 was \$0 and \$8,021, respectively.

Wine To Water

Notes to Financial Statements June 30, 2020 and 2019

Mortgage payable - Wells Fargo

On August 16, 2019, Wine To Water entered into a mortgage agreement with Wells Fargo in the amount of \$1,300,000. The loan bears interest at a rate of 4.19% per annum. Monthly payments of \$8,264 shall be due on the 5th day of each month, commencing on October 5, 2019. Any outstanding accrued interest and principal shall be due upon maturity, on September 5, 2029. The funds provided by the mortgage agreement were used to pay the outstanding balance of all promissory notes. The principal balance as of June 30, 2020 was \$1,269,727. Interest expense for the year ended June 30, 2020 was \$48,743. Accrued interest as of June 30, 2020 was \$0.

Economic Injury Disaster Loans ("EIDL")

On May 22, 2020, the Organization received \$160,000 in EIDL proceeds from Small Business Administration ("SBA"). The Organization met all applicable eligibility requirements for the EIDL as of year-end June 30, 2020. Installment payments, including principal and interest, of \$641 monthly, will begin twelve months from the date of the loan. Interest will accrue at the rate of 2.75% per annum and will accrue only on funds actually advanced from the date of each advance. The principal balance as of June 30, 2020 was \$159,900. Interest expense for the years ended June 30, 2020 was \$452. As of June 30, 2020, \$452 accrued interest remain payable.

Following is a summary of all notes payable as of June 30, 2020 and 2019:

Lender Name	Wells Fargo	Paul Coffey	Marone A Mi, LLC	Dickson and Amber Hendley	Jeff Hendley	Kathleen Serano	Small Business Administration ("SBA")	Total
Original amount	\$ 1,300,000	\$ 650,000	\$ 350,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 160,000	
Maturity date	9/5/2029	12/10/2022	2/1/2032	3/13/2027	6/1/2027	3/13/2027	5/22/2050	
Payment terms	Monthly	Monthly	Monthly	Interest only	Monthly	Interest only	Monthly	
Interest rate	4.190%	3.5%	3.5%	3.5%	3.5%	3.5%	2.75%	
Monthly principal and interest	\$ 8,264	\$ 4,647	\$ 2,502	\$ 292	\$ 715	\$ 292	\$ 641	
06/30/20 Accrued interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 452	\$ 452
06/30/19 Accrued interest	\$ -	\$ 1,323	\$ 950	\$ 8,021	\$ 4,521	\$ 8,021	\$ -	\$ 22,836
2020 Interest expense	\$ 48,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 452	\$ 49,195
2019 Interest expense	\$ -	\$ 14,987	\$ 11,100	\$ 3,500	\$ 7,079	\$ 3,500	\$ -	\$ 40,166
Principal payments due in the following years								
2021	\$ 47,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,039
2022	49,048	-	-	-	-	-	-	49,048
2023	51,143	-	-	-	-	-	-	51,143
2024	53,328	-	-	-	-	-	-	53,328
2025	55,606	-	-	-	-	-	-	55,606
Thereafter	1,013,563	-	-	-	-	-	159,900	1,173,463
Outstanding balance, June 30, 2020	<u>\$ 1,269,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,900</u>	<u>\$ 1,429,627</u>
Outstanding balance, June 30, 2019	<u>\$ -</u>	<u>\$ 410,647</u>	<u>\$ 305,368</u>	<u>\$ 100,000</u>	<u>\$ 94,840</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 1,010,855</u>

Payroll Protection Program Loan ("PPPL")

On April 20, 2020, the Organization received \$238,300 in PPPL proceeds from Truist/BB&T, which is forgivable if used for certain qualifying expenses over a 24-week period. If the note is not approved for forgiveness, it will accrue interest at 1% and be due and payable in April 2022. For the year ended June 30, 2020, no interest expense was charged to operations. The Organization believes it has the ability and intent to achieve PPPL forgiveness and has recorded the PPPL as a refundable advance liability.

Note 11 - Net assets with donor restrictions

Wine To Water's net assets with donor restrictions are restricted for the following purposes or periods, as follows:

	2020	2019
Tanzania project	\$ 123,100	\$ -

Wine To Water

Notes to Financial Statements June 30, 2020 and 2019

Note 12 - Rental income

On March 13, 2017, the Organization entered into a lease agreement with Ransom, Inc., ("commercial tenant"). The term of the lease is for 60 months and will end following payment received on March 1, 2022. The commercial tenant has agreed to make monthly payments in the amount of \$7,500 per month for the duration of the lease term. On June 1, 2020, the Organization amended the Commercial Triple Net Lease Agreement with Ransom, Inc. The terms of the lease are from July 1, 2019 through June 30, 2022. The commercial tenant has agreed to make monthly payments in the amount of \$7,500 a month for the duration of the lease term. On June 1, 2020 the terms of the Triple Net Lease were amended due to the impact of COVID-19 on the commercial tenant. The terms of the amended lease is for six months with \$5,000 monthly payments. Additionally, on October 1, 2020, the Organization amended the lease with the commercial tenant to extend the \$5,000 monthly payment through June 30, 2021. Per the amended lease, the commercial tenant whom occupies 64.05%, will be held liable for the prorated amount owed to the Organization for real estate taxes, and 100% of the operating expenses related to their occupancy percentage. Rental income for the years ended June 30, 2020 and 2019 was \$81,513 and \$78,788, respectively. Estimated rental income for each of the ensuing years through June 30, 2025 is as follows:

2021	\$	60,000
2022		90,000
2023		-
2024		-
2025		-
Thereafter		-
Total	\$	<u>150,000</u>

Note 13 - Risks and uncertainties

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity, which could result in a loss of lease revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. The future impact of the outbreak is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on the financial health. The extent of the impact, if any, will depend on future developments, including actions taken to contain the coronavirus. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on our operations continue for an extended period of time, we may have to seek alternative measures to finance our operations. There is no assurance these measures will be successful. The financial statements do not include any adjustment that might result if the Organization is unable to continue as a going concern.

Wine To Water

Notes to Financial Statements June 30, 2020 and 2019

Note 14 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through March 5, 2021 (date which the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements other than as discussed in Notes 12 and 13.



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