

**WINE TO WATER**  
**FINANCIAL STATEMENTS**  
**June 30, 2022**

**WINE TO WATER**  
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**WINE TO WATER**  
**SCHEDULE OF OFFICERS AND DIRECTORS**  
**June 30, 2022**

| <b>Name</b>           | <b>Title</b>      |
|-----------------------|-------------------|
| Dickson (Doc) Hendley | Founder/President |
| Kristine Davis        | Board Chair       |
| Youssef B'Lal         | Board Member      |
| David Cuthbert        | Board Member      |
| Brent Fewell          | Board Member      |
| Monica Fisher         | Board Member      |
| Dr. John Halamka      | Board Member      |
| Fonda Hopkins         | Board Member      |
| Lindsey Ueberroth     | Board Member      |
| Tim Ogden             | Board Member      |
| Rennik Soholt         | Board Member      |

**DAVID M. ELLIS**

**Certified Public Accountant**  
**Member, American Institute of**  
**Certified Public Accountants**

**Member, Tennessee Society of**  
**Certified Public Accountants**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Wine To Water  
Boone, North Carolina 28607

**Report on the Audit of the Financial Statements**

**Opinion**

I have audited the accompanying financial statements of Wine To Water (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wine To Water as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Wine To Water and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Wine To Water'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**

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- 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 Wine To Water'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wine To Water's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

#### **Other Matters**

#### ***Other Information***

The Schedule of Officers and Directors on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.



David M. Ellis, CPA  
Greeneville, Tennessee  
August 31, 2022

**WINE TO WATER**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2022**

ASSETS

Current Assets

|                           |              |              |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | \$ 1,234,461 |              |
| Cash reserve              | 113,014      |              |
| Accounts receivable       | 121,203      |              |
| Inventory                 | 637,537      |              |
| Prepaid expenses          | 24,080       |              |
| Employee advances         | 2,522        |              |
| Total Current Assets      |              | \$ 2,132,817 |

Property and Equipment

|                                |           |           |
|--------------------------------|-----------|-----------|
| Building and improvements      | 2,429,865 |           |
| Computers & office equipment   | 60,076    |           |
| Furniture and fixtures         | 18,289    |           |
| Land                           | 931,000   |           |
| Less: Accumulated depreciation | (252,191) |           |
| Net Property and Equipment     |           | 3,187,039 |

|              |  |              |
|--------------|--|--------------|
| Total Assets |  | \$ 5,319,856 |
|--------------|--|--------------|

LIABILITIES AND NET ASSETS

Current Liabilities

|                                      |        |         |
|--------------------------------------|--------|---------|
| Accounts payable                     | 87,857 |         |
| Accrued interest                     | 8,623  |         |
| Current maturities of long-term debt | 91,718 |         |
| Total Current Liabilities            |        | 188,198 |

Long-Term Liabilities

|                             |           |           |
|-----------------------------|-----------|-----------|
| Note payable                | 149,900   |           |
| Mortgage payable            | 2,539,788 |           |
| Total Long-Term Liabilities |           | 2,689,688 |

|                   |  |           |
|-------------------|--|-----------|
| Total Liabilities |  | 2,877,886 |
|-------------------|--|-----------|

Net Assets

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Net assets with donor restrictions    | 62,603    |           |
| Net assets without donor restrictions | 2,379,367 |           |
| Total Net Assets                      |           | 2,441,970 |

|                                  |  |              |
|----------------------------------|--|--------------|
| Total Liabilities and Net Assets |  | \$ 5,319,856 |
|----------------------------------|--|--------------|

The accompanying notes are an integral part of the financial statements.

**WINE TO WATER**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2022**

|                                       | Net assets<br>without donor<br>restrictions | Net assets<br>with donor<br>restrictions | Total        |
|---------------------------------------|---|--|--------------|
| <b>SUPPORT AND REVENUE</b>            |   |  |              |
| Contribution revenue                  | \$ 3,218,903                                | \$ 192,500                               | \$ 3,411,403 |
| Program revenue                       | 1,205,534                                   | -  | 1,205,534    |
| Rental revenue                        | 72,428                                      | -  | 72,428       |
| Gifts-in-kind                         | 648,293                                     | -  | 648,293      |
| Interest income                       | 147   |  | 147          |
| Merchandise and books                 | 7,723                                       |  | 7,723        |
| Net Assets released from restrictions | 129,897                                     | (129,897)                                | -            |
| Total Support and Revenue             | 5,282,925                                   | 62,603                                   | 5,345,528    |
| <b>EXPENSES</b>                       |   |  |              |
| Program Service                       |   |  |              |
| Water program                         | 3,059,609                                   | -  | 3,059,609    |
| Support Services                      |   |  |              |
| General and Administrative            | 375,327                                     | -  | 375,327      |
| Fundraising                           | 345,339                                     | -  | 345,339      |
| Total Expenses                        | 3,780,275                                   | -  | 3,780,275    |
| Change in Net Assets                  | 1,502,650                                   | 62,603                                   | 1,565,253    |
| NET ASSETS - Beginning of Year        | 876,717                                     | -  | 876,717      |
| NET ASSETS - End of Year              | \$ 2,379,367                                | \$ 62,603                                | \$ 2,441,970 |

The accompanying notes are an integral part of the financial statements.

**WINE TO WATER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2022**

|                      | Program<br>Services | Support Services              |                   | Total               |
|----------------------|---------------------|-------------------------------|-------------------|---------------------|
|                      | Water<br>Program    | General and<br>Administrative | Fundraising       |                     |
| Grant expenses       | \$ 532,545          | \$ -                          | \$ -              | \$ 532,545          |
| Direct program costs | 1,102,269           | 17,391                        | 7,712             | 1,127,372           |
| Freight              | 110,745             | -                             | 111               | 110,856             |
| Salaries and wages   | 954,036             | 166,568                       | 225,952           | 1,346,556           |
| Contract labor       | 13,534              | 2,363                         | 3,205             | 19,102              |
| Professional fees    | 10,530              | 16,410                        | 3,370             | 30,310              |
| Marketing            | 80,538              | 414                           | 18,499            | 99,451              |
| Office               | 64,995              | 65,417                        | 66,928            | 197,340             |
| Miscellaneous        | 5,518               | 3,790                         | -                 | 9,308               |
| Travel               | 119,601             | 8,495                         | 7,374             | 135,470             |
| Depreciation         | 28,482              | 19,196                        | 5,919             | 53,597              |
| Interest             | 17,326              | 39,115                        | 3,503             | 59,944              |
| Insurance            | 5,698               | 2,781                         | -                 | 8,479               |
| Real estate tax      | 3,073               | 6,788                         | 383               | 10,244              |
| Penalties            | 9,588               | 23,792                        | 2,131             | 35,511              |
| Fees                 | 1,131               | 2,807                         | 252               | 4,190               |
|                      | <u>\$ 3,059,609</u> | <u>\$ 375,327</u>             | <u>\$ 345,339</u> | <u>\$ 3,780,275</u> |

The accompanying notes are an integral part of the financial statements.



**WINE TO WATER**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2022**

|   |                          |
|---|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |
| Change in Net Assets  | \$ 1,565,253             |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                          |
| Depreciation expense  | 53,597                   |
| (Increase) Decrease in operating activities:  |                          |
| Accounts receivable   | (2,026)                  |
| Inventory   | (469,850)                |
| Prepaid expenses  | 11,714                   |
| Employee advances   | (2,522)                  |
| Increase (Decrease) in operating activities:  |                          |
| Accounts payable  | 31,800                   |
| Accrued interest  | 1,270                    |
|   | <hr/>                    |
| Net Cash Flows from Operating Activities  | 1,189,236                |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |
| Purchases of property and equipment   | <hr/> (1,902,504)        |
| Net Cash Flows from Investing Activities  | (1,902,504)              |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                          |
| New mortgages   | 2,643,500                |
| Payments on mortgage  | <hr/> (1,235,613)        |
| Net Cash Flows from Financing Activities  | 1,407,887                |
| Net Decrease in Cash and Cash Equivalents   | 694,619                  |
| CASH, CASH EQUIVALENTS, AND CASH RESERVE - Beginning of Year  | <hr/> 652,856            |
| CASH, CASH EQUIVALENTS, AND CASH RESERVE - End of Year  | <hr/> <hr/> \$ 1,347,475 |
| <br>Supplemental disclosure of cash flow information  |                          |
| Cash paid for interest  | \$ 60,044                |

The accompanying notes are an integral part of the financial statements.

**WINE TO WATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 1 – ORGANIZATION**

**Nature of Activities**

Wine To Water (“the Organization”) was organized in 2007 as a not-for-profit 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 Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

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 diminishments 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. As of June 30, 2022, there were \$62,603 of donor restrictions.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**WINE TO WATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**Accounts Receivable**

The Organization records accounts receivable at total unpaid balances for water filter builds and Global Experience trips, which approximates estimated fair value. As of June 30, 2022, the Organization has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the Statement of Activities in the period in which it occurs.

**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. Additions and betterments of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. 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.

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 current year.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Revenues related to programs, conferences, and workshops are recognized when the event is held, at the time that all performance obligations are met. Grants and sponsorships that are received prior to recognition are recorded as deferred revenue.

**Revenue with and without Donor Restrictions**

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

**WINE TO WATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**Promises to Give**

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. Conditional promises to give are not recognized in the financial statements until they become unconditional, that is, when the conditions on which they depend are met.

**Deferred Revenue**

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

**Donated Goods and Services**

Donated services, when significant and measurable as to value, are reflected in the Statement of Activities 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 criteria, as stated by generally accepted accounting principles, were not met. The Organization received donated goods valued based at fair market value at the date of the contribution. This estimated amount was \$614,585, of which \$600,000 was for a parcel of land for the year ended June 30, 2022. The Organization also received an estimated value of \$442,793 of donated assembled water filters and \$205,500 for projects for the year ended June 30, 2022.

**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. This rental income is considered unrelated business taxable income.

**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 are 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 Allocation 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.

**WINE TO WATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 3 – PROGRAM SERVICES**

**International WASH Programs**

Currently, Wine To Water has four international offices in Colombia, The Dominican Republic, East Africa, and Nepal. This means that, in each of these regions, 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 Colombia, The Dominican Republic, East Africa, and Nepal, Wine To Water is constantly branching into new territories through organizational partnerships and disaster relief preparedness.

**Nepal**

This year, Wine To Water Nepal implemented its community WASH program in 21 communities providing 776 Sawyer filters, 600 handwashing stations, and 5 Community Water Access systems serving 8,981 individuals. W|W Nepal's Water4Schools partnered with 18 schools to provide 2,510 students and teachers with 52 Sawyer Filters and 20 WASH education trainings. W|W worked in 1 healthcare facility and provided 6 Sawyer filters to support 117 patients and medical staff. In total, 11,648 lives were impacted by the Organization's programs.

**Dominican Republic**

This year, Wine To Water Dominican Republic partnered with 32 communities with its filter distribution program providing 851 ceramic filters, 200 Sawyer filters, 32 handwashing stations, and 734 PPE kits to 6,312 individuals. The team supported 55 schools with 13 ceramic filters, 106 handwashing stations, 309 PPE kits, and 48 WASH education trainings to help reduce the spread of disease for 7,744 students and teachers. Wine To Water Dominican Republic partnered with 16 local healthcare providers to install 1 handwashing station and distribute 2,160 PPE kits, impacting 2,260 patients and medical staff. In total, 17,492 lives were impacted by the Organization's programs.

**Colombia**

This year, Wine To Water Colombia provided 2 communities of 294 people with access to water by drilling a new well and building a community water system, or a piped network with water taps in each home. The team also ensured that 7 communities had access to clean water by distributing 84 Sawyer filters, impacting 502 individuals. In total, 1,048 lives were impacted by the Organization's programs.

**East Africa**

**Tanzania**

This year, Wine To Water Tanzania partnered with 11 Masaai and other local communities to support 29,350 individuals with 446 ceramic filters, 4

**WINE TO WATER**  
**NOTES TO FINANCIAL STATEMENTS**  
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new wells, and 1 community water system. The Tanzania team also worked in 15 schools to implement 18 ceramic filters, 15 handwashing stations, and WASH education trainings impacted 11,340 students and teachers. In total, 41,308 lives were impacted by the Organization's programs.

**Kenya**

This year, Wine To Water Kenya worked with schools to provide reliable water access systems. The team implemented 4 rainwater harvesting systems in 4 schools, which collectively include 16,000 liters of water capacity tanks and 16 handwashing taps. In total, 2,069 students and teachers were impacted by Wine To Water Kenya's Water4School program.

**Navajo Nation**

This year, Wine To Water completed the Indigenous Peoples and Nations Program pilot. This pilot site for this program was located within Monument Valley, Navajo Nation, where water access is extremely scarce. Site preparations were made for the second phase of the pilot program, resulting in the successful rehabilitation of 3 seep well systems. This water access project greatly reduced the burden that local people have of driving long distances for water. Wine to Water is assessing future projects at this time.

**Global Impact Partners**

Wine To Water partners with other local organizations around the world to expand our capacity to provide clean water to those in need. This year, 14 global partners were equipped with 20,729 Sawyer filters and 100 PPE kits, impacting 217,540 individuals in 16 countries and contributing to Wine To Water's Global Response Network.

**Emergency Response**

Wine To Water's Global Response Network is composed of passionate partner organizations that are committed to reducing the suffering during disasters and emergencies through the provision of WASH services. W|W responded to 6 major disasters in 7 countries with 17,439 Sawyer filters, 50 Ceramic filters, 600 handwashing stations, and 100 PPE kits supporting 171,116 individuals. Wine To Water and its partners distributed 850 filters to families in need in the wake of the 2021 Earthquake in Haiti and 700 Sawyer filters and 100 relief packs in response to the damage caused by Hurricane Ida in Louisiana. Wine To Water distributed 800 Sawyer filters through partners after Super Typhoon Rai hit the Philippines and 180 filters to families affected by monsoon flooding in Nepal.

Wine To Water's largest Emergency Response efforts this year were focused on the conflict in Ukraine. Through the hard work of W|W staff and 6 partners, the organization was able to distribute 13,563 Sawyer filters to refugee families on the border and within the country of Ukraine, impacting over 135,900 individuals in need of clean drinking water.

**WINE TO WATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 4 – LIQUIDITY AND AVAILABILITY**

The following reflects the Organization’s financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

Financial assets at year-end:

|   |                            |
|---|----------------------------|
| Cash & cash equivalents   | \$ 1,234,461               |
| Cash reserve  | 113,014                    |
| Accounts receivable   | <u>121,203</u>             |
| <br>  |                            |
| Total financial assets  | 1,468,678                  |
| <br>  |                            |
| Less amounts not available to be used within one year:                                    | <u>-</u>                   |
| <br>  |                            |
| Financial assets available to meet cash needs for<br>general expenditures within one year | <u><u>\$ 1,468,678</u></u> |

As part of the Organization’s liquidity management plan, cash in excess of daily requirements is invested in a money market fund. Occasionally, the Board designates a portion of any operating surplus to a “cash reserve,” which was \$113,014 as of June 30, 2022. This reserve was established by the Board to continue to build up and maintain an estimated six months’ worth of monthly operating expenses (salaries, mortgage, utilities, etc.) and may be drawn upon, if necessary, to meet unexpected liquidity needs.

Additionally, the Organization maintains a \$75,000 line of credit, as discussed in more detail in Note 9. As of June 30, 2022, \$75,000 remained available on the line of credit.

**NOTE 5 – 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) insures up to \$250,000 per depositor, per bank, per ownership category. The Organization exceeded these limits by \$584,875 as of June 30, 2022.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

**WINE TO WATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

|                              | Cost         | Accumulated<br>Depreciation |
|------------------------------|--------------|-----------------------------|
| Buildings & improvements     | \$ 2,429,865 | \$ 199,040                  |
| Computers & office equipment | 60,076       | 43,375                      |
| Furniture & fixtures         | 18,289       | 9,776                       |
| Land                         | 931,000      | -                           |
|                              | \$ 3,439,230 | \$ 252,191                  |

Depreciation charged to expense for the year ended June 30, 2022 was \$53,597.

**NOTE 7 – INVENTORY**

The Organization has three major inventory classes for water filters based on their phase of development – unassembled inventory, filters at builds, and assembled inventory. The water filter inventory is used in connection with the Organization’s Filter Builds & Awareness projects. During the year ending June 30, 2022, management reorganized water filters inventory to include filters at builds, which represents unassembled filters that have been purchased by outside individuals or businesses to put together and send back to Wine To Water assembled. The following is a summary of inventory as of June 30, 2022:

|                       |            |
|-----------------------|------------|
| Unassembled inventory | \$ 131,556 |
| Filters at builds     | 56,088     |
| Assembled inventory   | 449,893    |
|                       | \$ 637,537 |

**NOTE 8 – RETIREMENT CONTRIBUTION PLAN**

Effective January 1, 2020, the Organization adopted the ADP TotalSource Retirement Savings Plan, a multiple employer defined contribution plan. The Organization matches participants’ contributions to the plan up to 2% of the eligible employee’s compensation. During the year ended June 30, 2022, the Organization made retirement contributions in the amount of \$15,202.

**NOTE 9 – DEBT**

**Revolving Line of Credit**

The Organization secured 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 .5% or 5.5%. For the year ended June 30, 2022, the outstanding balance related to the line of credit was \$0, but the line of credit remains available upon request.



**WINE TO WATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**Notes Payable**

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 are due on the 5<sup>th</sup> day of each month. The loan was paid in full on April 21, 2022.

On March 30, 2022, Wine to Water entered into a mortgage agreement with First Horizon Bank in the amount of \$1,643,500 for the purchase of property located at 747 W King Street in Boone, NC. The loan bears interest at a rate of 3.5% per annum. Monthly payments of \$9,575 are due on the 13<sup>th</sup> day of each month. The outstanding balance of the loan at June 30, 2022 was \$1,634,082.

On May 13, 2022, Wine to Water entered into a mortgage agreement with First Horizon Bank in the amount of \$1,000,000 for the purchase of property located at 671 George Wilson Road in Boone, NC. The loan bears interest at a rate of 4.22% per annum. Monthly payments of \$6,210 are due on the 13<sup>th</sup> day of each month. The outstanding balance of the loan at June 30, 2022 was \$997,424.

The future scheduled maturities of the mortgage payable are as follows:

| <u>Years Ending June 30:</u> | <u>Principal Due</u> |
|------------------------------|----------------------|
| 2023                         | 91,718               |
| 2024                         | 95,226               |
| 2025                         | 98,870               |
| 2026                         | 102,655              |
| 2027                         | 106,585              |
| 2028-2032                    | 597,420              |
| 2033-2037                    | 721,171              |
| 2038-2042                    | <u>817,861</u>       |
| Total Mortgage Payable       | <u>\$ 2,631,506</u>  |

In a prior year, the Organization was approved to receive Economic Injury Disaster Loan (EIDL) funds totaling \$160,000. \$10,000 was received as a Covid-19 Targeted EIDL Advance, for which there was no obligation to repay. The remaining \$150,000 (less \$100 of filing fees) is to be repaid over 30 years. In March 2021, the U.S. Small Business Administration extended the deferment period for the Covid-19 EIDL program to 24 months from the date of the note. Interest on the note continues to accrue during the deferment period at a rate of 2.75%. Payments of principal and interest have not begun yet. At June 30, 2022, the principal balance on the loan was \$149,900. A 5-year schedule of long-term maturities is not yet determinable for this note.

Total interest expense for the current year was \$60,044. Accrued interest as of June 30, 2022 was \$8,623.

**WINE TO WATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 10 – OPERATING LEASE**

On March 13, 2017, the Organization entered into a commercial triple net lease agreement with Ransom, Inc. (Lessee) for use of restaurant/retail space and basement space in its building. On July 1, 2019, the terms of the lease were amended with a start date of July 1, 2019 through June 30, 2022. The Lessee agreed to make payments in the amount of \$7,500, payable on the first day of every month. On June 1, 2020, due to the impact of Covid-19 on the Lessee, the terms were amended to decrease rent to \$5,000 per month for six months. Due to change in management, the decreased rent was unofficially extended until a lease addendum was made on January 26, 2022, stating that rent would increase by \$500 each quarter beginning March 31, 2022, until returning to the originally agreed upon amount of \$7,500 per month.

Future minimum operating lease payments through the duration of the current lease are \$81,000 for the term ending June 30, 2025.

| Years ending June 30: |                          |
|-----------------------|--------------------------|
| 2023                  | 81,000                   |
| 2024                  | 90,000                   |
| 2025                  | <u>92,700</u>            |
|                       | <u><u>\$ 263,700</u></u> |

On May 13th, 2022, the Organization purchased a warehouse property in Boone and entered a new lease agreement with Consolidated Electrical Distributors at a monthly payment amount of \$7,000 with the 1st month's rent prorated. Rental expense in the current year was \$72,428.

Future minimum operating lease payments through the duration of the current lease are \$84,000 for the term ending August 31, 2026.

| Years ending June 30: |                          |
|-----------------------|--------------------------|
| 2023                  | 84,000                   |
| 2024                  | 84,000                   |
| 2025                  | 84,000                   |
| 2026                  | <u>14,000</u>            |
|                       | <u><u>\$ 266,000</u></u> |

**NOTE 11 – UNRELATED BUSINESS INCOME**

The Organization receives rental income from the operating lease detailed in Note 10. This income is considered unrelated business income. Certain costs are allowed to offset rental income on Form 990-T. For the year ending June 30, 2022, allowable costs exceeded revenues, and there was no unrelated business taxable income. This excess loss will be carried forward to future periods and will result in a loss carryover on next year's return.

**WINE TO WATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through August 31, 2022, which is the date the financial statements were available to be issued.