WATER4, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018

WITH

INDEPENDENT AUDITOR'S REPORT

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Water4, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Water4, Inc. and its subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated the financial statements (collectively, 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.

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 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 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 appropriated 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 the Organization as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hogan Taylor LLP

Oklahoma City, Oklahoma
November 20, 2020

WATER4, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 3,076,047	$ 2,697,345
Contributions receivable	249,881	499,277
Other receivables	2,015	2,765
Prepaid expenses	52,093	17,873
Inventory	209,065	217,499
Note receivable	-	210,792
Property and equipment, net	765,561	662,559
Total assets	$ 4,354,662	$ 4,308,110
Liabilities and Net Assets		
Accounts payable	$ 83,587	$ 100,587
Payroll related liabilities	62,484	18,604
Total liabilities	146,071	119,191
Net assets:		
Without donor restriction	3,851,408	3,491,646
With donor restriction	357,183	697,273
Total net assets	4,208,591	4,188,919
Total liabilities and net assets	$ 4,354,662	$ 4,308,110

See notes to consolidated financial statements.

WATER4, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions	$ 5,723,466	$ 176,184	$ 5,899,650
Interest income	14,152	-	14,152
Other income	39,689	-	39,689
Net assets released from restrictions	516,274	(516,274)	-
Total revenues, gains and other support	6,293,581	(340,090)	5,953,491
Expenses			
Program	4,583,798	-	4,583,798
Management and general	369,573	-	369,573
Fundraising	980,448	-	980,448
Total expenses	5,933,819	-	5,933,819
Change in net assets	359,762	(340,090)	19,672
Net assets, beginning of year	3,491,646	697,273	4,188,919
Net assets, end of year	$ 3,851,408	$ 357,183	$ 4,208,591

WATER4, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions	$ 5,575,850	$ 687,858	$ 6,263,708
Fundraising events, net of direct costs of $308,207	170,497	-	170,497
Interest income	20,644	-	20,644
Other income	7,719	-	7,719
Net assets released from restrictions	266,838	(266,838)	-
Total revenues, gains and other support	6,041,548	421,020	6,462,568
Expenses			
Program	4,712,822	-	4,712,822
Management and general	400,756	-	400,756
Fundraising	1,021,240	-	1,021,240
Total expenses	6,134,818	-	6,134,818
Change in net assets	(93,270)	421,020	327,750
Net assets, beginning of year	3,584,916	276,253	3,861,169
Net assets, end of year	$ 3,491,646	$ 697,273	$ 4,188,919

See notes to consolidated financial statements.

WATER4, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	Program	Management and General	Fundraising	Total
Salaries, payroll taxes and benefits	$ 1,119,179	$ 215,247	$ 672,658	$ 2,007,084
Water well cost of supplies, support and training	2,834,666	-	-	2,834,666
Water well research and development	187,271	-	-	187,271
Memberships and subscriptions	9,711	3,159	193	13,063
Continuing education	35,799	1,631	2,599	40,029
Office	4,087	7,437	1,134	12,658
Postage, shipping and freight	2,794	719	20,153	23,666
Insurance	8,427	4,228	-	12,655
Professional and other fees	11,961	79,869	12,825	104,655
Maintenance	11,372	2,843	-	14,215
Marketing and advertising	1,648	3,114	59,382	64,144
Supplies	22,378	17,584	2,417	42,379
Software	7,023	4,384	12,928	24,335
Telephone	-	5,305	1,861	7,166
Travel	137,238	12,870	34,040	184,148
Utilities	13,347	3,337	-	16,684
Vehicle	890	315	740	1,945
Website	107,107	-	30,003	137,110
Depreciation	66,950	4,630	-	71,580
Other	1,950	2,901	129,515	134,366
Total expenses	$ 4,583,798	$ 369,573	$ 980,448	$ 5,933,819

WATER4, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

	Program	Management and General	Fundraising	Total
Salaries, payroll taxes and benefits	$ 685,878	$ 235,947	$ 755,693	$ 1,677,518
Water well cost of supplies, support and training	3,388,092	-	-	3,388,092
Water well research and development	240,273	-	-	240,273
Production management fee	111,193	-	-	111,193
Memberships and subscriptions	275	5,379	1,653	7,307
Continuing education	10,488	9,720	10,333	30,541
Office	22,215	5,554	-	27,769
Postage, shipping and freight	7,337	610	10,103	18,050
Insurance	14,649	3,662	-	18,311
Professional and other fees	8,210	69,834	489	78,533
Maintenance	34,725	8,681	-	43,406
Marketing and advertising	16,765	-	102,626	119,391
Supplies	13,080	18,635	10,562	42,277
Software	6,967	4,443	7,023	18,433
Telephone	4,993	6,814	3,585	15,392
Travel	110,216	22,608	53,688	186,512
Utilities	15,033	3,758	-	18,791
Vehicle	768	535	675	1,978
Website	5,957	-	46,103	52,060
Depreciation	13,928	3,482	-	17,410
Other	1,780	1,094	18,707	21,581
Total expenses	$ 4,712,822	$ 400,756	$ 1,021,240	$ 6,134,818

WATER4, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 19,672	$ 327,750
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	71,580	17,410
Net deficit from acquisition of Access Development	6,341	-
Change in operating assets and liabilities:		
Decrease (increase) in contributions receivable	249,396	(276,877)
Decrease (increase) in other receivables	750	(731)
Decrease (increase) in prepaid expenses	(34,220)	98,298
Decrease in inventory	8,434	162,564
Decrease in accounts payable	(17,000)	(503,090)
Increase (decrease) in payroll related liabilities	43,880	(135,308)
Net cash provided by (used in) operating activities	348,833	(309,984)
Cash Flows from Investing Activities		
Net cash received in acquisition of Access Development	29,869	-
Purchases of property and equipment	-	(57,460)
Payments received on note receivable	-	41,124
Net cash provided by (used in) investing activities	29,869	(16,336)
Net decrease in cash and cash equivalents	378,702	(326,320)
Cash and cash equivalents, beginning of year	2,697,345	3,023,665
Cash and cash equivalents, end of year	$ 3,076,047	$ 2,697,345
Supplemental Disclosure of Non-Cash Investing Activities:		
Property and equipment from Access Development acquisition	$ 174,582	$ -

See notes to consolidated financial statements.

Note 1 – Nature of Organization and Activities

Water4, Inc. (Water4) is a nonprofit organization incorporated in Oklahoma in 2008 for the purpose of eradicating the world water crisis through faith, empowerment, entrepreneurship and technology. Water4 focuses on equipping and empowering organizations that seek to combat their water crisis through local people with the combination of technology and behavioral change. The resulting implementation is carried out through Water4's provision of equipment, materials, installation, training, and support of sustainable and reproducible methods to locate and access safe water for both personal and agricultural uses of at-risk populations in impoverished areas around the world. Water4's business model is to partner with locally owned businesses to empower the people affected by the water crisis to be the same people who solve the water crisis. While Water4 is active in multiple countries, its primary operations are within Africa.

Note 2 – Summary of Significant Accounting Policies

<u>Basis of presentation</u>

Entities in which the Organization has a relationship that meet the consolidation criteria defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-810, *Consolidations*, are included in the accompanying consolidated financial statements (the financial statements), if material. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States using the accrual basis of accounting.

These financial statements include the accounts of Water4 and its wholly owned subsidiary, Access Development LLC (Access Development). Access Development serves as a holding company for the following wholly owned subsidiaries: Access Development Ltd., Access Development Water Services Ltd., Access Development Burkina Faso, Access Development Ltd - Ethiopia, Access Development Niger SARL, and Access Development Mali. Access Development Ltd. and Access Development Water Services Ltd. are domiciled in Ghana.

All of the above are collectively referred to herein as Water4 or the Organization. All significant intercompany balances and transactions have been eliminated in consolidation.

<u>Net assets</u>

The Organization reports information regarding its financial position and change in net assets according to two classes of net assets based on the existence or absence of donor-imposed restrictions, as follows:

Without donor restrictions – Net assets without donor restrictions include all resources that are expendable at the discretion of the Board of Directors (Board) and/or management for general operating purposes or Organization's programs. From time to time the Board may designate a portion of these net assets for specific purposes which make them unavailable for use at management's discretion. There were no such Board designations for the years ended December 31, 2019 or 2018.

With donor restrictions – Net assets with donor restrictions consist of resources whose use is limited by donor-imposed time and/or purpose restrictions. The Organization's donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, the net assets are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions. Contributions with restrictions that are fulfilled in the same time period in which the contribution is received are recorded as contributions without donor restrictions in the statement of activities. For the years ended December 31, 2019 and 2018, the Organization had no endowments or donor-imposed restrictions that were perpetual in nature. See Note 9 for more information on the composition of net assets with donor restrictions.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Foreign currency translation adjustments

The United States dollar is the functional currency for the Organization's consolidated operations except for its international subsidiaries. Access Development Ltd. and Access Development Water Services Ltd. use the Ghanaian cedi as their functional currency. Access Development Burkina Faso uses the West African CFA franc as its functional currency. Assets and liabilities of these subsidiaries are converted to United States dollars using the applicable exchange rate as of the end of the reporting period. Revenues, expenses, and cash flows are converted using an average exchange rate during the reporting period. Translation adjustments, which are not material, are included in the consolidated statements of activities within other expenses.

Cash and cash equivalents

The amount of cash maintained in banks is typically in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000. To date, the Organization has not experienced any losses on these accounts and believes it is not exposed to any significant credit risk on cash held in such institutions. At December 31, 2019, the Organization held $51,410, in foreign bank accounts not covered by the FDIC. At December 30, 2018, The Organization did not have any bank accounts in foreign countries. Highly liquid investments with original maturities of three months or less are considered to be cash equivalents. The Organization did not hold any cash equivalents at December 31, 2019. Cash equivalents totaled approximately $1,603,000 at December 31, 2018.

Contributions receivable

Contributions receivable with expected collections greater than one year are recorded at their net present value. Receivables are evaluated on an individual basis for collectibility. The Organization's periodic assessment of contributions receivable and credit loss provisions are based on management's best estimates of contributions which may not be recoverable. Receivables are written off when deemed uncollectible. At December 31, 2019, management believes that all amounts will be collected in full, and no allowance for doubtful accounts has been established.

Inventory

Inventory is recorded at the lower of cost or net realizable value and is comprised primarily of finished goods and raw materials for the construction of drilling equipment. A loss is recognized for the decrease in value of any slow-moving inventory. For the years ended December 31, 2019 and 2018, management determined that no allowance for obsolescence was necessary.

Property and equipment

Property and equipment is carried at cost or, if donated, at fair value at the date of donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 39 years. Expenditures for betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation charged to operations was $71,580 and $17,410 in 2019 and 2018, respectively.

Gifts of property are presented as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Property donated with restrictions regarding their use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations as to how long these assets must be maintained, when the asset is either received or acquired, a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time.

Revenue recognition

The Organization's revenues are primarily derived from contributions. Contributions, including unconditional promises to give, are recognized as revenue when the donor's unconditional commitment is received. Gifts of cash and other assets received are reported as restricted support if they are received with donor-imposed stipulations that limit the use of the donated assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed materials are recorded at fair value at the time of donation, and contributed services are recorded at the fair value of the services, provided they create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills which would typically be purchased if not provided by donation. Contributions recognized from donated materials and services totaled approximately $26,000 and $29,000 for 2019 and 2018, respectively.

Fundraising events

The Organization conducts an annual fundraising event in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of benefits provided at special events is measured at the actual cost to the Organization. The direct costs of the event, which ultimately benefit the donor rather than the Organization, are netted against related revenues in the statement of activities.

Functional allocation of expenses

The costs of program services and supporting activities are summarized in the statement of activities on a functional basis. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on the estimated cost attributable to each function. Salaries, payroll taxes and benefits expenses are allocated based upon management's best estimate of benefit provided to each area.

Additionally, occupancy expenses are allocated based upon the percentage of square footage of office space used by each program or supporting function. All other expenses with no direct association to a functional category are allocated based upon the estimated percentage of use by each program or supporting function.

Income taxes

Generally, the Organization is exempt from federal taxes on income related to its exempt purpose under the provisions of Internal Revenue Code (the Code) Section 501(c)(3). Additionally, the Organization has been determined not to be a private foundation under Section 509(a) of the Code. As long as the Organization complies with applicable regulations, it is not subject to income taxes.

The Organization is subject to federal income tax on any unrelated business taxable income, including taxable income of Access Development, a U.S. for-profit corporation subject to federal income taxes. Access Development has historically sustained tax operating losses which could generate a future income tax benefit. However, Access Development has recorded a valuation allowance to offset any asset for the income tax benefit since management has determined that it is more likely than not that the benefit will not be realized due to uncertainty with respect to future operating profits, if any. Accordingly, no provision for income taxes has been made in the financial statements.

Adoption of new accounting pronouncement

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The Organization adopted the new standard effective January 1, 2019, using a modified prospective basis, which had no impact on the financial statements.

Accounting pronouncement not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As deferred by ASU No. 2020-05, the standard is effective for the Organization for the year ending December 31, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. Management is currently evaluating the impact the standard will have on its financial statements and related disclosures; however, the Organization will apply the guidance using the cumulative effect transition method. The cumulative effect (if any) of applying the standard will be accounted for as an adjustment to the opening balance of net assets at the date of initial application.

Subsequent events

Management has evaluated subsequent events through November 20, 2020, the date which the financial statements were available to be issued. See Note 13.

Note 3 – Liquidity and Availability of Financial Assets

Water4's financial assets available for general expenditure within one year of the statement of financial position date are as follows at December 31, 2019:

Cash and cash equivalents	$ 3,076,047
Contributions receivable	249,881
Other receivables	2,015
Total financial assets available within one year	3,327,943
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose and time restrictions (see Note 9)	(357,183)
Total financial assets available to meet general expenditures within the next 12 months	$ 2,970,760

Water4 maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management actively monitors contributions, and management and the Board approve an annual budget to help manage liquidity needs. It is management's intent to achieve and maintain a minimum of six-month cash availability to cover daily operating and programmatic expenses. To help manage unanticipated liquidity needs, Water4 invests excess operating cash in cash equivalents.

Note 4 – Access Development Acquisition

Effective January 1, 2019, the sole member of Access Development transferred 100% of his membership interest in the entity to Water4 in a transaction accounted for as an acquisition. As a result, Water4 obtained a controlling financial interest through direct ownership of the for-profit entity. Accordingly, Water4 determined the consolidation criteria established under FASB Accounting Standards Codification 958-810, *Consolidations* had been met and, as such, the accounts of Access Development (including its wholly owned subsidiaries) are consolidated for the year ended December 31, 2019. Access Development is a for-profit entity that shares Water4's mission of eradicating the world water crisis. The acquisition provides Water4 an opportunity to enhance its ongoing business relationship with Access Development. Water4 intends to provide administrative and financial support to Access Development to continue its existing programs in foreign countries.

For consideration of $1, Water4 received cash of $29,869 and property and equipment with a net book value of $174,582. Water4 assumed liabilities of $210,792, which fully satisfied the related note receivable to Water4 (see Note 7). Management believes the carrying amounts of these acquired assets and liabilities approximates their fair values at January 1, 2019. The acquisition-date fair value of net assets acquired from Access Development resulted in a deficit of $6,341, which was recorded as a loss in the Organization's 2019 consolidated financial statement.

In August 2016, Water4 entered into consulting and vendor agreements with Access Development for assistance in developing, testing, designing, and manufacturing its uniquely designed water pumps, as well as supporting Water4's efforts to equip and train local nationals and its supporting nongovernmental organizations to locate and drill water wells. In 2018, Water4 paid Access Development production management fees of approximately $111,000 for services rendered. Total payments made to Access

Development totaled approximately $1,551,000, which represented approximately 33% of Water4's total program expenses for 2018. The Organization was Access Development's only substantial customer; accordingly, the entities are financially interrelated. For the year ended December 31, 2018, management determined that Water4 did not have a controlling financial interest through direct or indirect ownership of a majority voting interest in Access Development, nor was Water4 able to control the entity by other means. Accordingly, Access Development was not consolidated with Water4 as of and for the year ended December 31, 2018.

During the year ended December 31, 2019, Water4 made payments of $992,166 to Access Development for program expenses.

Note 5 – Related Party Transactions

Various members of Water4's Board of Directors contribute to Water4 either directly or through other organizations. Such contributions (and their percentage of total revenues) were approximately $3,550,000 (60%) and $2,530,000 (39%) for the years ended December 31, 2019 and 2018, respectively. Related party contributions included in contributions receivable at December 31, 2019 and 2018, were approximately $59,000 and $138,000 at December 31, 2019 and 2018, respectively.

In July 2018, Water4 received a $9,000,000 pledge from the corporation of a Board member. Water4 is eligible to collect up to $3,000,000 each year for three consecutive years, beginning in 2019. According to the terms of the pledge, $3,000,000 is conditional upon Water4 collecting matching funds of $1,000,000 for each of the three years. The remaining $6,000,000 was not subject to the match requirement; however, the entire $9,000,000 pledge is subject to certain additional donor-imposed conditions. The Organization did not meet these conditions for the year ended December 31, 2018. As such, no amount of this pledge was recognized in 2018. For the year ended December 31, 2019, the Organization met certain conditions and recognized approximately $2,900,000 from this pledge.

Note 6 – Collaborative Project

In June 2012, Water4 entered into a nonbinding Memorandum of Understanding (MOU) with World Vision, Inc. (World Vision) in a collaborative project to provide water, sanitation, and hygiene programs to approximately one million people in various countries in Africa over a five-year period, referred to as the Water4More program. A joint fundraising target of $20,000,000 was outlined in the MOU, with World Vision agreeing to match funds raised by Water4 for this program up to $10,000,000. Neither party was obligated to provide the full $10,000,000 in funding. Contributions received by Water4 designated for the Water4More program were sent to World Vision, which acted as the fiduciary agent for the project and controlled the flow of funds. Water4 acted as the technical and operational arm of the collaboration and requested funding from World Vision based on detailed budgets and action plans for each participating country.

In June 2018, based on periodic assessments to determine the feasibility of fundraising and program goals, Water4 and World Vision mutually agreed to cease funding the Water4More program. In 2018, Water4 recognized approximately $759,000 in contributions and programmatic expenses related to Water4More, of which $170,000 are recognized in contributions receivable in the accompanying December 31, 2018, statement of financial position. Since inception of the Water4More program, Water4 has recognized revenues and program expenses of approximately $9,814,000 related to the project.

Note 7 – Note Receivable

As a part of the Water4More collaborative project with World Vision (see Note 6), the parties elected to conduct drilling operations in Ethiopia. Ethiopian governmental regulations stipulate that any organization doing business in Ethiopia must be officially registered. The Organization, as a foreign nonprofit organization, was precluded under Ethiopian law from registering to do business in the country. Through its relationship with Access Development, Access Development, as a for-profit entity, registered with the country. An in-country investment of $500,000, in the form of cash or equipment, was also required for registration. In 2015, Water4 advanced $500,000 to Access Development to fund this investment requirement. The note bore interest at a variable rate and was scheduled to mature December 31, 2020. As of December 31, 2018, the outstanding balance of this note was approximately $211,000. In connection with its acquisition of controlling financial interest in Access Development effective January 1, 2019, this note was effectively cancelled (see Note 4.)

Note 8 – Property and Equipment

Property and equipment consist of the following at December 31:

	Estimated Useful Life	2019	2018
Land		$ 106,000	$ 106,000
Buildings and buildings improvements	39	652,517	652,517
Furniture, fixtures and equipment	5 - 7	191,992	40,957
Vehicles	5	205,528	7,700
Software	3	20,332	20,332
		1,176,369	827,506
Less accumulated depreciation		(410,808)	(164,947)
Total property and equipment, net		$ 765,561	$ 662,559

Note 9 – Restrictions on Net Assets

Net assets with donor restrictions consist of the following at December 31:

	2019	2018
Restricted by donor for specific country	$ 237,804	$ 215,746
Restricted by donor for specific project	119,379	481,527
Total net assets with donor restriction	$ 357,183	$ 697,273

Note 10 – Retirement Plan

Water4 maintains a Simple-IRA plan for its employees, who may participate in the plan subject to certain eligibility requirements. Water4 matches up to 3% of the employee's salary deferred by the employee. The cost to Water4 under this plan was approximately $41,000 and $40,000 for 2019 and 2018, respectively.

Note 11 – Concentrations

Contributions to Water4 are primarily from individuals and businesses in Oklahoma. As a result, support of Water4 is highly dependent upon the general economic conditions in the area. See Note 4 for concentrations of contributions received from related party contributors in 2019 and 2018. Management actively monitors contributions as part of its liquidity management policies (see Note 3) to determine the risk of near-term severe impact on the operations and mission of Water4 due to these concentrations.

Note 12 – Commitments and Contingencies

The Organization is involved in various legal matters arising in the ordinary course of business. After reviewing these matters with counsel, management does not believe that any resulting liability will be material to the financial statements taken as a whole.

Note 13 – Subsequent Events

In March 2020, the pandemic outbreak of a novel coronavirus known as COVID-19 began to spread throughout the United States and the world, resulting in emergency declarations by national, state and local governments and municipalities. As a result, many industries are experiencing disruption to business operations and reduced consumer spending. While the disruption is currently expected to be temporary, there is uncertainty surrounding the duration. Water4 acknowledges the continued spread of COVID-19 could potentially negatively impact contributions and other support as well as its operations and financial statements; however, any related financial impact cannot be reasonably estimated at this time.

In light of the uncertain impact of COVID-19, on April 11, 2020, Water4 received approximately $310,600 in funding from the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP). Under the SBA's most recent Interim Final Rules that govern the program, PPP loans are forgivable after twenty-four weeks, beginning on the date of loan origination, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The amount of forgiveness may be impacted by a decrease in full-time equivalents or compensation paid, as defined. While Water4 believes that its use of the loan proceeds will meet the conditions for full forgiveness of the loan, the amount and timing of forgiveness is uncertain at this time.