squarmilner

Certified Public Accountants
and Financial Advisors

The Thirst Project

Financial Statements

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Thirst Project

Report on the Financial Statements

We have audited the accompanying financial statements of The Thirst Project (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 The Thirst Project as of December 31, 2018, and the net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

SQUAR MILNER LLP

Squar Milner LLP

Los Angeles, California
April 7, 2020

THE THIRST PROJECT
STATEMENT OF FINANCIAL POSITION
December 31, 2018

		2018
ASSETS		
Current Assets		
Cash	$	180
Total current assets		180
Related Party Receivable		554,935
Property and Equipment, net		26,586
Other Assets		3,323
Total assets	$	585,024
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	$	5,000
Loans payable, current portion		12,498
Total current liabilities		17,498
Loans Payable, net of current portion		14,721
Total liabilities		32,219
Commitment and Contingencies		
Net Assets		
Without donor restrictions		552,805
Total liabilities and net assets	$	585,024

THE THIRST PROJECT
STATEMENT OF ACTIVITIES AND NET ASSETS
For the Year Ended December 31, 2018

	2018 Without Donor Restrictions
REVENUES	
Donations	$ 867,960
Donations from related party	181,272
Total revenues	1,049,232
FUNCTIONAL EXPENSES	
Program services	412,410
Fundraising services	1,370
Supporting services	54,618
Total functional expenses	468,398
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	580,834
NET ASSETS WITHOUT DONOR RESTRICTIONS-beginning of year	(28,029)
NET ASSETS WITHOUT DONOR RESTRICTIONS-end of year	$ 552,805

See accompanying independent auditor's report and notes to financial statements.

THE THIRST PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Fundraising Services	Supporting Services	Total
Administration Expenses	$ –	$ 395	$ 2,678	$ 3,073
Legal and Professional Fees	–	–	50,984	50,984
Staff Development	–	–	100	100
Taxes and Licenses	–	–	856	856
Marketing Expenses	375	975	–	1,350
Education- School Tour Expenses	2,395	–	–	2,395
Depreciation Expense	13,980	–	–	13,980
Water Project Expenses	395,660	–	–	395,660
Total functional expenses	$ 412,410	$ 1,370	$ 54,618	$ 468,398

THE THIRST PROJECT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

		2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets without donor restrictions	$	580,834
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation expense		13,980
(Increase) in:		
Related party receivable		(554,935)
(Decrease) in:		
Accrued expenses		(30,906)
Net cash provided by operating activities		8,973
CASH FLOWS FROM FINANCING ACTIVITY		
Payments on loan payable		(10,659)
Net cash used in financing activity		(10,659)
NET DECREASE IN CASH		(1,686)
CASH – beginning of year		1,866
CASH – end of year	$	180

See accompanying independent auditor's report and notes to financial statements.

1. NATURE OF ORGANIZATION

The Thirst Project (or the "Organization") is a 501(c)(3) nonprofit organization incorporated under the laws of the state of California on May 06, 2008. The Organization's mission is to raise awareness of the global water crisis and raise awareness through the implementation of programs aiming to provide practical solutions for developing nations and impoverished communities. The Organization has active projects to provide clean water to communities in Swaziland, Uganda and El Salvador.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented on the accrual basis of accounting following accounting guidance for not-for-profit entities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results can differ from those estimates.

Concentration of Credit Risk

The Thirst Project maintains its cash in bank deposit accounts; these balances may exceed federally insured limits at various times throughout the year. The Thirst Project has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash accounts and short-term investments with a maturity of three months or less to be cash equivalents. The Organization had no cash equivalents as of December 31, 2018.

Contributions and Deferred Income

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions. An allowance for doubtful accounts is provided for those promises that, in management's judgment, are doubtful as to collectability. As of December 31, 2018, there were not promises to give. For the year ended December 31, 2018, all contributions were treated as not having any donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in its programs. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts have not been met.

Related Party Receivables

Related party receivables are stated at net realizable value. The Organization does not maintain an allowance for doubtful accounts as it considers these receivables fully collectible. The Organization's related party, Legacy Youth Leadership, received donations for The Thirst Project throughout their outreach at different schools. The Organization with be collecting this receivable from Legacy Youth Leadership in 2020.

Property and Equipment

Property and equipment are recorded at historical cost if purchased or fair value if contributed, net of accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets on a straight-line basis over their useful lives, typically three to seven years.

Expenditures for repairs and maintenance are expensed when incurred.

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service ("IRS"). Management has analyzed the tax positions taken by the Organization, and has concluded as of December 31, 2018, there are no positions taken or expected to be taken that would require recognition of the liability (or asset) or disclosure in the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities

Net Assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Net Assets** (continued)*

- *Net Assets without Donor Restrictions* – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
- *Net Assets with Donor Restrictions:* Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

All net assets as of December 31, 2018 were considered to be net assets without donor restrictions.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To determine fair value, the Organization primarily utilizes reported market transactions and discounted cash flow analyses. The Organization utilizes the FASB's fair value model that establishes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy prioritizes the inputs to valuation techniques into three broad levels whereby the highest priority is given to Level 1 inputs and the lowest to Level 3 inputs.

The three broad categories are:

- *Level 1 –* Quoted prices in active markets for identical assets or liabilities.
- *Level 2 –* Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- *Level 3 –* Unobservable inputs for the asset or liability.

Where available, the Organization utilizes quoted market prices or observable inputs rather than unobservable inputs to determine fair value.

The carrying amounts of the Organization's financial instruments, including cash and cash equivalents, related party receivables, loans payables and accrued expenses approximate fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and the inclusion of a statement of functional expenses. The Organization adopted ASU 2016-14 on January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which changes the accounting for leases and requires expanded disclosures about leasing activities. This new guidance will require lessees to recognize a right of use asset and a lease liability at the commencement date for all leases with terms greater than twelve months. Accounting by lessors is largely unchanged. ASU 2016-02 is effective for fiscal periods beginning after December 15, 2020 and must be adopted using a modified retrospective approach. Early adoption is permitted. Management is currently evaluating the impact of this ASU on the Organization's statements of activities and financial position.

Subsequent Events

The Thirst Project has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2018 for items that should potentially be recognized or disclosed in these financial statements. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate financial impact on the Organization's future financial statements cannot be reasonably estimated at this time. However, the Organization does not expect that this matter will have a material negative impact on its operations, results of operation, and financial positon. The evaluation was conducted through April 07, 2020, the date these financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's primary source of liquidity is cash and cash equivalents.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows, which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for the year ended December 31, 2018.

As of December 31, 2018, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the statement of financial position date to meet general expenditures.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

		2018
Cash	$	180

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following as of December 31, 2018:

		2018
Property and equipment	$	69,903
Less: accumulated depreciation		(43,317)
Property and equipment, net	$	26,586

Depreciation expense for the year ended December 31, 2018 amounted to $13,980.

5. RELATED PARTY RECEIVABLE

The Organization's related party, Legacy Youth Leadership, received donations for The Thirst Project throughout their outreach at different schools. As such, the Organization recognized a receivable of $554,935, as of December 31, 2018. This receivable does not accrue interest and will be paid in full in 2020 and, therefore, is classified as a noncurrent asset.

6. ACCRUED EXPENSES

Accrued expenses consist of the Organization's credit card payable totaling $5,000 as of December 31, 2018.

7. LOANS PAYABLE

Loans payable consists of the amounts payable for the Organization's automobiles. As of December 31, 2018, the Organization has two payables totaling $27,219 for financed automobiles. The loans have an annual interest rate of 4.25% and have balances of $14,134 and $13,085 as of December 31, 2018. Principal payments for the loans are due according to the following:

Years Ending December 31		
2019	$	12,498
2020		12,498
2021		2,223
	$	27,219