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The Thirst Project

Financial Statements

December 31, 2020

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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, 2020, and the related statements of activities and 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, 2020 and change 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.

BAKER TILLY US, LLP

Baker Tilly US, LLP

Los Angeles, California
October 6, 2021

THE THIRST PROJECT
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current Assets	
Cash	$ 7,248
Total current assets	7,248
Related Party Receivable	713,086
Property and Equipment, net	687
Other Assets	3,323
Total assets	$ 724,344

LIABILITIES AND NET ASSETS

Current Liabilities	
Accrued expenses	$ 2
Total current liabilities	2
Net Assets	
Without donor restrictions	724,342
Total liabilities and net assets	$ 724,344

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

THE THIRST PROJECT
STATEMENT OF ACTIVITIES AND NET ASSETS
For the Year Ended December 31, 2020

		Without Donor Restrictions
REVENUES		
Donations	$	627,299
Donations from related party		10,866
Total revenues		638,165
FUNCTIONAL EXPENSES		
Program services		836,708
Supporting services		12,967
Total functional expenses		849,675
OTHER INCOME		1,834
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		(209,676)
NET ASSETS WITHOUT DONOR RESTRICTIONS - beginning of year		934,018
NET ASSETS WITHOUT DONOR RESTRICTIONS - end of year	$	724,342

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

THE THIRST PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services	Supporting Services	Total
Bank Charges and Finance Charges	$ –	$ 942	$ 942
Car Expenses	–	711	711
Depreciation Expense	3,213	–	3,213
Dues and Subscriptions	–	989	989
Legal and Professional Fees	57,806	10,250	68,056
Marketing	6,667	–	6,667
School Tours	273	–	273
Taxes and Licenses	–	75	75
Water Project Expenses	768,749	–	768,749
Total functional expenses	$ 836,708	$ 12,967	$ 849,675

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets without donor restrictions	$ (209,676)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:	
Gain on sale of property and equipment	(1,834)
Depreciation expense	3,213
Decrease in accrued expenses	(12)
Net cash used in operating activities	(208,309)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from related party	174,984
Proceeds from sale of property and equipment	5,800
Net cash provided by investing activities	180,784
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on capital lease	(7,262)
Net cash used in financing activities	(7,262)
NET DECREASE IN CASH	(34,787)
CASH – beginning of year	42,035
CASH – end of year	$ 7,248

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 6, 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, Kenya 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, 2020.

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, 2020, there were no promises to give. For the year ended December 31, 2020, 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 statement of activities and net assets 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 from donors and sponsors. The Organization will be collecting this receivable from Legacy Youth Leadership in 2025.

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, 2020, 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 statement of activities and net assets.

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, 2020 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 and accrued expenses approximate fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

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 12 months. Accounting by lessors is largely unchanged. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date for private entities by one year, making this change effective January 1, 2022. 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

Management has evaluated events that have occurred through October 6, 2021, the date on which the combined financial statements were available to be issued. The Company has concluded that no events have occurred subsequent to December 31, 2020 that require consideration as adjustments to or disclosure in its combined financial statements, other than those disclosed above.

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, 2020.

As of December 31, 2020, 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.

	2020
Cash	$ 7,248

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following as of December 31, 2020:

		2020
Property and equipment	$	7,500
Less: accumulated depreciation		(6,813)
Property and equipment, net	$	687

Depreciation expense for the year ended December 31, 2020 amounted to $3,213.

5. RELATED PARTY RECEIVABLE

The Organization's related party, Legacy Youth Leadership, received donations for The Thirst Project from donors and sponsors. As such, the Organization recognized a receivable of $713,086, as of December 31, 2020. This receivable does not accrue interest and will be paid in full in 2025 and, therefore, is classified as a noncurrent asset.

6. ACCRUED EXPENSES

Accrued expenses consist of the Organization's credit card payable totaling $2 as of December 31, 2020.