The Thirst Project

Financial Statements

December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Thirst Project

Opinion

We have audited the financial statements of The Thirst Project (the "Organization"), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities and net assets, functional expenses, and cash flows for the year ended December 31, 2021, and the related notes to the financial statements (the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the results of its operations 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated and combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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 GAAS 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 GAAS, we:

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

We are 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 we identified during the audit.

BAKER TILLY US, LLP

Baker Tilly US, LLP

Los Angeles, California
August 5, 2022

THE THIRST PROJECT
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Current Assets		
Cash	$	7,875
Notes receivable		1,500
Related party receivable, current		5,000
Total current assets		14,375
Related Party Receivable, net of current portion		703,551
Other Assets		3,073
Total assets	$	720,999

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	$	5,556
Total current liabilities		5,556
Net Assets		
Net assets without donor restrictions		715,443
Total liabilities and net assets	$	720,999

See accompanying independent auditors' report and notes to financial statements.

THE THIRST PROJECT
STATEMENT OF ACTIVITIES AND NET ASSETS
For the Year Ended December 31, 2021

	Without Donor Restrictions
REVENUES	
Donations	$ 1,086,963
In-Kind donations	4,180
Total revenues	1,091,143
FUNCTIONAL EXPENSES	
Program services	1,069,281
Supporting services	25,148
Fundraising services	5,613
Total functional expenses	1,100,042
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(8,899)
NET ASSETS WITHOUT DONOR RESTRICTIONS - beginning of year	724,342
NET ASSETS WITHOUT DONOR RESTRICTIONS - end of year	$ 715,443

See accompanying independent auditors' report and notes to financial statements.

THE THIRST PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services	Supporting Services	Fundraising Services	Total
Bank Charges and Finance Charges	$ –	$ 10,393	$ –	$ 10,393
Car Expenses	–	3,411	–	3,411
Depreciation Expense	687	–	–	687
Dues and Subscriptions	–	315	–	315
In Country Field Staff	111,281	–	–	111,281
Interest Expense	–	21	–	21
Legal and Professional Fees	–	11,008	–	11,008
Rent Expense	–	–	1,433	1,433
Parking Expense	–	–	1,200	1,200
Water Project Expenses	957,313	–	–	957,313
Website Expenses	–	–	2,980	2,980
Total functional expenses	$ 1,069,281	$ 25,148	$ 5,613	$ 1,100,042

 See accompanying independent auditors' report and notes to financial statements.

THE THIRST PROJECT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets without donor restrictions	$	(8,899)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation expense		687
Change in operating assets and liabilities:		
Related party receivable		4,535
Other assets		250
Accounts payable		5,556
Accrued expenses		(2)
Net cash provided by operating activities		2,127
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to employees on notes receivable		(1,500)
Net cash used in investing activities		(1,500)
NET INCREASE IN CASH		627
CASH – beginning of year		7,248
CASH – end of year	$	7,875

 See accompanying independent auditors' 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 6, 2008. The Organization's mission is to raise awareness of the global water crisis 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, 2021.

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, 2021, there were no promises to give. For the year ended December 31, 2021, all contributions were treated as not having any donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

The Organization may receive services without payment or compensation. Donated services are recognized as contributed if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the year ended December 31, 2021, the Organization recorded donated services that totaled $4,180, which are included in in-kind donations in the statement of activities.

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, 2021, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

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

- *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, 2021 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 August 5, 2022, the date on which the combined financial statements were available to be issued. The Organization has concluded that no events have occurred subsequent to December 31, 2021 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, 2021.

As of December 31, 2021, 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.

	2021
Cash	$ 7,875
Notes receivable	1,500
	$ 9,375

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following as of December 31, 2021:

	2021
Property and equipment	$ 7,500
Less: accumulated depreciation	7,500
Property and equipment, net	$ –

Depreciation expense for the year ended December 31, 2021 amounted to $687.

5. NOTE RECEIVABLE

The Organization has a note receivable with an employee for the amount of $1,500. The note bears interest of 0.13% per annum and is to be repaid in monthly installments of $501. The note matured on December 2021; however, the Organization extended the maturity date and it was paid in full in January 2022. As of December 31, 2021, the note receivable balance was $1,500.

6. 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 $708,551, as of December 31, 2021. This receivable does not accrue interest and $5,000 will be paid in 2022 and is classified as a current asset. The remaining balance of $703,551 will be paid in full in 2025 and, therefore, is classified as a noncurrent asset.

7. ACCOUNTS PAYABLE

Accounts payable for the year ended December 31, 2021 amounted to $5,556.