Audited Financial Statements

Well Aware, Inc.

For the Year Ended December 31, 2020
With Independent Auditor's Report

Well Aware, Inc.

Audited Financial Statements

For the Year Ended December 31, 2020

Contents

Reynolds & Franke, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
Well Aware, Inc.
Austin, Texas

Opinion

We have audited the accompanying financial statements of Well Aware, Inc. (the "Organization")(a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Well Aware, Inc. as of December 31, 2020, 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's 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 audit. 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 financial statements are available to be issued.

6850 Austin Center Blvd., Suite 100 • Austin, TX 78731-3184 • (512) 206-3141 • Fax (512) 206-3116
www.reynoldsfranke.com

Auditor's 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 auditor's 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 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, including omissions, 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, 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.

Reynolds & Franke, PC

Austin, Texas
January 19, 2022

Audited Financial Statements

Well Aware, Inc.

Statement of Financial Position

December 31, 2020

Assets		
Current Assets:		
Cash and cash equivalents	$	**339,602**
Accounts receivable		**1,103**
Prepaid expenses		**4,964**
Total current assets		**345,669**
Cash and cash equivalents with donor restrictions		**47,955**
Total assets	$	**393,624**
Liabilities and Net Assets		
Current Liabilities:		
Accrued liabilities	$	**31,851**
Deferred revenue		**500**
Note payable - current		**40,300**
Total current liabilities		**72,651**
Total liabilities		**72,651**
Net Assets		
Without donor restrictions		**273,018**
With donor restrictions		**47,955**
Total net assets		**320,973**
Total liabilities and net assets	$	**393,624**

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

Well Aware, Inc.

Statement of Activities

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	$ 438,307	$ 47,250	$ 485,557
Special events	417,082	-	417,082
In-kind contributions	151,523	-	151,523
Other income	204	-	204
Program related sales	40	-	40
Interest income	21	-	21
Total revenues and other support	1,007,177	47,250	1,054,427
Net assets released from donor restrictions	31,701	(31,701)	-
Total revenues, support, and reclassifications	1,038,878	15,549	1,054,427
Expenses:			
Program services	620,857	-	620,857
Fundraising	150,299	-	150,299
Management and general	57,085	-	57,085
Total expenses	828,241	-	828,241
Total change in net assets	210,637	15,549	226,186
Net assets, beginning of year	62,381	32,406	94,787
Net assets, end of year	$ 273,018	$ 47,955	$ 320,973

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

Well Aware, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2020

	Well Program	Wash Program	Total Program Services	Fundraising	Management & General	Total
Salaries	$ 77,866	$ 80,000	$ 157,866	$ 42,914	$ 46,584	$ 247,364
Payroll taxes	5,899	6,067	11,966	3,240	3,521	18,727
Contracted services	227,976	32,500	260,476	37,382	2,267	300,125
In-kind expense	40,327	94,096	134,423	15,900	1,200	151,523
Computer service	2,108	12,000	14,108	22,479	498	37,085
Supplies	8,689	3,000	11,689	8,217	645	20,551
Bank fees	856	-	856	15,705	313	16,874
Travel	4,098	9,688	13,786	(18)	71	13,839
Advertising	4,630	2,500	7,130	944	76	8,150
Postage	1,804	-	1,804	1,791	312	3,907
Occupancy	1,917	-	1,917	521	562	3,000
Insurance	1,192	-	1,192	324	350	1,866
Interest	822	-	822	223	242	1,287
Equipment rental	1,235	-	1,235	-	-	1,235
Dues and subscriptions	615	-	615	167	180	962
Telephone	633	-	633	109	118	860
Food and refreshments	309	-	309	401	146	856
Donation expense	30	-	30	-	-	30
Total expenses	$ 381,006	$ 239,851	$ 620,857	$ 150,299	$ 57,085	$ 828,241
Percentage of total expenses	46%	29%	75%	18%	7%	100%

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

Well Aware, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2020

Cash flows from operating activities		
Change in net assets	**$**	**226,186**
(Increase) decrease in operating assets:		
Cash and cash equivalents with donor restrictions		**(47,955)**
Accounts receivable		**5,619**
Prepaid expenses		**(1,076)**
Increase (decrease) in operating liabilities:		
Accrued liabilities		**(21,834)**
Deferred revenue		**500**
Net cash provided by operating activities		**161,440**
Cash flows from financing activities		
Proceeds from note payable		**40,300**
Net cash provided by financing activities		**40,300**
Net change in cash and cash equivalents		**201,740**
Cash and cash equivalents, beginning of year		**137,862**
Cash and cash equivalents, end of year	**$**	**339,602**
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$**	**1,287**

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

Note 1 – Summary of Significant Accounting Policies

Organization and Nature of Activities

Well Aware, Inc. (the "Organization") was incorporated June 5, 2006 under the laws of the State of Texas in accordance with the provisions of the Texas Nonprofit Corporation Act as a Domestic Nonprofit Corporation.

The mission of the Organization is to provide innovative and sustainable solutions to water scarcity and contamination in Africa. It funds and implements life-saving water systems to drive economic development and build self-sufficient communities.

Program Services

The Organization operates in Kenya and Tanzania implementing water systems in rural, impoverished areas. The types of systems we install include new drillings projects (drilling. casing, pump, power, distribution, etc.), borehole (water well) rehabilitation (restoring/replacing/recycling broken water wells), rainwater harvesting and purification systems, and gravity-driven pipelines from natural sources.

The Organization also conducts community training in project communities in sanitation and hygiene, water system maintenance, community governance, and accounting and money management (for the water system maintenance). Our team carries out project impact evaluations in project areas, as well as awareness campaigns in the U.S. to promote attention to global water issues.

During 2020, the wash initiative program was launched to deploy information on how to prevent COVID-19.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred.

Date of Management's Review

These financial statements considered subsequent events through January 19, 2022, the date the financial statements were available to be issued.

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> Net assets without donor restrictions – These types of net assets are not subject to donor-imposed stipulations. This also includes net assets with Board designations for specific purposes, since these designations may be reversed by the Board of Directors at any time in the future.
>
> Net assets with donor restrictions – These types of net assets are subject to donor-imposed stipulations, which limit their use by the Organization, either permanently or temporarily, to a specific purpose and/or the passage of time. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Change in Accounting Principle

During 2020, the Organization adopted FASB Accounting Standards Update Number 2014-09, Revenue from Contracts with Customers (Topic 606), which provides new guidance to report useful information to users of financial statements about the nature, timing, and uncertainty of revenues from contracts with customers. There was no material impact on the Organization's results of operations or financial condition upon adoption of the new standard.

Use of Estimates

The preparation of financial statements 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 these estimates.

Federal Income Taxes

Well Aware, Inc. is a nonprofit organization exempt from Federal income taxes on their operating income under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income, if any.

Note 1 – Summary of Significant Accounting Policies (continued)

Federal Income Taxes (continued)

The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). Management has determined that the Organization had no activities subject to UBIT in the year ended December 31, 2020. All significant tax positions have been considered by management and it has determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

The Organization is required to file Form 990 (Return of Organization Exempt from Income Tax), which is subject to examination by the Internal Revenue Service (IRS) generally up to three years from the later of the original due date or the date the tax return was filed. The Forms 990 for the years ended December 31, 2019, 2018, and 2017 are open to examination by the IRS as of December 31, 2020.

Fair Value of Financial Instruments

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which relates to the Organization's financial assets and liabilities carried at fair value and the associated fair value disclosures. FASB ASC 820 defines fair value, expands related disclosure requirements, and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as 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.

There are three levels of inputs to fair value measurements – Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs.

The Organization's financial instruments consist principally of cash and cash equivalents, accounts receivable, accrued liabilities, and note payable. The Organization believes all of the financial instruments' recorded values approximate current market values.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. For purposes of the statement of cash flows, cash and cash equivalents exclude cash and cash equivalents with donor restrictions.

Well Aware, Inc.

Notes to Financial Statements (continued)

For the Year Ended December 31, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are stated at the amount the Organization expects to collect from outstanding balances which consist of grants and contributions. The Organization has not set up an allowance for uncollectible receivables at December 31, 2020, because management estimates that the receivables are collectible, and write-offs are historically unusual and small.

Contributions

Contributions received are recorded as increases in activities with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the donor restriction. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Functional Allocation of Expenses

The expense information contained in the statement of activities is presented on a functional basis. Accordingly, certain expenses are allocated among the programs and supporting services benefited. Expenses which cannot be specifically identified have been allocated based on management's best estimate of usage. Salaries and payroll taxes are allocated based on estimated time spent by the employees for each function. Occupancy costs are allocated based on the estimated space usage for each function.

Note 2 – Concentration of Risk

Financial instruments which potentially subject the Organization to credit risk principally consist of cash and cash equivalents. To minimize the risk, the Organization places its temporary cash investments with high credit quality financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Effective January 1, 2013, deposit insurance coverage by the FDIC changed to $250,000 per bank per entity for all interest bearing and non-interest bearing accounts. As of December 31, 2020, the Organization had $99,580 of uninsured balances. The Organization has not experienced any losses in these accounts in the past.

Note 3 – Note Payable

In April 2020, the Organization was granted a note from University Federal Credit Union in the aggregate amount of $40,300, pursuant to the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief and Economic Security ("CARES") Act, which was enacted on March 27, 2020. The note was dated April 23, 2020 and matures on April 23, 2022. It bears interest at a rate of 1% per annum. Funds from the loan may only be used for payroll costs, rent, utilities, and interest on other debt obligations incurred before February 2020. The Organization intends to use the entire amount for qualifying expenses and account for it under FASB ASC 470 as debt. Under the terms of the PPP program, certain amounts of the note may be forgiven if they are used for qualifying expenses as described in the CARES Act and the Paycheck Protection Flexibility Act, which was enacted on June 5, 2020 and modified certain provisions of the CARES Act. As of December 31, 2020, the note balance is $40,300. See Note 9 for subsequent forgiveness of the PPP loan.

Note 4 – Net Assets With Donor Restrictions

The Organization had the following net assets with donor restrictions activity for the year ended December 31, 2020:

	Beginning Balance	Additions	Released from Donor Restrictions	Ending Balance
Restricted for a Specified Purpose:				
Bennack Polan Foundation	$ 6,110	$ -	$ -	$ 6,110
RRISD Shower Strike	3,638	-	-	3,638
ROCO Agape Charitable Foundation	6,541	-	-	6,541
Spectrum Brands	16,117	-	-	16,117
Peg & Terry Shea	-	10,000	(10,000)	-
HDR project	-	37,250	(21,701)	15,549
Total	$ 32,406	$ 47,250	$ (31,701)	$ 47,955

Note 5 – Donated Goods and Services

In-kind donations of goods and services that would have otherwise been purchased include tools, solar equipment, supplies, and installation costs totaling $151,523 and were recorded in the statement of activities.

Note 5 – Donated Goods and Services (continued)

The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its programs and fund-raising events. These services do not meet the criteria for recognition as contributed services in accordance with FASB ASC 958. The Organization received approximately 950 volunteer hours from 150 volunteers in 2020.

Note 6 – Related Party Transactions

A board member of the Organization is also the CEO of Well Beyond, Inc., a for profit corporation that provides project consulting and execution services for the Organization's program services in Kenya. The 2020 activity between these two entities totaled $237,460 in paid expenditures and $124,823 of in-kind contributions and expenses.

Note 7 – Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows have seasonal variations during the year attributable to timing of receipts of contributions and from special events. Monthly cash outflows vary each year based on the specific requirements of the Organization's programming during the year.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Organization's Board approves that action.

Financial assets available:	
Cash and cash equivalents	**$ 339,602**
Receivables collectible in less than one year	**1,103**
Cash and cash equivalents with donor restrictions	**47,955**
Total financial assets, excluding noncurrent receivables	**388,660**
Less: With donor restrictions	**(47,955)**
Financial assets available to meet cash needs For expenditures within one year	**$ 340,705**

Note 8 – Risks and Uncertainties

On March 13, 2020, the Government of the United States declared the COVID-19 Pandemic ("COVID-19") as a national emergency. COVID-19 has caused a significant impact on the United States economy affecting various businesses in different ways. COVID-19 may have an impact on future programming and events being held and future contributions are uncertain. The Organization does not have insurance to cover the loss of revenues from these events in the case of a Pandemic. However, no adjustments have been made to these financial statements as a result of this uncertainty. See Note 3 for disclosure of the PPP loan received in response to COVID-19.

Note 9 - Subsequent Events

The first PPP loan totaling $40,300 disclosed in Note 3 was fully forgiven by the Small Business Administration (SBA) on January 19, 2021.

The Organization received a second PPP loan from University Federal Credit Union on March 5, 2021. This loan could be forgiven if the Organizations uses the funds for specific costs over a specific period (either eight or twenty-four weeks) per the terms of the CARES Act and Paycheck Protection Flexibility Act.