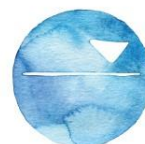


Healing Waters International, Inc. And Affiliates

Consolidated Financial Statements and
Accompanying Supplemental Information with
Independent Auditor's Report

Years Ended June 30, 2021 and 2020



HEALING WATERS
INTERNATIONAL

WIPFLI

Independent Auditor's Report

Board of Directors
Healing Waters International, Inc. and Affiliates
Golden, Colorado

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Healing Waters International, Inc. and Affiliates which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Healing Waters International, Inc. and Affiliates as of June 30, 2021 and 2020 and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities and changes in net assets as of June 30, 2021 and 2020, and for the years then ended, are presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Wipfli LLP
Wipfli LLP
Lakewood, Colorado

September 23, 2021

Healing Waters International, Inc. and Affiliates

Consolidated Statements of Financial Position

<i>June 30,</i>	2021	2020
Current assets:		
Cash and cash equivalents	\$ 877,461	\$ 821,644
Investments held to maturity	112,470	123,378
Accounts receivable, net of allowance for doubtful accounts (2021 - \$10,600; 2020 - \$10,632)	160,895	111,716
Inventory	123,343	107,787
Prepaid expenses and other	18,457	19,929
Total current assets	1,292,626	1,184,454
Property, equipment and improvements, at cost:		
Computer equipment and software	11,868	32,214
Leasehold improvements	3,460	10,623
Office furniture	7,751	7,751
Vehicles	143,039	143,039
Total property, equipment and improvements, at cost	166,118	193,627
Less accumulated depreciation and amortization	134,356	158,368
Net property, equipment and improvements	31,762	35,259
Total assets	\$ 1,324,388	\$ 1,219,713

See accompanying notes to consolidated financial statements.

Healing Waters International, Inc. and Affiliates

Consolidated Statements of Financial Position

<i>June 30,</i>	2021	2020
Current and total liabilities:		
Accounts payable	\$ 34,912	\$ 35,162
Accrued expenses	87,227	77,263
Refundable advance	-	138,400
Total liabilities	122,139	250,825
Net assets:		
Without donor restrictions:		
Operating	631,511	463,823
Net investment in property, equipment and improvements	31,762	35,259
Total without donor restrictions	663,273	499,082
With donor restrictions:		
Purpose restrictions	538,976	469,806
Total net assets	1,202,249	968,888
Total liabilities and net assets	\$ 1,324,388	\$ 1,219,713

See accompanying notes to consolidated financial statements.

Healing Waters International, Inc. and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

<i>Year Ended June 30,</i>	2021			Percent of Total Support
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions	\$ 775,540	\$ 1,320,940	\$ 2,096,480	90.1 %
Water sales	82,695	-	82,695	3.5
Other sales income	5,861	-	5,861	0.3
SBA Paycheck Protection				
Program income	138,400	-	138,400	5.9
Other income	4,199	-	4,199	0.2
Net assets released from restrictions:				
Satisfaction of program restrictions	1,251,770	(1,251,770)	-	-
Total support and revenue	2,258,465	69,170	2,327,635	100.0
Expenses:				
Program	1,719,579	-	1,719,579	73.9
General and administrative	91,383	-	91,383	3.9
Fundraising	273,005	-	273,005	11.7
Total expenses before depreciation	2,083,967	-	2,083,967	89.5
Changes in net assets before depreciation	174,498	69,170	243,668	10.5
Other expense:				
Depreciation	(10,307)	-	(10,307)	(0.4)
Changes in net assets	164,191	69,170	233,361	<u>10.1 %</u>
Net assets, beginning of year	499,082	469,806	968,888	
Net assets, end of year	\$ 663,273	\$ 538,976	\$ 1,202,249	

See accompanying notes to consolidated financial statements.

Healing Waters International, Inc. and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

<i>Year Ended June 30,</i>	2020			Percent of Total Support
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions	\$ 803,914	\$ 1,043,768	\$ 1,847,682	93.8 %
Water sales	106,435	-	106,435	5.4
Other sales income	6,933	-	6,933	0.4
Other income	8,278	-	8,278	0.4
Net assets released from restrictions:				
Satisfaction of program restrictions	960,242	(960,242)	-	-
Total support and revenue	1,885,802	83,526	1,969,328	100.0
Expenses:				
Program	1,738,032	-	1,738,032	88.3
General and administrative	87,210	-	87,210	4.4
Fundraising	337,877	-	337,877	17.3
Total expenses before depreciation	2,163,119	-	2,163,119	110.0
Changes in net assets before depreciation	(277,317)	83,526	(193,791)	(10.0)
Other expense:				
Depreciation	(7,665)	-	(7,665)	(0.4)
Changes in net assets	(284,982)	83,526	(201,456)	<u>(10.4)%</u>
Net assets, beginning of year	784,064	386,280	1,170,344	
Net assets, end of year	\$ 499,082	\$ 469,806	\$ 968,888	

See accompanying notes to consolidated financial statements.

Healing Waters International, Inc. and Affiliates

Consolidated Statement of Functional Expenses

<i>Year Ended June 30, 2021</i>	Program	General and Administration	Fundraising	Total	Percentage of Total Revenue- \$2,327,635
Salaries and benefits	\$ 550,590	\$ 59,516	\$ 197,932	\$ 808,038	34.7 %
Program expense	1,025,719	-	-	1,025,719	44.1
Office expense	81,313	4,932	12,255	98,500	4.2
Travel	11,709	55	870	12,634	0.5
Development, marketing, and promotion	9,861	6,449	52,388	68,698	3.0
Technology expense	18,013	1,336	3,586	22,935	1.0
Professional fees	4,688	16,085	1,035	21,808	0.9
Other expense	17,686	3,010	4,939	25,635	1.1
Total expenses before depreciation	1,719,579	91,383	273,005	2,083,967	89.5
Depreciation expense	10,307	-	-	10,307	0.4
Total expenses	\$ 1,729,886	\$ 91,383	\$ 273,005	\$ 2,094,274	89.9 %
Percentage of total expenses	82.6 %	4.4 %	13.0 %	100.0 %	

See accompanying notes to consolidated financial statements.

Healing Waters International, Inc. and Affiliates

Consolidated Statement of Functional Expenses

<i>Year Ended June 30, 2020</i>	Program	General and Administration	Fundraising	Total	Percentage of Total Revenue- \$1,969,328
Salaries and benefits	\$ 581,945	\$ 55,885	\$ 202,574	\$ 840,404	42.7 %
Program expense	1,000,130	-	-	1,000,130	50.8
Office expense	88,060	5,543	18,344	111,947	5.7
Travel	22,805	991	34,312	58,108	3.0
Development, marketing, and promotion	4,621	4,621	68,480	77,722	4.0
Technology expense	19,868	1,485	4,654	26,007	1.3
Professional fees	8,704	14,276	2,371	25,351	1.3
Other expense	11,899	4,409	7,142	23,450	1.2
 Total expenses before depreciation	 1,738,032	 87,210	 337,877	 2,163,119	 110.0
Depreciation expense	7,665	-	-	7,665	0.4
 Total expenses	 \$ 1,745,697	 \$ 87,210	 \$ 337,877	 \$ 2,170,784	 110.4 %
 Percentage of total expenses	 80.4 %	 4.0 %	 15.6 %	 100.0 %	

See accompanying notes to consolidated financial statements.

Healing Waters International, Inc. and Affiliates

Consolidated Statements of Cash Flows

<i>Years Ended June 30,</i>	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 233,361	\$ (201,456)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	10,307	7,665
Interest income reinvested	(2,681)	(3,949)
SBA Paycheck Protection Program income	(138,400)	-
Change in allowance for doubtful accounts	(32)	10,632
Contribution of equipment	(3,350)	-
Changes in operating assets and liabilities:		
Accounts receivable	(49,147)	12,740
Inventory	(15,556)	10,201
Prepaid expenses and other	1,472	939
Accounts payable	(250)	3,086
Accrued expenses	9,964	(2,540)
Net cash provided (used) by operating activities	45,688	(162,682)
Cash flows from investing activities:		
Proceeds from investment held to maturity	13,589	40,000
Purchases of property and equipment	(3,460)	(24,000)
Net cash provided by investing activities	10,129	16,000
Cash flows from financing activities:		
Proceeds from refundable advance	-	138,400
Net decrease in cash and cash equivalents	55,817	(8,282)
Cash and cash equivalents, beginning	821,644	829,926
Cash and cash equivalents, ending	\$ 877,461	\$ 821,644

See accompanying notes to consolidated financial statements.

Healing Waters International, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Healing Waters International, Inc. ("HWI") is on a mission to end the global water crisis. HWI custom engineers and builds holistic clean water solutions and spreads God's love in at-risk communities around the world, empowering people not just to survive, but to thrive – physically, socially, and spiritually.

It starts with providing safe water, but water alone is not enough. Teaching health & hygiene classes and business management skills provides an integrated solution. The interdependence of these elements is the key to changing lives and communities.

HWI begins with an assessment of a community's WASH (water, sanitation and hygiene) needs and then works with local leaders to develop the knowledge, tools and economic resources they need to ensure sustainable access to safe water. HWI then designs a Holistic WASH Solution with three primary components: water purification technology, sanitation & hygiene education and water micro-businesses.

Water Purification Systems

HWI's engineering team designs and implements water purification systems custom designed for each community. They leverage reliable and powerful tools to provide a lasting supply of safe water and train the site partner in systems operation and maintenance.

Sanitation & Hygiene Education

Education has the power to transform people exponentially. Sanitation & hygiene education teaches families and communities about the long-lasting effects of living healthy lives: from drinking safe water to hand washing, to properly cleaning food, as well as the health risks and alternatives to open defecation.

Water Micro-Businesses

HWI works with site partners to develop and implement a community-appropriate water distribution and sales model that when executed, produces income that covers system maintenance costs, supports sustainability, and that may also provide additional profit for reinvestment in the community.

HWI places the right equipment, tools, and resources into the hands of local partners in order to equip them to serve the tangible needs of their communities. All holistic transformation water systems are locally owned and operated by an accountable site leadership team and is designed to have, at minimum, a 10-year life.

HWI is exempt from income taxes under Internal Revenue Code (the "Code") Section 501(c)(3) and is not a private foundation under Section 509(a) of the Code. Contributions are HWI's primary source of support and revenue.

Healing Waters International, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

Water Micro-Businesses (Continued)

In connection with its overseas ministry, HWI maintains operations in countries outside the United States (“Foreign Affiliates”). The assets, liabilities, and activities of the foreign operations in Guatemala, Dominican Republic, Mexico, and Haiti are included in these consolidated financial statements.

Principles of Consolidation

Due to the influence of control by HWI, foreign affiliates are considered to be controlled affiliates of HWI. The consolidated financial statements include the consolidated financial sources and activities of HWI and foreign affiliates. The financial sources and activities related to foreign affiliates have been identified under the “Foreign operations” section at the end of Note 1. All significant inter-entity balances and transactions have been eliminated.

Basis of Presentation

The consolidated financial statements are prepared using the accrual method of accounting under accounting principles generally accepted in the United States of America (“U.S. GAAP”) whereby income is reported as earned and expenses reported as incurred.

The consolidated financial statements of HWI have been prepared in accordance with U.S. GAAP, which require HWI to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended to perform the primary objectives of HWI in accordance with the limitations of its charter and bylaws. These net assets may be used at the discretion of HWI’s management and the Board of Directors to achieve the mission of HWI. Decreases in net assets without donor restrictions generally result from expenses incurred for program and supporting services conducted by HWI.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HWI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. HWI has no funds held in perpetuity as of June 30, 2021 and 2020.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets.

Healing Waters International, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

HWI considers currency on hand, demand deposits with banks or other financial institutions, treasury bills, commercial paper, money market funds or other investments with original maturities of three months or less to be cash and cash equivalents. At June 30, 2021 and 2020, cash and cash equivalents consisted of currency on hand and demand deposits with banks and other financial institutions in which the deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC").

The operating accounts of HWI are held at institutions that provides insurance up to \$250,000 per FDIC-insured depository institution. Topic 825 of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), Financial Instruments, identifies such accounts as a concentration of credit risk requiring disclosure regardless of the degree of risk. Risk related to deposits held outside of institutions participating in the above FDIC program is managed by maintaining deposits with high quality financial institutions. As of June 30, 2021 and 2020, the cash accounts maintained exceeded federally insured limits by approximately \$309,000 and \$241,000, respectively. HWI has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of unconditional promises to give (pledges receivable) which are recorded at the amount management expects to collect on balances outstanding at year-end. Management monitors outstanding balances and writes off, as of year-end, all balances that are not considered collectible. Pledges receivable are recognized as revenue and as assets in the period the unconditional promises are received. As of June 30, 2021 and 2020, pledges receivable were \$150,000 and \$96,366, respectively. The remaining balance of accounts receivable consists of amounts due from water stores serving urban communities in Guatemala. The allowance is based on management's conservative analysis of the collectability of accounts based on current business conditions. As of June 30, 2021 and 2020, the allowance for doubtful accounts for water store revenues from foreign affiliates was \$10,600 and \$10,632, respectively.

Inventory

Inventory consists of water system equipment, filters, pumps, components, maintenance parts, and water store consumables which is recorded at net realizable value on the first-in, first-out ("FIFO") method.

Healing Waters International, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Property, Equipment and Improvements

Property, equipment and improvements are stated at cost, or if donated, at the fair market value on the date of the gift. Property donated with restrictions regarding its use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time. HWI capitalizes all fixed assets greater than \$2,500. Depreciation is computed on the straight-line basis over estimated useful lives ranging from two to five years for all equipment and vehicles, and the shorter of the estimated useful life or the related lease term for leasehold improvements.

Depreciation expense was \$9,782 and \$7,665 for the years ended June 30, 2021 and 2020, respectively. Amortization expense related to website development, computer software and leasehold improvements was \$525 and \$0 for the years ended June 30, 2021 and 2020, respectively.

Management has reviewed the assets in other countries and has determined that they are under the control and ownership of HWI. While such items are recognized as assets of HWI, it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while HWI believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood that the carrying value of the assets in other countries may not be representative of the amount that would be realized should the asset be sold.

Long-Lived Assets

HWI reviews the recoverability of long-lived asset when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. During the years ended June 30, 2021 and 2020, no impairments occurred.

Contributions

Contributions are recorded when made, which may be when cash is received or unconditionally promised, or when ownership of donated assets is transferred to HWI. Contributions restricted by the donor for a specific purpose are recorded as support net assets with donor restrictions until the funds have been expended by HWI for the purpose specified. Upon satisfaction of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Donated assets are recorded as contributions at their estimated fair value on the date of donation. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Healing Waters International, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized when cash, securities or other assets, or unconditional promises to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Water sales are exchange transactions and are accounted for in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"). The contract agreements entered into typically have two performance obligations, which are both satisfied on a monthly basis. For the first performance obligation, HWI will receive variable consideration based on a percentage of monthly water sales sold by the customer (percentage is defined in each customer contract) in exchange for overall water storage and maintenance. For the second performance obligation, HWI receives a monthly fixed fee to cover system repairs and upgrades. Payments are typically received monthly. HWI rarely has unsatisfied or partially unsatisfied performance obligations at year-end. There are no warranties, financing options, rebates, discounts, refunds, or concessions for additional consideration under Topic 606. For the years ended June 30, 2021 and 2020, accounts receivable related to contracts was insignificant.

The key factor affecting the amount, timing and uncertainty of HWI's revenue is its concentration of revenue attributed to contributions.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated statements of functional expenses provides a detail of the natural classifications of those functional expenses and are determined on an equitable and rational basis. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, office expenses, travel and entertainment, promotion and advertising, technology expense, professional fees, and other expense that are allocated on the basis of use and time for the expenses.

Foreign Operations

In connection with its foreign affiliates, HWI has certain supporting facilities outside the United States. The account balances relating to foreign operations are reflected in the consolidated financial statements in United States dollars. Assets and liabilities on the consolidated statements of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position. Income and expenses on the consolidated statements of activities and changes in net assets are translated at exchange rates at the dates of the transactions. Changes in exchange rates subsequent to the date of the consolidated financial statements could have an impact on asset valuation and HWI's foreign operations.

Healing Waters International, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Foreign Operations (Continued)

Included in the consolidated statements of financial position are foreign affiliate assets of \$54,312 and \$71,022 and liabilities of \$62,564 and \$56,961 as of June 30, 2021 and 2020, respectively. Included in the consolidated statements of activities and changes in net assets is foreign affiliate support and revenue of \$88,568 and \$113,411 and program service expense of \$410,630 and \$352,309 for the years ended June 30, 2021 and 2020, respectively.

New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. When this standard is adopted, the primary accounting change will require lessees to recognize right of use assets and lease obligations for most operating leases, as well as finance leases. This new standard based on a proposed extension, is effective for financial statements issued for annual periods beginning after December 15, 2021. HWI is evaluating what impact this new standard will have on its consolidated financial statements.

Subsequent Events

Subsequent event have been evaluated by management as of the date of these consolidated financial statements. This date represents the date the consolidated financial statements were available to be issued.

Note 2: Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>Years Ended June 30,</i>	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 877,461	\$ 821,644
Investments held to maturity	112,470	123,378
Accounts receivable, net	160,895	111,716
Inventory	123,343	107,787
Total financial assets	1,274,169	1,164,525
Less donor restrictions amounts	538,976	469,806
Financial assets available to meet general expenditures over the next twelve months	\$ 735,193	\$ 694,719

Healing Waters International, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2: Availability and Liquidity (Continued)

As part of its liquidity plan, excess cash is invested in short-term investments, including time deposits with maturities of twelve months or less, money market accounts, and cash accounts. The liquidity management plan of HWI is structured to cover operating expenses and obligations as they come due.

Note 3: Investments Held to Maturity

During 2017, HWI invested in an investment fund through the purchase of two notes receivable which are classified as held to maturity and carried at amortized cost.

The first note has an outstanding balance of \$100,000, a fixed interest rate of 3.31% payable monthly with an original maturity date of June 15, 2018, which has been renewed annually. During 2020, the note was renewed with a fixed interest rate of 2.46% with a maturity date of July 24, 2021. In July 2021, the note was renewed with a fixed interest rate of 2.46% payable monthly with a maturity date of July 26, 2022.

The second note had an outstanding balance of \$50,000, a variable interest rate based on the three month LIBOR rate, adjusted monthly (0.34% as of June 30, 2020) with a maturity date of June 2023. However, the agreement with the investment fund allowed for HWI to redeem this investment upon its' request without prepayment penalty, in whole or in part. During the year ended June 30, 2020, HWI withdrew \$40,000 of the principal. During the year ended June 30, 2021, HWI withdrew the remaining balance of approximately \$13,600 and closed the investment account.

At the election of HWI, unpaid interest has been deferred and added to the principal balance and accrues interest based on the terms of the original note. The underlying investments of the investment fund consists of mortgage loans to religious organizations for the acquisition, development, and/or renovation of churches or church-related properties. As of June 30, 2021 and 2020, the balance of the notes, including unpaid interest, was \$112,470 and \$123,378, respectively.

As of June 30, 2021 and 2020, the estimated fair value of the investments approximated their amortized cost, therefore, no significant unrealized gains or losses are reflected.

Note 4: SBA Paycheck Protection Program

At June 30, 2020, HWI had a refundable advance liability of \$138,400. This amount resulted from the issuance of a Small Business Administration ("SBA") Paycheck Protection Program award as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. HWI determined this award to be a conditional grant award and applied the policy as described in Note 1, which says that conditional contributions and grants shall be reported as a refundable advance liability until the conditions are substantially met.

The conditions of this award included incurring eligible expenditures during the covered period of eight weeks and a formal review and approval of the forgiveness application by the lending institution. HWI applied for full forgiveness and received forgiveness notification from the SBA that the amount was fully forgiven in April 2021 and, therefore, the income is recognized as other income on the 2021 financial statements.

Healing Waters International, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 5: Net Assets with Donor Restriction

Net assets with donor restrictions consist of donations restricted by the donors and are available for the following purposes as of June 30, 2021 and 2020:

	2021	2020
Water Systems	\$ 361,296	\$ 397,772
Supplemental Projects and Grants	177,680	72,034
Total	\$ 538,976	\$ 469,806

Note 6: Retirement Plan

HWI sponsors a simple IRA retirement plan (the "Plan") covering substantially all employees who meet specified service requirements as defined in the Plan document. The Plan allows for employee contributions up to the maximum allowable by the Code. Matching contributions by HWI are up to 3% of employee deferrals and totaled \$17,661 and \$18,037 for the years ended June 30, 2021 and 2020, respectively.

Note 7: Commitments

In May 2011, HWI entered into a lease agreement for office space in Golden, Colorado. The agreement, as amended, required initial monthly base rent of \$4,024, increasing to \$4,397 per month in the final year of the agreement. The lease was terminated in May 2021.

In May 2021, HWI entered into a new lease agreement for office space in Golden, Colorado which expires December 2024. The agreement requires initial monthly base rent of \$3,384, which increases annually up to \$3,816 per month in the final year of the agreement and includes additional common area maintenance charges.

The future minimum lease payments for fiscal years ending after June 30, 2021, are as follows:

2022	\$ 40,608
2023	42,336
2024	44,064
2025	22,896
Total	\$ 149,904

Total rent expense for the year ended June 30, 2021 and 2020, was \$68,104 and \$77,542, respectively.

Healing Waters International, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 8: Income Taxes

FASB ASC Topic 740, *Income Taxes*, clarifies the accounting for uncertainty in income tax positions and defines the threshold for recognizing the tax benefits of tax return filing positions in the consolidated financial statements as “more likely than not” to be sustained upon examination, based on the technical merits of the positions. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized. Tax positions which previously would have failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which the threshold is met. Conversely, previously recognized tax positions which no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which the threshold is no longer met.

As HWI is qualified as a nonprofit under the Code, any income tax position would be primarily related to unrelated business activities outside the core mission of the HWI. Based on prior examinations of contractual arrangements of HWI and correspondence received from the Internal Revenue Service, management believes there to be no potential income tax positions that would result in related tax liability for HWI. Management will continue to evaluate any future contractual arrangements with respect to potential income tax positions under this guidance.

Note 9: Business Conditions and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and known now as COVID-19, the outbreak has impacted millions of individuals worldwide and the full outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on HWI’s condition, liquidity, and future results of operations. As of the date of this report, HWI’s operations have been impacted in both the United States and in the countries where it has staff. HWI has made adjustments to operations to reduce expenses and continues to monitor the situation in order to inform any further adjustments as management deems necessary. Management believes HWI has taken appropriate actions in response to the pandemic. Given the daily evolution of the COVID-19 crisis and the global responses to curb its spread, HWI is not able to estimate the effects of the COVID-19 crisis on future operations.

Supplemental Information
(See Independent Auditor's Report)

Healing Waters International, Inc. and Affiliates

Consolidating Statements of Financial Position

Assets			
<i>June 30, 2021</i>	U.S.	Foreign Affiliates	Total
Cash and cash equivalents	\$ 870,254	\$ 7,207	\$ 877,461
Investments held to maturity	112,470	-	112,470
Accounts receivable, net of allowance for doubtful accounts (\$10,600)	150,000	10,895	160,895
Inventory	87,133	36,210	123,343
Prepaid expenses and other	18,457	-	18,457
Net property, equipment and improvements	31,762	-	31,762
Total assets	\$ 1,270,076	\$ 54,312	\$ 1,324,388
Liabilities and Net Assets			
	U.S.	Foreign Affiliates	Total
Current and total liabilities:			
Accounts payable	\$ 34,912	\$ -	\$ 34,912
Accrued expenses	24,663	62,564	87,227
Total liabilities	59,575	62,564	122,139
Net assets:			
Without donor restrictions:			
Operating	639,763	(8,252)	631,511
Net investment in property, equipment and improvements	31,762	-	31,762
Total without donor restrictions	671,525	(8,252)	663,273
With donor restrictions:			
Purpose restrictions	538,976	-	538,976
Total net assets	1,210,501	(8,252)	1,202,249
Total liabilities and net assets	\$ 1,270,076	\$ 54,312	\$ 1,324,388

See Independent Auditor's Report on Supplemental Information

Healing Waters International, Inc. and Affiliates

Consolidating Statements of Financial Position

Assets			
<i>June 30, 2020</i>	U.S.	Foreign Affiliates	Total
Cash and cash equivalents	\$ 803,819	\$ 17,825	\$ 821,644
Investment held to maturity	123,378	-	123,378
Accounts receivable, net of allowance for doubtful accounts (\$10,632)	96,366	15,350	111,716
Inventory	69,940	37,847	107,787
Prepaid expenses and other	19,929	-	19,929
Net property, equipment and improvements	35,259	-	35,259
Total assets	\$ 1,148,691	\$ 71,022	\$ 1,219,713
Liabilities and Net Assets			
	U.S.	Foreign Affiliates	Total
Current and total liabilities:			
Accounts payable	\$ 35,148	\$ 14	\$ 35,162
Accrued expenses	20,316	56,947	77,263
Refundable advance	138,400	-	138,400
Total liabilities	193,864	56,961	250,825
Net assets:			
Without donor restrictions:			
Operating	449,762	14,061	463,823
Net investment in property, equipment and improvements	35,259	-	35,259
Total without donor restrictions	485,021	14,061	499,082
With donor restrictions:			
Purpose restrictions	469,806	-	469,806
Total net assets	954,827	14,061	968,888
Total liabilities and net assets	\$ 1,148,691	\$ 71,022	\$ 1,219,713

See Independent Auditor's Report on Supplemental Information

Healing Waters International, Inc. and Affiliates

Consolidating Statements of Activities and Changes in Net Assets

Year Ended June 30, 2021	U.S.	Foreign Affiliates	Total
Support and revenue:			
Contributions	\$ 2,096,480	\$ -	2,096,480
Water sales	-	82,695	82,695
Other sales income	-	5,861	5,861
Other income	142,587	12	142,599
Total support and revenue	2,239,067	88,568	2,327,635
Expenses:			
Program:			
Salaries and benefits	477,087	73,503	550,590
Program expense	734,803	290,916	1,025,719
Office expense	66,095	15,218	81,313
Travel	2,466	9,243	11,709
Development, marketing, and promotion	6,449	3,412	9,861
Technology expense	13,108	4,905	18,013
Professional fees	2,070	2,618	4,688
Other expense	6,871	10,815	17,686
Total program expenses	1,308,949	410,630	1,719,579
General and administrative:			
Salaries and benefits	59,516	-	59,516
Office expense	4,932	-	4,932
Travel	55	-	55
Development, marketing, and promotion	6,449	-	6,449
Technology expense	1,336	-	1,336
Professional fees	16,085	-	16,085
Other expense	3,010	-	3,010
Total general and administrative expenses	91,383	-	91,383
Fundraising:			
Salaries and benefits	197,932	-	197,932
Office expense	12,255	-	12,255
Travel	870	-	870
Development, marketing, and promotion	52,388	-	52,388
Technology expense	3,586	-	3,586
Professional fees	1,035	-	1,035
Other expense	4,939	-	4,939
Total fundraising expenses	273,005	-	273,005
Total expenses before depreciation	1,673,337	410,630	2,083,967
Transfer of funds to foreign affiliates	(309,530)	309,530	-
Changes in net assets before depreciation	256,200	(12,532)	243,668
Other expense:			
Depreciation	(526)	(9,781)	(10,307)
Changes in net assets	255,674	(22,313)	233,361
Net assets, beginning of year	954,827	14,061	968,888
Net assets, end of year	\$ 1,210,501	\$ (8,252)	\$ 1,202,249

See Independent Auditor's Report on Supplemental Information

Healing Waters International, Inc. and Affiliates

Consolidating Statements of Activities and Changes in Net Assets

Year Ended June 30, 2020	U.S.	Foreign Affiliates	Total
Support and revenue:			
Contributions	\$ 1,847,682	\$ -	1,847,682
Water sales	-	106,435	106,435
Other sales income	-	6,933	6,933
Other income	8,235	43	8,278
Total support and revenue	1,855,917	113,411	1,969,328
Expenses:			
Program:			
Salaries and benefits	497,321	84,624	581,945
Program expense	780,772	219,358	1,000,130
Office expense	70,901	17,159	88,060
Travel	8,933	13,872	22,805
Development, marketing, and promotion	4,621	-	4,621
Technology expense	15,123	4,745	19,868
Professional fees	2,458	6,246	8,704
Other expense	5,594	6,305	11,899
Total program expenses	1,385,723	352,309	1,738,032
General and administrative:			
Salaries and benefits	55,885	-	55,885
Office expense	5,543	-	5,543
Travel	991	-	991
Development, marketing, and promotion	4,621	-	4,621
Technology expense	1,485	-	1,485
Professional fees	14,276	-	14,276
Other expense	4,409	-	4,409
Total general and administrative expenses	87,210	-	87,210
Fundraising:			
Salaries and benefits	202,574	-	202,574
Office expense	18,344	-	18,344
Travel	34,312	-	34,312
Development, marketing, and promotion	68,480	-	68,480
Technology expense	4,654	-	4,654
Professional fees	2,371	-	2,371
Other expense	7,142	-	7,142
Total fundraising expenses	337,877	-	337,877
Total expenses before depreciation	1,810,810	352,309	2,163,119
Transfer of funds to foreign affiliates	(234,235)	234,235	-
Changes in net assets before depreciation	(189,128)	(4,663)	(193,791)
Other expense:			
Depreciation	-	(7,665)	(7,665)
Changes in net assets	(189,128)	(12,328)	(201,456)
Net assets, beginning of year	1,143,955	26,389	1,170,344
Net assets, end of year	\$ 954,827	\$ 14,061	\$ 968,888

See Independent Auditor's Report on Supplemental Information