Healing Waters International, Inc. and Affiliates

Consolidated Financial Statements

For the Year Ended June 30, 2026
(With Comparative Totals for the Year Ended June 30, 2025)

OLSON REYES SAUERWEIN
Certified Public Accountants

Healing Waters International, Inc. and Affiliates

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OLSON REYES SAUERWEIN

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Healing Waters International, Inc. and Affiliates

Opinion
We have audited the accompanying consolidated financial statements of Healing Waters International, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2026, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2026, 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 Consolidated Financial Statements section of our report. We are required to be independent of Healing Waters International, Inc. and Affiliates 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Healing Waters International, Inc. and Affiliates's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

OLSON REYES & SAUERWEIN

Certified Public Accountants

Independent Auditor's Report

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 consolidated 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 consolidated 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 Healing Waters International, Inc. and Affiliates'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Healing Waters International, Inc. and Affiliates'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 18 through 20 is presented for purposes 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 the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

The consolidated financial statements of Healing Waters International, Inc. and Affiliates as of and for the year ended June 30, 2025, were audited by us and in our report dated September 29, 2025, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Olson, Reyes & Sauerwein, LLC

Olson, Reyes and Sauerwein, LLC
Centennial, Colorado
October 01, 2026

Healing Waters International, Inc. and Affiliates

Consolidated Statements of Financial Position

June 30, 2026

(With Comparative Totals as of June 30, 2025)

	2026	2025
ASSETS		
Current Assets		
Cash	$ 1,894,647	$ 1,149,717
Accounts receivable, net of allowance for credit losses of $10,825 for 2026 and $10,758 for 2025	4,390	5,378
Inventory	70,868	130,753
Other assets	6,740	21,462
Total Current Assets	1,976,645	1,307,310
Property and Equipment		
Vehicles	188,936	139,723
Computer equipment and software	10,613	10,613
	199,549	150,336
Less: accumulated depreciation and amortization	(132,635)	(123,108)
Property and Equipment - Net	66,914	27,228
Other Assets		
Right-of-use asset - operating lease	-	28,036
TOTAL ASSETS	$ 2,043,559	$ 1,362,574

See Notes to the Consolidated Financial Statements

Healing Waters International, Inc. and Affiliates

Consolidated Statements of Financial Position (continued)

June 30, 2026

(With Comparative Totals as of June 30, 2025)

	2026	2025
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 5,860	$ 39,383
Accrued personnel costs	175,311	160,705
Operating lease liability - current portion	-	28,036
Total Current Liabilities	181,171	228,124
Long-Term Liabilities		
Total Liabilities	181,171	228,124
Net Assets		
Without donor restrictions:		
Undesignated	1,118,253	579,260
Investment in property and equipment	66,914	27,228
Total Net Assets Without Donor Restrictions	1,185,167	606,488
With donor restrictions	677,221	527,962
Total Net Assets	1,862,388	1,134,450
TOTAL LIABILITIES AND NET ASSETS	$ 2,043,559	$ 1,362,574

See Notes to the Consolidated Financial Statements

Healing Waters International, Inc. and Affiliates

Consolidated Statements of Activities

For the Year Ended June 30, 2026

(With Comparative Totals for the Year Ended June 30, 2025)

	Without Donor Restrictions	With Donor Restrictions	2026	2025
Support and Revenue				
Contributions and grants	$ 1,833,128	$ 911,696	$ 2,744,824	$ 2,540,071
Water system sales	1,368	-	1,368	166,069
In-kind contributions	1,233	-	1,233	130,093
Water sales	72,262	-	72,262	71,433
Gain (loss) on sale of property and equipment	8,605	-	8,605	(761)
Interest and dividends	30,551	-	30,551	11,566
Special events	15,183	-	15,183	8,735
Other income	811	-	811	2,592
Net assets released from restriction	762,437	(762,437)	-	-
Total Support and Revenue	2,725,578	149,259	2,874,837	2,929,798
Expenses				
Program Services				
WaSH Program Activities	1,527,740	-	1,527,740	2,027,376
Support Services				
Management and general	107,093	-	107,093	100,028
Fundraising	512,066	-	512,066	416,328
Total Support Services	619,159	-	619,159	516,356
Total Expenses	2,146,899	-	2,146,899	2,543,732
Change in Net Assets	578,679	149,259	727,938	386,066
Net Assets - Beginning of Year	606,488	527,962	1,134,450	748,384
NET ASSETS - END OF YEAR	$ 1,185,167	$ 677,221	$ 1,862,388	$ 1,134,450

See Notes to the Consolidated Financial Statements

Healing Waters International, Inc. and Affiliates

Consolidated Statements of Functional Expenses

For the Year Ended June 30, 2026

(With Comparative Totals for the Year Ended June 30, 2025)

	WaSH Program Activities	Supporting Services: Management and General	Supporting Services: Fundraising	Total 2026	Total 2025
Salaries, payroll taxes and benefits	$ 812,429	$ 25,032	$ 212,796	$ 1,050,257	$ 1,020,885
Program expenses	530,084	-	-	530,084	984,480
Software	13,781	725	212,371	226,877	179,052
Professional services	41,844	64,708	6,485	113,037	111,080
Development and fundraising	4,230	-	43,492	47,722	43,682
Office expenses	13,084	4,966	2,527	20,577	62,792
Rent	39,602	903	903	41,408	57,685
Travel, meals and meetings	22,766	5,277	10,478	38,521	34,368
Other expenses	23,290	5,482	23,014	51,786	30,769
Depreciation and amortization	26,630	-	-	26,630	18,939
TOTAL EXPENSES	$ 1,527,740	$ 107,093	$ 512,066	$ 2,146,899	$ 2,543,732

See Notes to the Consolidated Financial Statements

Healing Waters International, Inc. and Affiliates

Consolidated Statements of Cash Flows

For the Year Ended June 30, 2026

(With Comparative Totals for the Year Ended June 30, 2025)

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 727,938	$ 386,066
Adjustment to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation and amortization	26,630	18,939
(Gain) loss on sale of property and equipment	(8,605)	761
Noncash lease expense	24,330	40,272
Change in allowance for credit losses	(67)	(208)
Change in Operating Assets and Liabilities		
(Increase) Decrease in:		
Accounts receivable	1,055	3,143
Inventory	59,885	159,990
Other assets	14,722	10,833
Increase (Decrease) in:		
Accounts payable	(33,523)	(11,106)
Accrued personnel costs	14,606	3,181
Deferred contract revenue	-	(145,631)
Operating lease liability	(24,330)	(37,494)
Net Cash Flows from Operating Activities	802,641	428,746
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of property and equipment	(66,316)	(11,377)
Proceeds from sale of property and equipment	8,605	12,303
Net Cash Flows from Investing Activities	(57,711)	926
Net Increase in Cash	744,930	429,672
Cash - Beginning of Year	1,149,717	720,045
CASH - END OF YEAR	$ 1,894,647	$ 1,149,717

See Notes to the Consolidated Financial Statements

Healing Waters International, Inc. and Affiliates

Notes to the Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Principles of Consolidation and Nature of Organization

Healing Waters International, Inc. and Affiliates (the "Organization") is on a mission to end the global water crisis. The Organization 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.

Water Purification Systems

The Organization'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 and Hygiene Education

Education has the power to transform people's lives exponentially. Sanitation and 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.

Water Micro-Businesses

The Organization 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 into the community.

The Organization 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 are designed to have, at a minimum, a 10-year life.

Basis of Consolidation

In connection with its overseas ministry, the Organization maintains operations in countries outside the United States ("Foreign Affiliates"). The assets, liabilities, and activities of the foreign operations in Guatemala, Mexico, and Haiti are included in these consolidated financial statements. All intercompany transactions have been eliminated upon consolidation.

Basis of Presentation

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Note 1 - Significant Accounting Policies (continued)

Classification of Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization, and changes therein, are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets subject to certain donor- or grantor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled.

Income Taxes

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain, therefore, no amounts have been recognized as of June 30, 2026 and 2025.

Prior Year Summarized Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. The prior year presentation does not include sufficient detail to constitute presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the consolidated financial statements for the year ended June 30, 2025, from which the summarized information was derived.

Note 1 - Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Organization's financial instruments include cash, receivables, and accounts payable. The fair values of these financial instruments approximate their carrying amounts based on current market indicators, such as prevailing interest rates and their nearness to maturity.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from the estimates.

Accounts Receivable

Accounts receivable are recorded when services are provided or when goods are shipped. The carrying value of accounts receivable is recorded net of an allowance for credit losses. Credit losses are estimated based on management's evaluation of historical losses, current conditions of individual accounts and reasonable and supportable forecasts. The Organization uses a pooled approach to estimate credit losses for financial assets with similar characteristics. Generally, the Organization pools its receivables using the aging method. As of June 30, 2026 and 2025, an allowance for credit losses of $10,825 and $10,758, respectively, was recorded.

Inventory

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

Property and Equipment

Property and equipment is stated at cost or fair market value at the date of contribution, if donated. Maintenance items of a routine nature are expensed as incurred, whereas those which improve or extend the lives of existing assets are capitalized. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in income. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of the assets which are 5 years.

Note 1 - Significant Accounting Policies (continued)

Long-Lived Assets

GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment, which is determined based upon the estimated fair value of the asset, is recorded when estimated undiscounted cash flows expected to be generated by the asset are insufficient to recover its net carrying value. Management has determined that no impairment of its long lived assets is deemed necessary at June 30, 2026 and 2025.

Contract Liabilities

Contract liabilities represent an obligation to provide a good or service to a customer when consideration has already been received from the customer but not yet earned by the Organization. Contract liabilities include deferred contract revenue.

The following table presents accounts receivable and contract liabilities at June 30, 2026, 2025 and 2024. The Organization does not have contract assets at June 30, 2026, 2025 or 2024.

	2026	2025	2024
Accounts receivable, net	$ 4,390	$ 5,378	$ 8,313
Contract liabilities			
Deferred contract revenue	$ -	$ -	$ 145,631

Lease Accounting

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the accompanying consolidated statement of financial position. Finance leases are included in finance lease right-of-use assets and finance lease liabilities, if applicable.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Lease liabilities are recognized based on the present value of future lease payments over the lease term at the commencement date. As most of the Organization's leases do not provide an implicit rate, the Organization uses an estimated incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU asset is initially measured based on the lease liability adjusted for lease payments made prior to lease commencement and initial direct costs.

The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise such options. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Note 1 - Significant Accounting Policies (continued)

Lease Accounting (continued)

The Organization has elected not to recognize leases with an initial term of 12 months or less on the Consolidated Statement of Financial Position. Lease expense for short-term leases is recognized on a straight-line basis over the lease term.

The Organization's lease agreements may include variable lease payments, including common area maintenance, insurance, taxes, and other executory costs, which are generally not included in the measurement of the lease liability and are recognized as expense as incurred.

Revenue Recognition

Contribution Revenue

Contributions are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.

- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when awarded. At June 30, 2026 and 2025, the Organization has received commitments for grants of $41,201 and $51,097, respectively, that are conditional upon the Organization's completion of specific performance requirements.

Unconditional or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Note 1 - Significant Accounting Policies (continued)

Revenue Recognition (continued)

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards that are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards that are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control over the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Water System Sales

Water system sales are exchange transactions and are accounted for in accordance with FASB ASC Topic 606, Revenue from Contracts with Customers. The Organization invoices for water systems and parts supplied, payments are then typically received monthly; the Organization does not ship until the customer has paid the invoice in full. Revenue is recognized when product is shipped; until that point, any amounts paid by the customer are recorded as deferred revenue.

Water Sales

Water sales are exchange transactions and are accounted for in accordance with FASB ASC 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, the Organization 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 payment obligation, the Organization receives a monthly fixed fee to cover system repairs and upgrades. Payments are typically received monthly. The Organization rarely has unsatisfied or partially unsatisfied performance obligations at year-end.

Note 1 - Significant Accounting Policies (continued)

Revenue Recognition (continued)

In-Kind Contributions

Donated goods are reflected as contributions in the consolidated financial statements at their estimated fair values at the date of donation. Donated services are recognized as contributions in accordance with GAAP for Not-for-Profit Organizations if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Volunteers provided assistance with specific programs and fundraising events throughout the year that were not recognized as contributions in the consolidated financial statements because the recognition criteria were not met.

Functional Expense Allocation

The Consolidated Statement of Functional Expenses reports certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, payroll taxes and benefits, office expenses, travel, meals and meetings, and rent which are allocated on the basis of estimated time and effort.

Foreign Operations

In connection with its Foreign Affiliates, the Organization 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 in the Consolidated Statement of Financial Position presented are translated at the closing rate at June 30, 2026. Income and expenses on the Consolidated Statement of Activities 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 the Organization's foreign operations.

Included in the Consolidated Statement of Financial Position are foreign affiliate assets of $69,269 and $82,975, respectively, and liabilities of $139,015 and $130,157, respectively, as of June 30, 2026 and 2025. Included in the Consolidated Statement of Activities is foreign affiliate support and revenue of $82,438 and $82,092, respectively, and program service expense of $457,182 and $735,950, respectively, for the years ended June 30, 2026 and 2025.

Note 1 - Significant Accounting Policies (continued)

Subsequent Events

In preparing its consolidated financial statements, the Organization has evaluated subsequent events through October 01, 2026, which is the date the consolidated financial statements were available to be issued. Management of the Organization has not identified any material subsequent events that require reporting or disclosure.

Note 2 - Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Consolidated Statement of Financial Position date, comprise the following as of June 30, 2026 and 2025:

	2026	2025
Cash	$ 1,894,647	$ 1,149,717
Accounts receivable, net	4,390	5,378
Total Financial Assets	1,899,037	1,155,095
Less:		
Restricted program contributions included in cash	677,221	527,962
Total Financial Assets Available for General Expenditure	$ 1,221,816	$ 627,133

As part of its liquidity plan, the Organization invests excess cash in short-term investments, including time deposits with maturities of 12 months or less, money market accounts, and cash accounts. The liquidity management plan of the Organization is structured to cover operating expenses and obligations as they come due.

Note 3 - Concentration of Credit Risk

Since the Organization periodically places cash in individual financial institutions in excess of FDIC-insured limits, the Organization periodically reviews the financial condition of the financial institutions to reduce the Organization's credit risk associated with cash. Additionally, the Organization places its cash with high credit-quality financial institutions.

The Organization receives the majority of its revenues from public support. A significant reduction in the level of such support, if this were to occur, may have an adverse effect on the Organization's programs and activities. For the years ended June 30, 2026 and 2025, 44% and 19% of contributions and grants revenue, respectively, were received from a single donor.

Note 4 - Operating Lease Commitments

The Organization entered into a lease agreement for office space in Denver, Colorado which matured on December 31, 2025. The lease continued on a month-to-month basis until May 1, 2026 when the Organization renewed the lease for an additional 12 months. The lease requires minimum monthly payments that range from $3,013 to $3,149. The lease is set to mature on April 30, 2027. The agreement requires the Organization to make variable payments for its proportionate share of the building's property taxes, insurance, and common area maintenance. The Organization recognizes lease expense for short-term leases on a straight-line basis over the lease term.

For the year ended June 30, 2025, the ROU asset reflected on the Consolidated Statement of Financial Position represents the Organization's right to use underlying assets for the lease term, and the lease liability reflected on the Consolidated Statement of Financial Position represents the Organization's obligation to make lease payments arising from the lease. The ROU asset and lease liability, which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has elected to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. At June 30, 2025, the weighted-average discount rate applied to calculate lease liabilities was 4.32%, and the weighted-average lease term remaining was 12 months.

For the years ended June 30, 2026 and 2025, operating lease cost and variable lease costs were as follows:

	2026	2025
Operating lease costs	$ 24,330	$ 37,494
Short-term lease costs	17,078	13,395
Variable lease costs	-	6,796
Total	$ 41,408	$ 57,685

Note 5 - Net Assets

As of June 30, 2026 and 2025, net assets with donor restrictions are restricted for the following purposes:

	2026	2025
Water systems	$ 556,656	$ 304,601
Supplemental projects and grants	120,565	223,361
Total Net Assets with Donor Restrictions	$ 677,221	$ 527,962

Note 6 - In-Kind Contributions

In-kind contributions included in the consolidated financial statements are as follows for the years ended June 30, 2026 and 2025:

Description	Valuation Methodology	2026	2025
Donated stock	Fair value on an active market at the time of donation	$ -	$ 116,743
Other items	Estimated retail value	1,233	13,350
		$ 1,233	$ 130,093

Note 7 - Retirement Plan

The Organization sponsors a Simple IRA deferred compensation plan covering substantially all employees who meet specified service requirements. The plan allows for employee contributions up to the maximum allowable by the IRS. Matching contributions by the Organization are up to 3% of employee deferrals, and totaled $17,129 and $17,137, respectively, for the years ended June 30, 2026 and 2025.

Supplementary Information

Healing Waters International, Inc. and Affiliates

Consolidating Schedules of Financial Position

June 30, 2026

(With Comparative Totals as of June 30, 2025)

	U.S.	Foreign Affiliates	Total 2026	Total 2025
ASSETS				
Current Assets				
Cash	$ 1,868,517	$ 26,130	$ 1,894,647	$ 1,149,717
Accounts receivable, net of allowance for credit losses of $10,825 for 2026 and $10,758 for 2025	-	4,390	4,390	5,378
Inventory	32,119	38,749	70,868	130,753
Other assets	6,740	-	6,740	21,462
Total Current Assets	1,907,376	69,269	1,976,645	1,307,310
Property and Equipment				
Vehicles	153,521	35,415	188,936	139,723
Computer equipment and software	10,613	-	10,613	10,613
	164,134	35,415	199,549	150,336
Less: accumulated depreciation and amortization	(97,220)	(35,415)	(132,635)	(123,108)
Property and Equipment - Net	66,914	-	66,914	27,228
Other Assets				
Right-of-use asset - operating lease	-	-	-	28,036
TOTAL ASSETS	$ 1,974,290	$ 69,269	$ 2,043,559	$ 1,362,574

See Independent Auditor's Report

Healing Waters International, Inc. and Affiliates

Consolidating Schedules of Financial Position (continued)

June 30, 2026

(With Comparative Totals as of June 30, 2025)

	U.S.	Foreign Affiliates	Total 2026	Total 2025
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	$ 5,860	$ -	$ 5,860	$ 39,383
Accrued personnel costs	36,296	139,015	175,311	160,705
Operating lease liability - current portion	-	-	-	28,036
Total Current Liabilities	42,156	139,015	181,171	228,124
Long-Term Liabilities				
Total Liabilities	42,156	139,015	181,171	228,124
Net Assets				
Without donor restrictions:				
Undesignated	1,187,999	(69,746)	1,118,253	579,260
Investment in property and equipment	66,914	-	66,914	27,228
Total Net Assets Without Donor Restrictions	1,254,913	(69,746)	1,185,167	606,488
With donor restrictions	677,221	-	677,221	527,962
Total Net Assets	1,932,134	(69,746)	1,862,388	1,134,450
TOTAL LIABILITIES AND NET ASSETS	$ 1,974,290	$ 69,269	$ 2,043,559	$ 1,362,574

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Healing Waters International, Inc. and Affiliates

Consolidating Schedules of Activities

For the Year Ended June 30, 2026

(With Comparative Totals for the Year Ended June 30, 2025)

	U.S.	Foreign Affiliates	Total 2026	Total 2025
Support and Revenue				
Contributions and grants	$ 2,744,824	$ -	$ 2,744,824	$ 2,540,071
Water system sales	-	1,368	1,368	166,069
In-kind contributions	1,233	-	1,233	130,093
Water sales	-	72,262	72,262	71,433
Gain (loss) on sale of property and equipment	-	8,605	8,605	(761)
Interest and dividends	30,538	13	30,551	11,566
Special events	15,183	-	15,183	8,735
Other income	621	190	811	2,592
Total Support and Revenue	2,792,399	82,438	2,874,837	2,929,798
Expenses				
Program Services				
Salaries, payroll taxes and benefits	573,937	238,492	812,429	816,277
Program expenses	370,652	159,432	530,084	984,480
Depreciation and amortization	26,630	-	26,630	18,939
Development and fundraising	4,230	-	4,230	-
Office, software and other expenses	27,348	22,807	50,155	70,008
Professional services	33,768	8,076	41,844	50,689
Rent	25,536	14,066	39,602	52,615
Travel, meals and meetings	12,687	10,079	22,766	34,368
Total Program Services	1,074,788	452,952	1,527,740	2,027,376
Management and General				
Salaries, payroll taxes and benefits	25,032	-	25,032	32,821
Office, software and other expenses	11,173	-	11,173	7,381
Professional services	64,708	-	64,708	58,394
Rent	903	-	903	1,432
Travel, meals and meetings	5,277	-	5,277	-
Total Management and General	107,093	-	107,093	100,028
Fundraising				
Salaries, payroll taxes and benefits	212,796	-	212,796	171,787
Development and fundraising	39,262	4,230	43,492	43,682
Office, software and other expenses	237,912	-	237,912	195,224
Professional services	6,485	-	6,485	1,997
Rent	903	-	903	3,638
Travel, meals and entertainment	10,478	-	10,478	-
Total Fundraising	507,836	4,230	512,066	416,328
Total Expenses	1,689,717	457,182	2,146,899	2,543,732
Change in Net Assets (Deficit) before Transfers Between Affiliates	1,102,682	(374,744)	727,938	386,066
Transfer of Funds Between Affiliates	(352,180)	352,180	-	-
Change in Net Assets (Deficit)	750,502	(22,564)	727,938	386,066
Net Assets (Deficit) - Beginning of Year	1,181,632	(47,182)	1,134,450	748,384
NET ASSETS (DEFICIT) - END OF YEAR	$ 1,932,134	$ (69,746)	$ 1,862,388	$ 1,134,450

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