

**Markwell & Lewis LLP**  
Vertical Thinking

**EOS INTERNATIONAL NFP  
& SUBSIDIARY**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 & 2017**

# EOS INTERNATIONAL NFP & SUBSIDIARY

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
EOS International NFP & Subsidiary  
St. Paul, Minnesota

We have audited the accompanying consolidated financial statements of EOS International NFP & Subsidiary (a nonprofit organization), which comprise the statements of consolidated financial position as of December 31, 2018 and 2017, 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 of America; this includes 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.

**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 of America. Those standards require that we plan and perform the audits 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 are sufficient and appropriate to provide a basis for our audit opinions.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated statements of financial position of EOS International NFP & Subsidiary as of December 31, 2018 and 2017, and the consolidated statements of changes in its activities and net assets, consolidated statements of functional expenses and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Minneapolis, Minnesota  
August 6, 2019

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 104,877	\$ 75,441
Accounts receivable, net	32,432	48,977
Inventory	14,004	6,875
Prepaid expenses	5,507	5,811
Total current assets	156,820	137,104
Property and equipment	48,103	48,103
Less: accumulated depreciation	(32,100)	(24,414)
Net property and equipment	16,003	23,689
Long-term promise to give	47,000	-
Total assets	\$ 219,823	\$ 160,793
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 18,349	\$ 5,220
Total current liabilities	18,349	5,220
Long-term debt	50,000	-
Net assets		
Net assets without donor restriction	53,574	126,573
Net assets with donor restriction	97,900	29,000
Total net assets	151,474	155,573
Total liabilities and net assets	\$ 219,823	\$ 160,793

See Accompanying Notes to Financial Statements

**EOS INTERNATIONAL NFP & SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For The Years Ended December 31, 2018 and 2017

	2018		2017		
	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction	Total
Support and revenue					
Individual contributions	\$ 105,229	\$ 47,000	\$ 89,489	\$ -	\$ 89,489
Event contributions	20,820	-	-	-	-
Corporate and foundation contributions	20,098	65,400	24,666	29,000	53,666
Field program revenue	86,217	-	200,433	-	200,433
In-kind contributions	73,333	-	101,678	-	101,678
Other revenue	34	-	3	-	3
Net assets released from restriction	43,500	(43,500)	11,000	(11,000)	-
Total support and revenue	<u>349,231</u>	<u>68,900</u>	<u>427,269</u>	<u>18,000</u>	<u>445,269</u>
Expenses:					
Program services	339,382	-	384,491	-	384,491
General and administrative	11,022	-	9,192	-	9,192
Fundraising	70,241	-	64,472	-	64,472
Total expenses	<u>420,645</u>	<u>-</u>	<u>458,155</u>	<u>-</u>	<u>458,155</u>
Foreign currency adjustment	(1,585)	-	(2,012)	-	(2,012)
Change in net assets	(72,999)	68,900	(32,898)	18,000	(14,898)
Net assets - beginning of year	126,573	29,000	159,471	11,000	170,471
Net assets - end of year	<u>\$ 53,574</u>	<u>\$ 97,900</u>	<u>\$ 126,573</u>	<u>\$ 29,000</u>	<u>\$ 155,573</u>

See Accompanying Notes to Financial Statements



**EOS INTERNATIONAL NFP & SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

For The Years Ended December 31, 2018 and 2017

	2018			2017		
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising
In-Country professional service	\$ 75,569	\$ -	\$ -	\$ 87,857	\$ -	\$ -
Personnel & benefits	81,206	-	50,731	65,673	-	52,368
Direct program expenses	22,283	-	-	42,962	-	-
Cost of products	24,199	-	-	33,216	-	-
Training, travel & meetings	30,835	-	1,465	24,042	222	313
In-kind expenses	72,908	425	-	98,697	700	2,281
Professional services	-	4,898	4,560	700	4,847	5,636
Facilities & office	16,594	-	9,341	15,137	-	189
Depreciation	7,685	-	-	6,774	-	-
Insurance	2,454	1,270	-	4,150	650	-
Business administrative	5,649	4,429	4,144	5,283	2,773	3,685
<b>Total</b>	<b>\$ 339,382</b>	<b>\$ 11,022</b>	<b>\$ 70,241</b>	<b>\$ 384,491</b>	<b>\$ 9,192</b>	<b>\$ 64,472</b>
			<b>\$ 420,645</b>			<b>\$ 458,155</b>

See Accompanying Notes to Financial Statements

**EOS INTERNATIONAL NFP & SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets:	\$ (4,099)	\$ (14,898)
Adjustment to reconcile the change in net assets to net cash flows from operating activities:		
Depreciation	7,685	6,775
Loss on disposal of property and equipment	-	1,253
Change in assets and liabilities		
Accounts receivable	16,545	(29,111)
Inventory	(7,129)	4,556
Prepaid expenses	304	(3,979)
Promise to give	(47,000)	-
Accounts payable and accrued expenses	13,130	(793)
Net cash flows from operating activities	(20,564)	(36,197)
Cash flows from investing activities:		
Purchase of property and equipment	-	(15,000)
Net cash flows from investing activities	-	(15,000)
Cash flows from financing activities:		
Proceeds from long-term debt	50,000	-
Net cash flows from financing activities	50,000	-
Net change in cash and equivalents	29,436	(51,197)
Cash and equivalents - beginning of year	75,441	126,638
Cash and equivalents - end of year	\$ 104,877	\$ 75,441

See Accompanying Notes to Financial Statements

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** EOS International NFP (the Organization) is a nonprofit organization founded in 2008. The Organization empowers rural families in Central America with access to clean water and opportunities to generate income through simple technology solutions and education.

**Principles of consolidation** The financial statements include the Organization's wholly owned subsidiary, EOS International – Nicaragua, all inter-organization activity has been eliminated.

**Basis of accounting** The accompanying consolidate financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

**Tax status** The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes.

The Organization accounts for uncertainty in income taxes recognized in the consolidated financial statements annually assessing its exposure for uncertain tax positions. If required, the Organization would accrue income taxes plus a related interest and penalty as a liability. For the years presented the Organization has recorded no liability for uncertain tax positions. Tax years ending after December 31, 2015 remain open and subject to examination for both federal and state returns.

**Basis of presentation** Support is classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Net assets without donor restriction represent the portion of net assets that are not subject to donor restrictions.
- Net assets with donor restriction arise from contributions that are restricted by donors for specific purposes or time periods.



**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

**Use of estimates** The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and equivalents** For purposes of the consolidated financial statements, the Organization considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

**Contributions receivable** Contributions receivable represent unconditional promises to give and are due within one year.

**Promises to give** Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Accounts receivable** Accounts receivable represent monies owed from the implementation of the Organization's technology in Nicaragua. Allowance for bad debt at December 31, 2018 and 2017 was \$3,851 and \$4,406, respectively.

**Inventory** Inventory consists of products purchased for resale in the implementation of the Organization's technology.

**Property & Equipment** Property & Equipment is recorded at the lower of cost or estimated fair value. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Expenditures for equipment over \$3,000 with determinable lives are capitalized and depreciated. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized and depreciated over the estimated useful lives.

**Contributed materials** Contributed materials are recorded as contributions, when received, at their estimated fair value where such value can be objectively and accurately determined.

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

**Contributed services** Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a nonfinancial asset or the service requires specialized skills provided by an individual possessing those skills, and would need to be purchased if not provided by donation. A substantial number of volunteers donate significant amounts of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these statements since it does not meet the requirements of generally accepted accounting principles for recognition in the consolidated financial statements.

**Contributions** Contributions are recorded at their net realizable values when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases net assets with donor restriction. When a restriction expires, net assets are with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activity as satisfaction of donor restrictions.

**Functional expenses** Allocations are generally made as follows:

- Salaries by time spent on principal activities of each employee
- Employee benefits and payroll taxes according to the percentage used to allocate salaries
- All other expenses are allocated based on management estimates

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

**Subsequent events** Management evaluates events occurring subsequent to the date of the balance sheet in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through August 6, 2019 which is the date the consolidated financial statements were available to be issued.

In March of 2019, the Organization has merged with the US not-for-profit, International Rural Water Association. This merger will affect the Organizations financial statements, increasing both revenue and expenses.

2. DONATED SERVICES

The Organization received and recorded donated professional services in the amount of \$73,333 and \$101,678 for the years ended December 31, 2018 and 2017, respectively.

3. RELATED PARTY TRANSACTIONS

The Organization reimbursed its Nicaraguan subsidiary for expenses incurred in the production and implementation of its technology in the amount of \$107,000 and \$145,000 for the year ended December 31, 2018 and 2017, respectively.

4. PROMISES TO GIVE

Promises to give at December 31 are as follows:

	2018	2017
Gross promises to give	\$ 50,000	\$ -
Unamortized discount	(3,000)	-
Net promises to give	<u>\$ 47,000</u>	<u>\$ -</u>
Amounts due in:		
One to three years	\$ 47,000	\$ -
Total promises to give	<u>\$ 47,000</u>	<u>\$ -</u>

Promises to give are reflected as the present value of estimated future cash flows using a discount rate of 3% at December 31, 2018.

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

5. LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Loan payable to an individual requiring annual interest only payments at 6.5%. The note is unsecured and due May 1, 2021.	\$ 50,000	\$ -
Total long-term debt	<u>\$ 50,000</u>	<u>\$ -</u>

The aggregate annual maturities of long-term debt are as follows for the year ending December 31, 2018:

2021	<u>\$ 50,000</u>
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6. NET ASSETS

Net assets with donor restrictions are for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Promise to give	\$ 47,000	\$ -
Water projects	50,900	29,000
	<u>\$ 97,900</u>	<u>\$ 29,000</u>

Net assets released from donor restriction as of December 31 were as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of donor restrictions		
Water projects	<u>\$ 43,500</u>	<u>11,000</u>