



**EOS INTERNATIONAL NFP
& SUBSIDIARY**

Audited Consolidated Financial Statements

December 31, 2019 & 2018

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, 2019 and 2018, 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, 2019 and 2018, 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
July 6, 2020

EOS INTERNATIONAL NFP & SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and equivalents	\$ 96,681	\$ 104,877
Accounts receivable, net	65,657	32,432
Inventory	10,409	14,004
Prepaid expenses	2,225	5,507
Total current assets	174,972	156,820
Property and equipment	48,103	48,103
Less: accumulated depreciation	(36,446)	(32,100)
Net property and equipment	11,657	16,003
Long-term promise to give	48,500	47,000
Total assets	\$ 235,129	\$ 219,823
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 25,505	\$ 18,349
Total current liabilities	25,505	18,349
Long-term debt	50,000	50,000
Net assets		
Net assets without donor restriction	102,111	53,574
Net assets with donor restriction	57,513	97,900
Total net assets	159,624	151,474
Total liabilities and net assets	\$ 235,129	\$ 219,823

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, 2019 and 2018

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and revenue						
Individual contributions	\$ 158,570	\$ -	\$ 158,570	\$ 105,229	\$ 47,000	\$ 152,229
Event contributions	12,129	-	12,129	20,820	-	20,820
Corporate and foundation contributions	17,517	113,313	130,830	20,098	65,400	85,498
Field program revenue	274,179	-	274,179	86,217	-	86,217
In-kind contributions	78,009	-	78,009	73,333	-	73,333
Other revenue	1,671	-	1,671	34	-	34
Contribution from merger - IRWA	19,824	-	19,824	-	-	-
Net assets released from restriction	153,700	(153,700)	-	43,500	(43,500)	-
Total support and revenue	<u>715,599</u>	<u>(40,387)</u>	<u>675,212</u>	<u>349,231</u>	<u>68,900</u>	<u>418,131</u>
Expenses:						
Program services	570,781	-	570,781	339,382	-	339,382
General and administrative	11,882	-	11,882	11,022	-	11,022
Fundraising	83,468	-	83,468	70,241	-	70,241
Total expenses	<u>666,131</u>	<u>-</u>	<u>666,131</u>	<u>420,645</u>	<u>-</u>	<u>420,645</u>
Foreign currency adjustment	(931)	-	(931)	(1,585)	-	(1,585)
Change in net assets	48,537	(40,387)	8,150	(72,999)	68,900	(4,099)
Net assets - beginning of year	53,574	97,900	151,474	126,573	29,000	155,573
Net assets - end of year	<u>\$ 102,111</u>	<u>\$ 57,513</u>	<u>\$ 159,624</u>	<u>\$ 53,574</u>	<u>\$ 97,900</u>	<u>\$ 151,474</u>

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
In-Country professional service	\$ 120,687	\$ -	\$ -	\$ 120,687	\$ 75,569	\$ -	\$ -	\$ 75,569
Personnel & benefits	82,268	-	59,790	142,058	81,206	-	50,731	131,937
Direct program expenses	160,980	-	-	160,980	22,643	-	-	22,643
Cost of products	57,175	-	-	57,175	24,199	-	-	24,199
Training, travel & meetings	37,809	512	787	39,108	30,835	-	1,465	32,300
In-kind expenses	77,259	750	-	78,009	72,908	425	-	73,333
Professional services	4,343	5,173	8,968	18,484	-	4,898	4,560	9,458
Facilities & office	14,609	-	13,744	28,353	16,594	-	13,157	29,751
Depreciation	4,347	-	-	4,347	7,685	-	-	7,685
Insurance	2,220	2,755	-	4,975	2,454	1,270	-	3,724
Business administrative	9,084	2,692	179	11,955	5,289	4,429	328	10,046
Total	\$ 570,781	\$ 11,882	\$ 83,468	\$ 666,131	\$ 339,382	\$ 11,022	\$ 70,241	\$ 420,645

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets:	\$ 8,150	\$ (4,099)
Adjustment to reconcile the change in net assets to net cash flows from operating activities:		
Depreciation	4,347	7,685
Change in assets and liabilities		
Accounts receivable	(33,225)	16,545
Inventory	3,595	(7,129)
Prepaid expenses	3,282	304
Promise to give	(1,500)	(47,000)
Accounts payable and accrued expenses	7,155	13,130
Net cash flows from operating activities	(8,196)	(20,564)
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	(8,196)	29,436
Cash and equivalents - beginning of year	104,877	75,441
Cash and equivalents - end of year	\$ 96,681	\$ 104,877

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 safe drinking 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 consolidated 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, 2016 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, 2019 and 2018

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, 2019 and 2018 was \$0 and \$3,851, 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, 2019 and 2018

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.

Adoption of new accounting standards In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU provides a single principles-based revenue recognition model with a five-step analysis of transactions to determine when or how revenue is recognized. The core principle is that an Organization should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization has analyzed the ASU and determined that no changes are necessary to conform with the new standard.

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, 2019 and 2018

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 July 6, 2020 which is the date the consolidated financial statements were available to be issued.

2. DONATED SERVICES

The Organization received and recorded donated professional services in the amount of \$78,009 and \$73,333 for the years ended December 31, 2019 and 2018, respectively.

3. RELATED PARTY TRANSACTIONS

The Organization reimbursed its Nicaraguan subsidiary and Honduras partner for expenses incurred in the production and implementation of its technology in the amount of \$95,000 and \$107,000 for the year ended December 31, 2019 and 2018, respectively.

4. PROMISES TO GIVE

Promises to give at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Gross promises to give	\$ 50,000	\$ 50,000
Unamortized discount	<u>(1,500)</u>	<u>(3,000)</u>
Net promises to give	<u>\$ 48,500</u>	<u>\$ 47,000</u>

Amounts due in:

One to three years	<u>\$ 48,500</u>	<u>\$ 47,000</u>
Total promises to give	<u>\$ 48,500</u>	<u>\$ 47,000</u>

Promises to give are reflected as the present value of estimated future cash flows using a discount rate of 3% at December 31, 2019 and 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

5. LONG-TERM DEBT

	<u>2019</u>	<u>2018</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	\$ 50,000
Total long-term debt	<u>\$ 50,000</u>	<u>\$ 50,000</u>

The aggregate annual maturities of long-term debt are as follows for the year ending December 31, 2019:

2021	<u>\$ 50,000</u>
	<u>\$ 50,000</u>

6. NET ASSETS

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

	<u>2019</u>	<u>2018</u>
Promise to give	\$ 48,500	\$ 47,000
Water projects	9,013	50,900
	<u>\$ 57,513</u>	<u>\$ 97,900</u>

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

	<u>2019</u>	<u>2018</u>
Satisfaction of donor restrictions		
Water projects	<u>\$ 153,700</u>	<u>43,500</u>

7. ACQUISITION

On, March 1, 2019, the Organization acquired all the assets of the International Rural Water Association (IRWA). IRWA was a US-based nonprofit organization that provided funding and technical assistance to its Honduran nonprofit counterpart Agua y Desarrollo Comunitario (ADEC) which implements water treatment solutions through an innovative circuit rider program consisting of monthly visits to communities. Both EOS and IRWA carry years of experience working in water quality and have been collaborating for years leading up to this merger. Merging these two organizations is an example of how partnerships can lead to more efficient operations and greater impact, building on more than 20 years of combined experiences in water implementation expertise throughout Central America. The acquisition was approved by the state of Oklahoma and Illinois.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

7. ACQUISITION

The Organization acquired \$19,824 in net assets consisting of the remaining cash balance which was accounted for as a contribution from merger, no consideration was paid by the Organization.

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$87,668 of financial assets available within one year of the statement of financial position date, December 31, 2019, to meet cash needs for general operating expenditures. At December 31, 2018, the Organization had \$53,977 of financial assets available within one year, to meet cash needs for general operating expenditures. The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of donor-imposed restriction within one year of the statement of financial position date.

	2019	2018
Financial assets, at year end	\$ 96,681	\$ 104,877
Less those unavailable for general expenditures with in one year due to donor imposed restrictions	(9,013)	(50,900)
Financial assets available, at year end	\$ 87,668	\$ 53,977

Management of the Organization reviews cash balances and cash use on a daily and weekly basis. Additionally, its Board of Directors and Finance Committee review the cash balance, and specifically, the months of cash on hand, monthly. The Organization uses a benchmark of three months of operating expenditures. At December 31, 2019 and 2018, the Organization had 2 and 2 months of financial assets available for future general operating expenditures, respectively.

EOS INTERNATIONAL NFP & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

9. SUBSEQUENT EVENT

In early March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. While the Organization expects this matter to negatively impact its operating results, the financial impact and duration cannot be reasonably estimated at this time. No adjustments have been made to these financial statements as a result of this uncertainty.

In April 2020, the Organization received a PPP loan in the amount of \$28,900. The Organization expects the entire amount to be forgiven.