



EOS INTERNATIONAL NFP & SUBSIDIARIES

FINANCIAL STATEMENTS

December 31, 2021 & 2020

EOS INTERNATIONAL NFP & SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of EOS International NFP & Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years 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 EOS International NFP & Subsidiaries as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Audits of the Consolidated Financial Statements section of our report. We are required to be independent of EOS International NFP & Subsidiaries 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 opinions.

Responsibilities of Management for the 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 EOS International NFP & Subsidiaries' 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 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 EOS International NFP & Subsidiaries' 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 EOS International NFP & Subsidiaries' 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.

John, Liu & Marco LLC

Edina, Minnesota
November 2, 2022

EOS INTERNATIONAL NFP & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and equivalents	\$ 321,879	\$ 271,607
Accounts receivable, net	206,747	74,649
Current portion of promise to give	-	50,000
Inventory	60,317	46,523
Prepaid expenses	2,527	1,723
Total current assets	591,470	444,502
Property and equipment	105,439	86,475
Less: accumulated depreciation	(78,854)	(76,304)
Net property and equipment	26,585	10,171
 Total assets	 \$ 618,055	 \$ 454,673
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	\$ 20,368	70,716
Accounts payable and accrued expenses	15,741	30,362
Total current liabilities	36,109	101,078
Accrued labor benefit	82,760	85,710
Total long-term liabilities	82,760	85,710
Net assets		
Net assets without donor restriction	391,551	204,218
Net assets with donor restriction	107,635	63,667
Total net assets	499,186	267,885
 Total liabilities and net assets	 \$ 618,055	 \$ 454,673

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Years Ended December 31, 2021 and 2020

	2021		2020	
	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction
Support and revenue				
Individual contributions	\$ 212,374	\$ -	\$ 194,098	\$ -
Corporate and foundation contributions	24,922	214,800	22,004	95,250
Field program revenue	375,568	-	349,918	-
In-kind contributions	149,553	-	74,584	-
Other income	27,007	-	29,379	-
Contribution from merger	846	-	43,850	-
Net assets released from restriction	170,832	(170,832)	89,096	(89,096)
Total support and revenue	961,102	43,968	802,929	6,154
			1,005,070	809,083
Expenses:				
Program services	671,101	-	616,439	-
General and administrative	10,899	-	11,042	-
Fundraising	90,199	-	73,590	-
Total expenses	772,199	-	701,071	-
Foreign currency adjustment	(1,570)	-	249	-
Change in net assets	187,333	43,968	102,107	6,154
Net assets - beginning of year	204,218	63,667	102,111	57,513
Net assets - end of year	\$ 391,551	\$ 107,635	\$ 204,218	\$ 63,667
				\$ 267,885

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31, 2021 and 2020

	2021			2020		
	Program	General and	Total	Program	General and	Total
	Services	Administrative		Services	Administrative	
In-Country professional service	\$ 181,727	\$ -	\$ 181,727	181,015	\$ -	\$ 181,015
Personnel & benefits	59,531	-	134,680	74,840	-	135,384
Direct program expenses	26,189	-	26,189	45,537	-	45,537
Cost of products	142,881	-	142,881	162,237	-	162,237
Training, travel & meetings	44,294	-	44,497	36,945	-	37,463
In-kind expenses	149,553	-	149,553	74,084	500	74,584
Professional services	11,874	5,800	26,914	3,140	5,409	17,204
Facilities & office	42,048	-	47,580	26,313	-	30,186
Depreciation	2,550	-	2,550	2,370	-	2,370
Insurance	-	3,277	3,277	431	2,906	3,337
Business administrative	10,454	1,822	12,351	9,527	2,227	11,754
Total	\$ 671,101	\$ 10,899	\$ 772,199	\$ 616,439	\$ 11,042	\$ 701,071
					\$ 73,590	\$ 773,590
						\$ 701,071

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets:	\$ 231,301	\$ 108,261
Adjustment to reconcile the change in net assets to net cash flows from operating activities:		
Depreciation	2,550	2,370
Change in assets and liabilities		
Accounts receivable	(132,098)	(8,992)
Inventory	(13,794)	(36,114)
Prepaid expenses	(804)	502
Promise to give	50,000	(1,500)
Accounts payable and accrued expenses	(17,571)	90,567
Net cash flows from operating activities	119,584	155,094
 Cash flows from investing activities:		
Purchase of property and equipment	(18,964)	(884)
Net cash flows from investing activities	(18,964)	(884)
 Cash flows from financing activities:		
Proceeds from long-term debt	29,850	40,716
Payments on long-term debt	(80,198)	(20,000)
Net cash flows from financing activities	(50,348)	20,716
 Net change in cash and equivalents	50,272	174,926
 Cash and equivalents - beginning of year	271,607	96,681
 Cash and equivalents - end of year	\$ 321,879	\$ 271,607

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 subsidiaries, EOS International – Nicaragua and EOS International - Honduras, 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, 2018 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.

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 and Honduras. Bad debt expense at December 31, 2021 and 2020 was \$465 and \$3,566, 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 & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

2. DONATED SERVICES

The Organization received and recorded donated professional services in the amount of \$149,553 and \$74,584 for the years ended December 31, 2021 and 2020, respectively.

3. RELATED PARTY TRANSACTIONS

The Organization reimbursed its Nicaraguan and Honduras Subsidiaries for expenses incurred in the production and implementation of its technology in the amount of \$158,221 and \$84,500 for the year ended December 31, 2021 and 2020, respectively.

4. PROMISES TO GIVE

Promises to give at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Gross promises to give	\$ -	\$ 50,000
Unamortized discount	-	-
Net promises to give	<u>\$ -</u>	<u>\$ 50,000</u>

Amounts due in:

One to three years	\$ -	\$ 50,000
Total promises to give	<u>\$ -</u>	<u>\$ 50,000</u>

Promises to give are reflected as the present value of estimated future cash flows using a discount rate of 3% at December 31, 2020.

EOS INTERNATIONAL NFP & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

5. LONG-TERM DEBT

	<u>2021</u>	<u>2020</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
Recoverable grant with no interest, payable in monthly installments of \$4,143 and due in May 2021.	-	20,716
Loan payable to a lender requiring monthly payments of \$1,781 including interest at 8.5%. The note is unsecured and due January 1, 2023	<u>20,368</u>	<u>-</u>
Total	20,368	70,716
Current portion of long-term debt	<u>(20,368)</u>	<u>(70,716)</u>
Total long-term debt	<u>\$ -</u>	<u>\$ -</u>

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

2022	<u>\$ 20,368</u>
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6. NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Promise to give	\$ -	\$ 50,000
Water projects	107,635	13,667
	<u>\$ 107,635</u>	<u>\$ 63,667</u>

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

	<u>2021</u>	<u>2020</u>
Satisfaction of donor restrictions		
Promise to give	\$ 50,000	\$ 50,000
Water projects	120,832	39,096
	<u>\$ 170,832</u>	<u>\$ 89,096</u>

EOS INTERNATIONAL NFP & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

7. ACQUISITION

In 2020, EOS completed the acquisition of the Honduran-based nonprofit, Agua y Desarrollo Comunitario (ADEC). EOS has been collaborating with ADEC for several years prior the acquisition to share strategies and best practices to implement water quality solutions to rural communities in Central America. 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 Organization created a new International NGO legal entity in Honduras which then acquired the net assets consisting of cash, inventory and fixed assets which was accounted for as a contribution from merger, no consideration was paid by the Organization.

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use because of donor-imposed restriction within one year of the statement of financial position date.

	2021	2020
Financial assets, at year end	\$ 321,879	\$ 271,607
Less those unavailable for general expenditures with in one year due to donor imposed restrictions	(107,635)	(13,667)
Financial assets available, at year end	\$ 214,244	\$ 257,940

EOS INTERNATIONAL NFP & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

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, 2021 and 2020, the Organization had 3 and 4 months of financial assets available for future general operating expenditures, respectively.

9. CONTINGENCY

In early March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues its presence. 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.

The Organization received two PPP loans in the amounts of \$28,900 and \$26,900, respectively. Both loans have been forgiven as of December 31, 2021 and recorded as other income in the statement of activities and changes in net assets.

10. SUBSEQUENT EVENT

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 November 2, 2022 which is the date the consolidated financial statements were available to be issued.