



Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

**To the Board of Directors
Splash International and Subsidiaries
Seattle, Washington**

Opinion

We have audited the financial statements of Splash International and its Subsidiaries (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Statements Restated

As discussed in Note 12 to the financial statements, the 2020 financial statements have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.



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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.



Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises summarized revenue and expenses of the Organization for 2021 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The number of completed projects and number of children served, as disclosed in Note 1, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management. This information has not been subjected to auditing procedures applied in the audits of the consolidated financial statements, and we express no opinion nor any assurance on it.

Clark Nuber P.S.

Certified Public Accountants
December 16, 2022

SPLASH INTERNATIONAL AND SUBSIDIARIES

**Consolidated Statements of Financial Position
December 31, 2021 and 2020**

	2021	(Restated) 2020
Assets		
Cash and cash equivalents	\$ 4,879,026	\$ 5,564,074
Grants and pledges receivable, current portion	3,943,992	2,095,050
WASH systems and supplies	393,256	418,451
Deposits on equipment and materials	202,296	181,004
Other receivables, current portion	104,757	60,542
Investments	100,827	35,657
Advances to programmatic partners	21,845	59,764
Prepaid expenses	37,946	55,322
Total Current Assets	9,683,945	8,469,864
Grants and pledges receivable, net of current portion	2,245,692	957,025
Other receivables, net of current portion		121,694
Property and equipment, net of depreciation	98,462	102,459
Security deposits	49,070	57,848
Total Assets	\$ 12,077,169	\$ 9,708,890
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 858,496	\$ 365,234
Deferred revenue		57,510
Program related investment note, current portion		25,778
Total Current Liabilities	858,496	448,522
Program related investment note, net of current portion		12,868
Total Liabilities	858,496	461,390
Net Assets:		
Without donor restrictions	3,764,247	3,304,218
With donor restrictions	7,454,426	5,943,282
Total Net Assets	11,218,673	9,247,500
Total Liabilities and Net Assets	\$ 12,077,169	\$ 9,708,890

See accompanying notes.

SPLASH INTERNATIONAL AND SUBSIDIARIES

**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions and grants	\$ 466,582	\$ 12,338,119	\$ 12,804,701
Special events revenue, net of expenses	105,986		105,986
Paycheck Protection Program grant		316,542	316,542
Other revenue	37,828		37,828
Net assets released from restrictions	<u>11,143,517</u>	<u>(11,143,517)</u>	
Total Revenue and Support	11,753,913	1,511,144	13,265,057
Expenses:			
Program services	9,625,081		9,625,081
Management and general	977,648		977,648
Fundraising	<u>691,155</u>		<u>691,155</u>
Total Expenses	11,293,884		11,293,884
Change in Net Assets	460,029	1,511,144	1,971,173
Net assets, beginning of year	<u>3,304,218</u>	<u>5,943,282</u>	<u>9,247,500</u>
Net Assets, End of Year	<u>\$ 3,764,247</u>	<u>\$ 7,454,426</u>	<u>\$ 11,218,673</u>

See accompanying notes.

SPLASH INTERNATIONAL AND SUBSIDIARIES

**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	(Restated) Total
Revenue and Support:			
Contributions and grants	\$ 1,431,734	\$ 7,705,313	\$ 9,137,047
Special events revenue, net of expenses	326,651		326,651
Paycheck Protection Program grant		316,542	316,542
Other Losses	(12,515)		(12,515)
Net assets released from restrictions	<u>8,501,720</u>	<u>(8,501,720)</u>	
Total Revenue and Support	10,247,590	(479,865)	9,767,725
Expenses:			
Program services	6,321,118		6,321,118
Management and general	1,124,963		1,124,963
Fundraising	<u>663,035</u>		<u>663,035</u>
Total Expenses	8,109,116		8,109,116
Change in Net Assets	2,138,474	(479,865)	1,658,609
Net assets, beginning of year	<u>1,165,744</u>	<u>6,423,147</u>	<u>7,588,891</u>
Net Assets, End of Year	<u>\$ 3,304,218</u>	<u>\$ 5,943,282</u>	<u>\$ 9,247,500</u>

See accompanying notes.

SPLASH INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2021 and 2020

	For the Year Ended December 31, 2021			
	Program Services	Management and General	Fundraising	Total
Compensation	\$ 2,321,642	\$ 737,811	\$ 531,293	\$ 3,590,746
WASH implementation	4,979,834			4,979,834
Programmatic partner fees	1,216,445			1,216,445
Other professional fees	267,956	122,238	4,772	394,966
Office and supplies	198,229	7,033	5,272	210,534
Occupancy	262,773	36,096	19,772	318,641
Travel and meetings	138,069	2,687	2,210	142,966
IT and communications	160,624	64,299	39,235	264,158
Other	45,526		112,809	158,335
Depreciation	33,983	7,484	4,333	45,800
Total Expenses:	9,625,081	977,648	719,696	11,322,425
Less special events			(28,541)	(28,541)
Total Expenses, Net of Special Events	\$ 9,625,081	\$ 977,648	\$ 691,155	\$ 11,293,884
	For the Year Ended December 31, 2020 (Restated)			
	Program Services	Management and General	Fundraising	Total
Compensation	\$ 2,277,640	\$ 655,491	\$ 549,547	\$ 3,482,678
WASH implementation	2,373,171			2,373,171
Programmatic partner fees	827,242			827,242
Other professional fees	51,516	353,942	7,130	412,588
Office and supplies	132,470	2,152	1,057	135,679
Occupancy	269,314	37,135	20,322	326,771
Travel and meetings	92,484	3,006	17,326	112,816
IT and communications	156,397	58,741	43,882	259,020
Other	105,677	4,836	43,377	153,890
Depreciation	35,207	9,660	5,592	50,459
Total Expenses:	6,321,118	1,124,963	688,233	8,134,314
Less special events			(25,198)	(25,198)
Total Expenses, Net of Special Events	\$ 6,321,118	\$ 1,124,963	\$ 663,035	\$ 8,109,116

See accompanying notes.

SPLASH INTERNATIONAL AND SUBSIDIARIES

**Consolidated Statements of Cash Flows
For the Year Ended December 31, 2021 and 2020**

	2021	(Restated) 2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,971,173	\$ 1,658,609
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	45,800	50,459
(Gain) loss on disposal of property and equipment	(8,518)	6,888
Use (receipt) of multiple-year in-kind contributions	34,415	(34,285)
Change in present value discount on grants and pledges receivable	(16,501)	(57,696)
Changes in assets and liabilities:		
Grants and pledges receivable	(3,121,108)	934,921
WASH systems and supplies	25,195	(251,343)
Deposits on equipment and materials	(21,292)	(126,062)
Other receivables	43,064	46,386
Advances to programmatic partners	37,919	106,607
Prepaid expenses	17,376	(25,176)
Security deposits	8,778	4,742
Accounts payable and accrued expenses	493,262	66,969
Deferred revenue	(57,510)	57,510
Net Cash (Used in) Provided by Operating Activities	(547,947)	2,438,529
Cash Flows From Investing Activities:		
Purchase of property and equipment	(33,285)	(77,890)
Purchases of investments	(65,170)	(46,732)
Net Cash Used in Investing Activities	(98,455)	(124,622)
Cash Flows From Financing Activity:		
Payments made on program related investment note	(38,646)	(8,754)
Net Cash Used in Financing Activity	(38,646)	(8,754)
Net Change in Cash and Cash Equivalents	(685,048)	2,305,153
Cash and cash equivalents balance, beginning of year	5,564,074	3,258,921
Cash and Cash Equivalents Balance, End of Year	\$ 4,879,026	\$ 5,564,074

See accompanying notes.

SPLASH INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Organization and Summary of Accounting Policies

Organization - The mission of Splash International (SI) is to ensure clean water for kids. Splash delivers child-focused water, sanitation, hygiene (WASH), and menstrual health programs in partnership with governments in some of the largest, low resource cities in Asia and Africa. Splash focuses on child-serving institutions including schools, orphanages, shelters, and hospitals to help kids lead healthier lives. Since 2007, Splash has completed over 2,300 projects across Bangladesh, Cambodia, China, Ethiopia, India, Nepal, Thailand and Vietnam, serving more than 884,000 children daily (unaudited). Splash's goal is to reach one million children by 2023.

In June 2018 and January 2019, respectively, Splash formed Splash Social Enterprises LLC (SSE) and SSE Water Solutions Private Ltd (SSEWS), with Splash as the sole member of SSE and the controlling member of SSEWS. Both entities are social enterprises that allow Splash to expand its impact by selling Splash's patented drinking and handwashing stations to nonprofit and government customers. These innovative, durable, and unique stations are designed for use in institutional settings around the world.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Splash, SSE and SSEWS (collectively, the Organization) after elimination of inter-entity accounts and activity.

Basis of Presentation - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting under accounting principles generally accepted in the United States of America (U.S. GAAP).

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or through the passage of time.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on the sale of assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expirations of net assets with donor restrictions (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition - Unconditional contributions and grants, including unconditional pledges when promised, are recognized as revenue in the period received. Conditional contributions and grants are recognized as revenue in the period in which the conditions have been satisfied.

Grants and Pledges Receivable - Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

SPLASH INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

Grants receivable are stated at the amount management expects to realize from outstanding balances. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to grants and pledges receivable. A valuation allowance was not deemed necessary at December 31, 2021 and 2020.

Conditional Promises to Give - Conditional promises to give are recognized as revenue only when the conditions upon which they depend are met. Outstanding conditional promises to give totaled \$6,361,851 and \$2,480,394 as of December 31, 2021 and 2020, respectively, and are intended to be used for WASH implementation. The outstanding conditional pledges are expected to be recognized as revenue during the next two years.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

WASH Systems and Supplies - The Organization holds WASH systems and related hardware in warehouses in Ethiopia, China and India. These are reported on the consolidated statements of financial position at cost and are expensed upon installation on a first-in, first-out basis. WASH systems and supplies are assessed for impaired value annually, and management has determined no impairment existed as of December 31, 2021 and 2020.

Deposits on Equipment and Materials - Deposits on equipment and materials consist of advance deposits for equipment that will be capitalized upon delivery or deposits on materials that have yet to be received for WASH systems.

Other Receivables - Other receivables consist of donated software licenses, training vouchers and miscellaneous receivables. The software licenses are for terms of two to three years, and the training vouchers may be used as desired.

Investments - Investments consist of certificates of deposit for SSEWS with expirations from 61 days to 365 days. Certificates of deposit are recorded at cost plus accrued interest.

Advances to Programmatic Partners - Advances to programmatic partners consist of cash advanced to project partners, generally located overseas, to fund WASH implementation projects.

Property, Equipment and Depreciation - All acquisitions of furniture, fixtures and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets ranging from three to five years.

Program Related Investment Note - A program related investment note was obtained on August 27, 2018 by SSE. The loan was provided to help SSE begin producing low-cost, high quality water stations designed for children in urban settings in Asia and Africa, thereby assisting children living in low-income and lower-middle income countries. The loan was in the amount of \$50,000 and was interest free. Quarterly principal payments began November 14, 2019 in the amount of 4% of product sales revenue generated by SSE during the prior quarter, which to date consist of inter-entity sales between SSE and SSEWS and Splash International. The loan was paid off in July 2021.

SPLASH INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

In-Kind Goods and Services - The Organization recognizes in-kind contributions of goods and services at fair value on the date received. The Organization recognizes donated services if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not donated. Software licenses, training and consulting services are valued based on prices typically charged by the donors to commercial customers. Goods and supplies are valued based on retail prices for the same or similar items. Multiple year software licenses and training are recognized as contribution revenue in the year committed as contributions with donor restrictions. The value of the future use of these licenses and training is included on the statements of financial position with other receivables and totaled \$125,625 and \$160,040 as of December 31, 2021 and 2020, respectively (Note 4) . In-kind goods and services are included in contributions and grants on the consolidated statements of activities and changes in net assets and consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Software licenses and training	\$ 59,449	\$ 167,025
Consulting services	10,000	50,500
Goods and supplies	<u>3,130</u>	<u>4,328</u>
Total Donated Goods and Services	<u>\$ 72,579</u>	<u>\$ 221,853</u>

During the year ended December 31, 2021, the Organization received 100 million tokens of cryptocurrency, which it accounts for as an intangible asset in accordance with U.S. GAAP. The estimated total fair value of the gift at the time received was approximately \$30,000 based on observable inputs from a cryptocurrency exchange. However, due to the tokens' limited liquidity and market volatility, management determined the adjusted fair value of the tokens was zero. Therefore, this asset is not reported on the statements of financial position as of December 31, 2021. There were no cryptocurrencies received during the year ended December 31, 2020.

Use of Estimates - The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status - The Internal Revenue Service has determined that Splash is exempt from U.S. federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. SSE is a disregarded entity for federal tax purposes. SSEWS is subject to taxation laws in India.

Foreign Currency Translation - The functional currency of the Organization's field offices is the local currency in which each office is located. Substantially all assets and liabilities of the overseas offices have been translated into U.S. dollars at year end exchange rates. Revenues and expenses have been translated at average monthly exchange rates. Translation adjustments totaled \$179,610 and \$110,788 for the years ended December 31, 2021 and 2020, respectively.

SPLASH INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the number of employees working in each department. Expenses related to headquarters staff who serve multiple functions are allocated based on estimates of time spent on various programs, fundraising and other.

Vulnerability From Certain Concentrations - Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist primarily of cash. Cash held by financial institutions exceeded federally insured limits during the years ended December 31, 2021 and 2020. Cash held in foreign countries totaled \$76,954 and \$726,508 as of December 31, 2021 and 2020, respectively. Repatriation of funds restrictions may exist in a small number of foreign currency accounts. The Organization has not experienced any losses in such accounts and closely monitors its cash and cash equivalents.

For the years ended December 31, 2021 and 2020, 75% of contributions and grants were from three donors and 59% of contributions and grants were from one donor, respectively. Additionally, as of December 31, 2021 and 2020, 51% of outstanding grants and pledges receivable were from three donors and 55% of outstanding grants and pledges receivable were from two donors, respectively.

Reclassifications - Certain 2020 account balances were reclassified to conform with the current year consolidated financial statement presentation. These reclassifications had no effect on consolidated net assets or the consolidated change in net assets as of and for the year ended December 31, 2020. Additionally, the 2020 financial statements were restated to correct certain misstatements (Note 12).

Subsequent Events - The Organization has evaluated subsequent events through December 16, 2022, the date on which the consolidated financial statements were available to be issued.

Note 2 - Grants and Pledges Receivable

Grants and pledges receivable consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 3,943,992	\$ 2,095,050
Due in two to five years	<u>2,260,000</u>	<u>987,834</u>
Total grants and pledges receivable	6,203,992	3,082,884
Less discount to present value (0.39% - 1.55%)	<u>(14,308)</u>	<u>(30,809)</u>
Grants and Pledges Receivable, Net	<u>\$ 6,189,684</u>	<u>\$ 3,052,075</u>

SPLASH INTERNATIONAL AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020**

Note 3 - Property and Equipment

Property and equipment consist of the following as of December 31:

	<u>2021</u>	<u>(Restated) 2020</u>
Equipment	\$ 27,665	\$ 26,215
Vehicles	132,824	86,203
Leasehold improvements	38,564	53,774
Computer hardware	45,000	45,000
Furniture and fixtures	<u>5,136</u>	<u>5,136</u>
Total property and equipment	249,189	216,328
Less accumulated depreciation	<u>(150,727)</u>	<u>(113,869)</u>
Property and Equipment, Net	<u>\$ 98,462</u>	<u>\$ 102,459</u>

Note 4 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of contributions restricted by donors for specific purposes and/or for specific time periods, and donated software licenses that will be used in future years. The release of net assets with donor restrictions for the year ended December 31, 2021 totaled \$10,382,282 released for specific purposes, \$700,000 released for time restricted pledges, and \$61,235 for the use of software licenses. The release of net assets with donor restrictions for the year ended December 31, 2020 totaled \$8,221,570 released for specific purposes, \$215,000 released for time restricted pledges, and \$65,150 for the use of software licenses.

Net assets with donor restrictions are available for projects in the following countries or are restricted for time as of December 31:

	<u>2021</u>	<u>2020</u>
Restricted for projects-		
Ethiopia	\$ 4,298,877	\$ 2,796,210
India	689,279	1,767,199
Multiple countries	<u>920,645</u>	<u>1,199,833</u>
	5,908,801	5,763,242
Time restricted-		
Pledges	1,420,000	20,000
Software licenses	<u>125,625</u>	<u>160,040</u>
	<u>1,545,625</u>	<u>180,040</u>
Total Net Assets With Donor Restrictions	<u>\$ 7,454,426</u>	<u>\$ 5,943,282</u>

SPLASH INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020

Note 5 - Paycheck Protection Program Grants

In response to the COVID-19 pandemic, in March 2020 the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Included in the CARES Act is the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On May 1, 2020, the Organization obtained a loan under the PPP with a principal balance of \$316,542 and an annual interest rate of 1%. Principal and interest were payable in monthly installments over an 18-month amortization period beginning six months after the loan was disbursed. Under the terms of the PPP, all or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. Splash's PPP loan was forgiven by the lender and the Small Business Administration on December 9, 2020. On March 13, 2021, the Organization obtained a second loan under the PPP with a principal balance of \$316,542 and an annual interest rate of 1%. Principal and interest were payable in monthly installments over an 18-month amortization period beginning six months after the loan was disbursed. Splash's second PPP loan was forgiven by the lender and the Small Business Administration on December 15, 2021. In accordance with U.S. GAAP, Splash accounted for the loans as purpose restricted conditional grants and recognized the full amount of each loan as grant revenue on the consolidated statements of activities and changes in net assets for the years ended December 31, 2021 and 2020, respectively.

Note 6 - Line of Credit

In September 2015, the Organization obtained a revolving line of credit with a bank (the Bank) that allows for borrowings up to \$200,000. Interest accrues at 2.5% over prime rate, as determined by the Bank, and is payable monthly beginning October 20, 2015. Upon written notice to the Organization, the Bank may terminate its obligation to make revolving advances under the line of credit and convert the line of credit to a term note. As of December 31, 2021 and 2020, there was no outstanding balance due on the line of credit. The line of credit is secured by substantially all assets of the Organization.

Note 7 - Commitments and Contingencies

Leases - The Organization leases office space in Seattle, Washington and in several countries overseas. The noncancelable leases include escalating rent payments and expire by June 5, 2022 in Seattle and by May 13, 2023 in offices overseas. The Organization also has leases that are cancelable with one to three months' notice, as such, only the noncancelable portion of these leases have been included below. Future minimum rent payments under the noncancelable office space lease are as follows:

For the Year Ending December 31,

2022	\$	82,218
2023		5,145
2024		665
Total Future Minimum Rent Payments	\$	88,028

Rent expense totaled \$280,529 and \$287,512 for the years ended December 31, 2021 and 2020, respectively.

SPLASH INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020

Note 7 - Continued

Other Commitments and Contingencies - The Organization has noncancelable contracts of up to two years with employees in certain countries. If the contracts are terminated before expiration and without cause, the Organization is obligated to pay the compensation remaining on the contracts. The Organization has estimated severance pay which is included on the consolidated statements of financial position in accounts payable and accrued expenses.

Under the terms of certain grant agreements, funds the Organization receives are subject to audits by the grantors, and funds not spent in accordance with the intent of the agreements may be recoverable by the grantors. In the opinion of management, the Organization's liability, if any, resulting from such claims will not materially affect the Organization's financial position or the results of its activities.

Occasionally, the Organization may be involved in claims arising in the normal course of business. Management believes that uninsured costs that may be incurred in the settlement of such claims would not be material to the Organization's financial position.

Note 8 - Retirement Plan

Effective January 1, 2011, the Organization established a 401(k) profit sharing plan (the Plan). U.S. employees become eligible to participate in the Plan upon employment and when they have attained the age of 21 years. Participants may contribute compensation up to the maximum amount allowed by law and are immediately vested in these contributions. The Plan provides for employer matching contributions of 100% of the first 3% of employee contributions. The matching contributions vest over two years.

The Organization also provides various retirement plans for its local employees at offices outside of the U.S. The plans vary by country.

The Organization made matching contributions to all the retirement plans totaling \$120,159 and \$110,935 for the years ended December 31, 2021 and 2020, respectively.

Note 9 - Expenses by Country

The Organization incurred program expenses in the following countries for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Ethiopia	\$ 5,425,418	\$ 3,095,265
United States	2,364,884	1,754,009
India	1,780,439	1,370,043
Nepal	23,465	46,401
China	28,459	21,780
Cambodia	2,416	33,620
Total Program Expenses by Country	<u>\$ 9,625,081</u>	<u>\$ 6,321,118</u>

SPLASH INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020

Note 10 - Availability and Liquidity of Financial Assets

The Organization's financial assets for general expenditure available within one year of the consolidated statements of financial position date are as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,879,026	\$ 5,564,074
Grants and pledges receivable, net	6,189,684	3,052,075
Other receivables	104,757	182,236
Investments	<u>100,827</u>	<u>35,657</u>
Total financial assets	11,274,294	8,834,042
Less noncash other receivables	(104,757)	(182,236)
Less donor-restricted for specific purposes and time restricted pledges	<u>(7,328,801)</u>	<u>(5,783,242)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,840,736</u>	<u>\$ 2,868,564</u>

As part of the Organization's liquidity management, it actively engages its Board and partners and cultivates prospective donors to generate financial assets and build reserves for general expenditures. Although the Organization can use the donor-restricted financial assets to conduct program activities, if the activities could not be fulfilled, the funds would need to be returned to the donors. The Organization has a number of active projects and can decrease spending to manage liquidity if a decrease in funding were to occur.

Note 11 - Inter-Entity Sales Activity and Other Related Party

Splash Social Enterprises LLC (SSE) and SSE Water Solutions Private Ltd (SSEWS) allow Splash International (SI) to expand its impact by selling SI's patented drinking and handwashing stations to nonprofit and government customers (Note 1). SSE and SSEWS also provide these patented drinking and handwashing stations to SI for use in its programs, primarily in Ethiopia (SSE) and India (SSEWS) at retail prices. The sales and cost of goods sold activity between SSE and SSEWS and SI is eliminated in consolidation.

Revenue from the sale of Splash's patented drinking and handwashing stations is recognized at the point of sale by SSE and SSEWS, which is at the time the stations ship and SSE's and SSEWS' performance obligations are considered met. Product sales in 2021 and 2020 consisted entirely of inter-entity transactions and have been eliminated in consolidation.

Inventory purchased from SSE and SSEWS but held on hand at year end by SI, including advance deposits paid by SI, are adjusted from retail prices to SSE's and SSEWS' cost and are included in WASH systems and supplies, and deposits on equipment and materials, on the consolidated statements of financial position. SI inventory and advance deposits valuation adjustments to SSE cost totaled (\$112,410) and (\$43,877) as of December 31, 2021 and 2020, respectively.

When the purchased goods are used by SI in its program activities, the full retail price paid by SI is directly allocated to the applicable grants as program cost. The retail price is determined by SSE and SSEWS based on their wholesale cost of the stations, freight charges, and an estimated overhead costs. Freight is charged by SSE to SI at the time the goods ship to Ethiopia. Freight is not charged separately by SSEWS to SI.

SPLASH INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020

Note 11 - Continued

Sales and cost of goods sold activity between SSE and SSEWS and SI was as follows for the year ended December 31, 2021:

	<u>SSE</u>	<u>SSEWS</u>	<u>Total</u>
Sales and cost of good sold, without freight charges-			
Retail sales to SI	\$ 640,613	\$ 132,079	\$ 772,692
SSE and SSEWS cost of good sold	<u>(369,871)</u>	<u>(68,899)</u>	<u>(438,770)</u>
	270,742	63,180	333,922
Margin	42%	48%	43%

Sales and cost of goods sold activity between SSE and SSEWS and SI was as follows for the year ended December 31, 2020 (restated):

	<u>SSE</u>	<u>SSEWS</u>	<u>Total</u>
Sales and cost of good sold, without freight charges-			
Retail sales to SI	\$ 381,815	\$ 99,929	\$ 481,744
SSE and SSEWS cost of good sold	<u>(246,286)</u>	<u>(55,998)</u>	<u>(302,284)</u>
	135,529	43,931	179,460
Margin	35%	44%	37%

Other Related Party - Splash India Trust (the Trust) was created in May 2018 for public charitable purposes. The Trust is affiliated with SI's mission; however, it is an independent entity and is not controlled by SI. There were no transactions between SI, SSE, SSEWS and the Trust during 2021 and 2020.

Note 12 - Financial Statement Restatements

Management determined that adjustments related to inter-entity sales activity (Note 11) were necessary to reflect changes in methodology of classification between inventory and costs of goods sold in SSE. Adjustments impacted certain balances previously reported in the consolidated financial statements as of and for the year ended December 31, 2020.

SPLASH INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 12 - Continued

The consolidated financial statements as of and for the year ended December 31, 2020 were restated as follows:

	Originally Presented	Correction	Restated
Consolidated Statement of Financial Position			
Assets:			
WASH systems and supplies	\$ 413,488	\$ 4,963	\$ 418,451
Deposits on equipment and materials	117,620	63,384	181,004
Other receivables, current portion	74,792	(14,250)	60,542
Total Current Assets	8,415,767	54,097	8,469,864
Property and equipment, net	229,760	(127,301)	102,459
Total Assets	\$ 9,782,094	\$ (73,204)	\$ 9,708,890
Liabilities:			
Accounts payable and accrued expenses	\$ 379,484	\$ (14,250)	\$ 365,234
Deferred revenue		57,510	57,510
Total Current Liabilities	405,262	43,260	448,522
Total Liabilities	418,130	43,260	461,390
Net Assets:			
Without donor restrictions	3,420,682	(116,464)	3,304,218
Total Liabilities and Net Assets	\$ 9,782,094	\$ (73,204)	\$ 9,708,890
Consolidated Statement of Activities and Changes in Net Assets			
Expenses:			
Program services	\$ 6,204,654	\$ 116,464	\$ 6,321,118
Total Expenses	7,992,652	116,464	8,109,116
Change in Net Assets	1,775,073	(116,464)	1,658,609
Net Assets, End of Year	\$ 9,363,964	\$ (116,464)	\$ 9,247,500