SPLASH INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Splash International and Subsidiaries
Seattle, Washington

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Splash International and Subsidiaries (a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Splash International and Subsidiaries, as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Splash International and Subsidiaries 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.

Adjustment to Prior Period Consolidated Financial Statements

The 2021 consolidated financial statements of Splash International and Subsidiaries were audited by other auditors whose report dated December 16, 2022, expressed an unmodified opinion on those statements. As discussed in Note 12 to the consolidated financial statements, Splash International and Subsidiaries has adjusted the 2021 consolidated financial statements to reclassify $441,466 from net assets without donor restrictions to net assets with donor restrictions, with a corresponding adjustment to the net assets released from restrictions in 2021. The other auditors reported on the consolidated financial statements before the retrospective adjustment.

As part of our audit of the 2022 consolidated financial statements, we also audited the adjustments to the 2021 consolidated financial statements, which included the reclassification of $441,466 from net assets without donor restrictions to net assets with donor restrictions and the corresponding adjustment to the net assets released from restrictions in 2021. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to December 31, 2021's consolidated financial statements other than with respect to the adjustments, and accordingly we do not express an opinion or any other form of assurance on the 2021 consolidated financial statements as a whole.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Splash International and 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 Splash International and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

Board of Directors
Splash International and Subsidiaries

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
September 27, 2023

SPLASH INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021 (As Restated)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,854,353	$ 4,879,026
Grants and Pledges Receivable, Current Portion	3,108,345	3,943,992
WASH Systems and Supplies	529,749	393,256
Deposits on Equipment and Materials	367,018	202,296
Other Receivables, Current Portion	96,128	104,757
Investments	90,896	100,827
Advances to Programmatic Partners	50,042	21,845
Prepaid Expenses	91,297	37,946
Total Current Assets	8,187,828	9,683,945
OTHER ASSETS		
Grants and Pledges Receivable, Net of Current Portion and Discount	232,054	2,245,692
Property and Equipment, Net of Depreciation	42,096	98,462
Security Deposits	-	49,070
Total Other Assets	274,150	2,393,224
Total Assets	$ 8,461,978	$ 12,077,169
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 103,945	$ 76,782
Accrued Expenses	615,715	781,714
Total Current Liabilities	719,660	858,496
LONG-TERM LIABILITIES		
Refundable Grant Payable	250,000	-
Total Long-Term Liabilities	250,000	-
Total Liabilities	969,660	858,496
NET ASSETS		
Without Donor Restrictions	2,585,124	3,322,781
With Donor Restrictions	4,907,194	7,895,892
Total Net Assets	7,492,318	11,218,673
Total Liabilities and Net Assets	$ 8,461,978	$ 12,077,169

See accompanying Notes to Consolidated Financial Statements.

SPLASH INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and Grants	$ 899,629	$ 3,683,207	$ 4,582,836
Special Events Revenue, Net of Expenses	53,521	-	53,521
System Sales	4,600	-	4,600
Interest and Other Income	4,615	-	4,615
Contributed Assets Released from Restrictions	76,357	(76,357)	-
Net Assets Released from Restrictions	6,595,578	(6,595,578)	-
Total Revenue and Support	7,634,300	(2,988,728)	4,645,572
EXPENSES			
Program Services	6,781,397	-	6,781,397
Management and General	1,053,589	-	1,053,589
Fundraising	536,941	-	536,941
Total Expenses	8,371,927	-	8,371,927
CHANGE IN NET ASSETS	(737,627)	(2,988,728)	(3,726,355)
Net Assets - Beginning of Year (As Restated)	3,322,781	7,895,892	11,218,673
NET ASSETS - END OF YEAR	$ 2,585,154	$ 4,907,164	$ 7,492,318

See accompanying Notes to Consolidated Financial Statements.

SPLASH INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions (As Restated)	With Donor Restrictions (As Restated)	Total (As Restated)
REVENUE AND SUPPORT			
Contributions and Grants	$ 466,582	$ 12,294,174	$ 12,760,756
Contributed Nonfinancial Assets	-	43,945	43,945
Special Events Revenue, Net of Expenses	105,986	-	105,986
Paycheck Protection Program Grant	-	316,542	316,542
Interest and Other Income	37,828	-	37,828
Contributed Assets Released from Restrictions	72,579	(72,579)	-
Net Assets Released from Restrictions	10,629,472	(10,629,472)	-
Total Revenue and Support	11,312,447	1,952,610	13,265,057
EXPENSES			
Program Services	9,625,081	-	9,625,081
Management and General	977,648	-	977,648
Fundraising	691,155	-	691,155
Total Expenses	11,293,884	-	11,293,884
CHANGE IN NET ASSETS	18,563	1,952,610	1,971,173
Net Assets - Beginning of Year	3,304,218	5,943,282	9,247,500
NET ASSETS - END OF YEAR	$ 3,322,781	$ 7,895,892	$ 11,218,673

See accompanying Notes to Consolidated Financial Statements.

SPLASH INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Compensation and Related Expenses	$ 2,405,114	$ 604,785	$ 402,076	$ 3,411,975
WASH Implementation	1,400,648	-	-	1,400,648
Programmatic Partner Fees	2,227,781	-	-	2,227,781
Other Professional Fees	45,286	217,090	50,733	313,109
Office and Supplies	27,196	4,467	2,338	34,001
Occupancy	101,973	12,695	6,646	121,314
Travel and Meetings	231,422	121,198	40,930	393,550
IT and Communication	154,225	61,435	32,164	247,824
Other	167,255	26,609	13,931	207,795
Depreciation	20,497	5,310	2,780	28,587
Total Expenses by Function	6,781,397	1,053,589	551,598	8,386,584
Less: Special Events	-	-	(14,657)	(14,657)
Total Expenses, Net	$ 6,781,397	$ 1,053,589	$ 536,941	$ 8,371,927

See accompanying Notes to Consolidated Financial Statements.

SPLASH INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total
Compensation and Related Expenses	$ 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 Communication	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 by Function	9,625,081	977,648	719,696	11,322,425
Less: Special Events	-	-	(28,541)	(28,541)
Total Expenses, Net	$ 9,625,081	$ 977,648	$ 691,155	$ 11,293,884

See accompanying Notes to Consolidated Financial Statements.

SPLASH INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (3,726,355)	$ 1,971,173
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	28,587	45,800
(Gain) Loss on Disposal of Property and Equipment	27,779	(8,518)
Investment Loss on Currency Translation	8,586	-
Use (Receipt) of Multiple-Year In-Kind Contributions	-	34,415
Change in Present Value Discount on Grants and Contributions	(3,638)	(16,501)
(Increase) Decrease in Assets:		
Accounts Receivable	8,629	
Grants and Pledges Receivable	2,852,923	(3,121,108)
WASH Systems and Supplies	(136,493)	25,195
Deposit on Equipment and Materials	(164,722)	(21,292)
Other Receivables	-	43,064
Advances to Programmatic Partners	(28,197)	37,919
Prepaid Expenses	(53,351)	17,376
Security Deposits	49,070	8,778
Increase (Decrease) in Liabilities:		
Accounts Payable	27,163	76,782
Accrued Expenses and Other Liabilities	(165,999)	416,480
Deferred Revenue	-	(57,510)
Net Cash Used by Operating Activities	(1,276,018)	(547,947)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	-	(33,285)
Purchases of Investments	-	(65,170)
Purchases from Sales of Investments	1,345	-
Net Cash Provided (Used) by Investing Activities	1,345	(98,455)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments Made on Program Related Investment Note	-	(38,646)
Proceeds from Refundable Grant Payable	250,000	-
Net Cash Provided (Used) by Financing Activities	250,000	(38,646)
CHANGE IN CASH AND CASH EQUIVALENTS	(1,024,673)	(685,048)
Cash and Cash Equivalents - Beginning of Year	4,879,026	5,564,074
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,854,353	$ 4,879,026

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The mission of Splash International and Subsidiaries (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 2,400 projects across Bangladesh, Cambodia, China, Ethiopia, India, Nepal, Thailand and Vietnam, serving more than 1,060,000 children daily (unaudited).

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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Revenue is recognized when earned. System sales are recognized on a unit rate basis at the point in time that the sales occurred. There are no contract assets or liabilities related to system sales.

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.

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, 2022 and 2021 based on management's review.

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 $2,380,600 and $6,361,851 as of December 31, 2022 and 2021, respectively, and are intended to be used for WASH implementation. The outstanding conditional pledges are expected to be recognized as revenue during the next year.

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 out basis. WASH systems and supplies are assessed for impaired value annually, and management has determined no impairment existed as of December 31, 2022 and 2021.

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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Contributed Nonfinancial Assets

The Organization recognizes 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 consolidated statements of financial position with other receivables and totaled $76,357 and $125,625 as of December 31, 2022 and 2021, respectively (Note 4) . Contributed nonfinancial assets (in-kind goods and services) are included in contributions and grants on the consolidated statements of activities and changes in net assets.

Leases

The Organization determines if an arrangement is a lease at inception. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statement of financial position. The Organization has no long-term leases, and therefore ROU assets and lease liabilities are not reported in the consolidated statements of financial position.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets

Contributed nonfinancial assets include restricted contributions of software and services, of which $43,945 was recognized as a restricted contribution in 2021 and additional restricted contributions of software licenses were recognized as revenue in a prior year. Expenses recognized and net assets released related to these restricted contributed nonfinancial assets were as of December 31:

	2022	2021
Software Licenses and Training	$ 76,357	$ 59,449
Consulting Services	-	10,000
Goods and Supplies	-	3,130
Total Donated Goods and Services	$ 76,357	$ 72,579

In 2022 and 2021, the software licenses and training services were donor restricted and used for program purposes. In 2021, the consulting services and goods and supplies were not donor restricted and were used for program purposes.

During the year ended December 31, 2022, the Organization received 300,000 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 $2,804 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 consolidated statement of financial position as of December 31, 2022. During the year ended December 31, 2021, the Organization received 100 million tokens of cryptocurrency, which 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 consolidated statement of financial position as of December 31, 2021.

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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 net losses of $104,959 and $179,610 for the years ended December 31, 2022 and 2021, respectively.

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, 2022 and 2021. Cash held in foreign countries totaled $605,150 and $76,954 as of December 31, 2022 and 2021, 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, 2022 and 2021, 72% of contributions and grants were from four donors and 75% of grants and contributions were from three donors, respectively.

Additionally, as of December 31, 2022, 82% of outstanding grants and pledges receivable were from two donors, and as of December 31, 2021, 51% of outstanding grants and pledges receivable were from three donors.

Reclassifications

Certain 2021 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, 2022. Additionally, the 2021 consolidated financial statements were restated to correct certain adjustments to the previously reported consolidated financial statements (Note 12).

Subsequent Events

The Organization has evaluated subsequent events through September 27, 2023, the date the consolidated financial statements were available to be issued.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

The Financial Accounting Standard Board (FASB) issued ASU 2020-07 *Not-for-Profit Entities (*Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The ASU requires nonprofits to present contributed nonfinancial assets and gifts-in-kind as a separate line item on the statement of activities. Additionally, gifts-in-kind are to be disaggregated into categories based on the type of gift received and additional qualitative disclosures. The ASU is effective for fiscal years beginning after June 15, 2021. The Organization's financial statements reflect the application of ASU 2020-07 using a retrospective approach to each presented period.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period. The Organization has not elected to adopt the package of practical expedients available in the year of adoption, nor has the Organization elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets. The Organization did not have any long-term leases and therefore did not recognize ROU assets or lease liabilities upon implementation of the standard.

NOTE 2 GRANTS AND PLEDGES RECEIVABLE, NET

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

	2022	2021
Due in Less Than One Year	$ 3,108,345	$ 3,943,992
Due in Two to Five Years	250,000	2,260,000
Total	3,358,345	6,203,992
Less: Discount to Present Value (0.39% to 1.55%)	(17,946)	(14,308)
Grants and Pledges Receivable, Net	$ 3,340,399	$ 6,189,684

NOTE 3 PROPERTY AND EQUIPMENT

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

	2022	2021
Equipment	$ -	$ 27,665
Vehicles	77,700	132,824
Leasehold Improvements	-	38,564
Computer Hardware	45,000	45,000
Furniture and Fixtures	5,136	5,136
Total	127,836	249,189
Less: Accumulated Depreciation	(85,740)	(150,727)
Property and Equipment, Net	$ 42,096	$ 98,462

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, 2022 totaled $5,715,578 released for specific purposes, $880,000 released for time restricted pledges, and $76,357 for the use of software licenses. The release of net assets with donor restrictions for the year ended December 31, 2021 totaled $9,941,816 released for specific purposes (restated, See Note 12), $700,000 released for time restricted pledges, and $61,235 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:

	2022	Restated 2021
Subject to Expenditure for Specified Purpose:		
Ethiopia	$ 1,155,161	$ 1,654,657
India	43,836	18,107
Multiple Countries	559,643	814,970
Total	1,758,640	2,487,734
Subject to the Passage of Time:		
Pledges	3,072,197	5,255,444
Software Licenses	76,357	152,714
Total	3,148,554	5,408,158
Total Net Assets With Donor Restrictions	$ 4,907,194	$ 7,895,892

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 nonprofit 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 year ended December 31, 2021.

NOTE 6 LINE OF CREDIT

In September 2015, the Organization obtained a revolving line of credit with a bank (the Bank) that allowed for borrowings up to $200,000, secured by substantially all assets of the Organization, with a stated interest rate at 2.5% over bank prime rate. There was no balance on the line of credit as of December 31, 2021, and the line of credit was closed during 2022; therefore no available balance remained at December 31, 2022.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Leases

The Organization leased office space in Seattle, Washington and in several countries. The noncancelable leases, which included escalating rent payments, expired on June 5, 2022 in Seattle and on May 13, 2023 in offices overseas. The Organization also has leases that are cancelable with one to three months' notice. Lease expense totaled $90,647 and $280,529 for the years ended December 31, 2022 and 2021, respectively.

Recoverable Grant Payable

During 2022, the Organization received a recoverable grant in the amount of $250,000 from a third party. The Organization may utilize the funding for specific program purposes, and full repayment of the grant is due in full on August 1, 2025. The recoverable grant payable is unsecured and does not bear interest.

NOTE 7 COMMITMENTS AND CONTINGENCIES (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 $128,464 and $120,159 for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 EXPENSES BY COUNTRY

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

	2022	2021
Ethiopia	$ 4,138,938	$ 5,425,418
United States	2,109,969	2,364,884
India	478,236	1,780,439
Nepal	11,430	23,465
China	25,102	28,459
Cambodia	16,751	2,416
Total Program Expenses by Country	$ 6,780,426	$ 9,625,081

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:

	2022	2021
Cash and Cash Equivalents	$ 3,854,353	$ 4,879,026
Grants and Pledges Receivable, Net	3,340,399	6,189,684
Other Receivables	96,128	104,757
Investments	90,896	100,827
Total Financial Assets	7,381,776	11,274,294
Less: Noncash Receivables	(96,128)	(104,757)
Less: Donor-Restricted for Specific Purposes and Time Restricted and Long-Term Pledges	(4,907,194)	(7,895,892)
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	$ 2,378,454	$ 3,273,645

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 2022 and 2021 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 $(182,920) and $(112,410) as of December 31, 2022 and 2021, respectively.

NOTE 11 INTER-ENTITY SALES ACTIVITY AND OTHER RELATED PARTY (CONTINUED)

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.

Sales and cost of goods sold activity between SSE and SSEWS and SI was as follows for the years ended December 31, 2022 and 2021:

	SSE	SSEWS	Total
December 31, 2022			
Sales and Cost of Goods Sold, Without Freight Charges:			
Retail Sales to SI	$ 25,440	$ -	$ 25,440
SSE and SSEWS Cost of Goods Sold	(15,830)	-	(15,830)
Total	$ 9,610	$ -	$ 9,610
Margin	38%	0%	38%
December 31, 2021			
Sales and Cost of Goods Sold, Without Freight Charges:			
Retail Sales to SI	$ 640,613	$ 132,079	$ 772,692
SSE and SSEWS Cost of Goods Sold	(369,871)	(68,899)	(438,770)
Total	$ 270,742	$ 63,180	$ 333,922
Margin	42%	48%	43%

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 2022 and 2021.

NOTE 12 ADJUSTMENT TO PRIOR YEAR CONSOLIDATED FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2021 were adjusted to restate the ending balances of net assets with and without donor restrictions and the 2021 releases of net assets from donor restrictions. The adjustment related to $441,466 of country specific expenses in Ethiopia which were released in error in 2021 as the expenses had not been incurred at December 31, 2021. Accordingly, the Organization restated its financial statements as of and for the year ended December 31, 2021 to properly state the restrictions on such net assets as follows:

	As Previously Reported	Adjustment	As Restated
Net Assets Released from Restrictions	$ 11,143,517	$ (441,466)	$ 10,702,051
Net Assets Without Donor Restrictions	3,764,247	(441,466)	3,322,781
Net Assets With Donor Restrictions	7,454,426	441,466	7,895,892