

WINE TO WATER

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2025

And Report of Independent Auditor

WINE TO WATER
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Report of Independent Auditor

To the Board of Directors
Wine to Water
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of Wine to Water (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025 and the related statements of activities and changes in net assets, functional expense, and cash flows for the year then ended, and the related notes to the 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 June 30, 2025, 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. 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 audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 misstatements, whether due to fraud or error.

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 within one year after the date the 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 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 and 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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.

Cherry Bekaert LLP

Raleigh, North Carolina
August 5, 2026

WINE TO WATER
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

ASSETS

Current Assets:

Cash and cash equivalents	\$ 5,088,243
Restricted cash	233,746
Accounts receivable	57,535
Inventory	2,173,860
Prepaid expenses	202,939
Other current assets	3,294
Total Current Assets	<u>7,759,617</u>

Property and equipment, net	<u>4,001,359</u>
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Total Assets	<u><u>\$ 11,760,976</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 456,226
Accrued liabilities	427,647
Deferred revenue	1,244,369
Notes payable, current	126,720
Total Current Liabilities	<u>2,254,962</u>

Long-Term Liabilities:

Contingent liability	165,472
Notes payable, net of current portion	<u>2,328,083</u>
Total Long-Term Liabilities	<u>2,493,555</u>
Total Liabilities	<u>4,748,517</u>

Net Assets:

Without Donor Restrictions:	6,396,713
With Donor Restrictions:	<u>615,746</u>
Total Net Assets	<u>7,012,459</u>
Total Liabilities and Net Assets	<u><u>\$ 11,760,976</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

WINE TO WATER**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS***YEAR ENDED JUNE 30, 2025*

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Contribution revenue	\$ 5,273,549	\$ 1,000,000	\$ 6,273,549
Program revenue	2,987,606	-	2,987,606
Rental revenue	121,577	-	121,577
Gifts-in-kind	3,733,616	-	3,733,616
Interest income	101,438	-	101,438
Other income	170,381	-	170,381
Net assets released from restrictions	781,364	(781,364)	-
Total Support and Revenues	13,169,531	218,636	13,388,167
Expenses:			
Program Services:			
Water program	9,339,573	-	9,339,573
Supporting Services:			
General and administrative	1,654,132	-	1,654,132
Fundraising	728,036	-	728,036
Total Expenses	11,721,741	-	11,721,741
Change in net assets	1,447,790	218,636	1,666,426
Net assets, beginning of year	4,948,923	397,110	5,346,033
Net assets, end of year	\$ 6,396,713	\$ 615,746	\$ 7,012,459

The accompanying notes to the financial statements are an integral part of these statements.

WINE TO WATER
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025

	Program Services	Supporting Services		
	Program	General and Administrative	Fundraising	Total
Salaries and wages	\$ 1,882,754	\$ 569,133	\$ 276,192	\$ 2,728,079
Employee bonus	44,950	4,540	7,010	56,500
Payroll taxes	155,045	51,335	22,660	229,040
Insurance and employee benefits	252,454	64,870	36,820	354,144
Retirement contributions	44,793	5,023	6,570	56,386
Contract labor	263,533	64,842	23,625	352,000
Grant expenses	1,498,270	-	-	1,498,270
Disaster relief grant expenses	2,584,349	-	-	2,584,349
Program supplies and implementations	1,584,131	-	-	1,584,131
Filter manufacturing	60,951	6,503	7,165	74,619
Freight	139,790	-	-	139,790
Professional fees	136,714	382,948	76,798	596,460
Marketing	90,074	28,812	81,607	200,493
Office	74,279	205,615	144,369	424,263
Travel	266,683	28,929	22,266	317,878
Depreciation	101,380	68,674	3,394	173,448
Interest	53,288	31,377	7,304	91,969
Income taxes	-	12,858	-	12,858
Property management	106,135	128,673	12,256	247,064
	<u>\$ 9,339,573</u>	<u>\$ 1,654,132</u>	<u>\$ 728,036</u>	<u>\$ 11,721,741</u>

The accompanying notes to the financial statements are an integral part of these statements.

WINE TO WATER

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

Cash flows from operating activities:

Change in net assets	\$ 1,666,426
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	173,448
Changes in operating assets and liabilities:	
Accounts receivable	640,471
Inventory	(1,296,155)
Prepaid expenses	(25,215)
Other assets	(7,673)
Accounts payable	331,249
Accrued liabilities	414,899
Deferred revenue	1,042,685
Total adjustments	<u>1,273,709</u>
Net cash flows from operating activities	2,940,135

Cash flows from investing activities:

Purchases of property and equipment	(355,887)
Contingent liability related to Employee Retention Credit	<u>165,472</u>
Net cash flows from investing activities	<u>(190,415)</u>

Cash flows from financing activities:

Payments on loan payable	<u>(121,708)</u>
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Net change in cash, cash equivalents, and restricted cash	2,628,012
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,693,977</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 5,321,989</u></u>

Supplemental disclosure of cash flow information:

Cash paid for interest	<u><u>\$ 79,221</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

WINE TO WATER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Nature of activities

Wine to Water ("the Organization") is a not-for-profit corporation organized under the laws of the state of the state of North Carolina. The Organization has based operations in Boone, North Carolina with six international offices in Nepal, Dominican Republic, Colombia, Tanzania, South Africa and Uganda.

The Organization's mission is for the advancement of water availability and education. The Organization leverages financial support from contributions and international volunteer services to provide water access programs, water, sanitation, and hygiene ("WASH") training for the furtherance of safe water management.

Wine to Water Nepal – The Nepal program prioritizes sustainable water access and specialized Menstrual Health Management (MHM) to address cultural stigmas that frequently result in missed education and health issues for women and girls. This year, the program expanded its reach through "Period Allies," college-aged women who lead educational workshops for adolescent girls, distributing 3,105 reusable menstrual products and providing WASH education. These efforts resulted in a total impact of 13,736 lives across 34 communities. In addition to MHM, the Nepal team expanded water access by distributing nearly 1,900 membrane filters and installing piped water systems in the 8 most underprivileged and indigenous communities, directly benefiting 3,589 people with clean water access.

Wine to Water Dominican Republic – In the Dominican Republic, the program emphasizes technical collaboration and the implementation of renewable water systems. This fiscal year, the team focused on deep inter-office learning with the Colombia team to strengthen expertise in rainwater harvesting and membrane filter technology. Through these collaborative efforts, the program impacted 6,582 lives in 31 communities, which included the distribution of 236 membrane filters and 422 ceramic filters, the installation of 2 community piped water systems benefiting 366 people, and the implementation of 95 rainwater harvesting systems.

Wine to Water Colombia – WTW's Colombia program works in remote areas like the tri-border region of the Amazon to improve community health through enhanced hygiene and water access. This year's efforts included the expansion of rainwater harvesting knowledge and the distribution of high-efficiency water filters. The program successfully impacted 9,069 lives, distributing 1,528 membrane filters, providing 48 reusable menstrual products, constructing 2 bathrooms, and building 19 rainwater harvesting systems. The program also supported a cross-border project extending impact into Brazil, Chile, and Peru.

Wine to Water Tanzania – The Tanzania program focuses on the intersection of water and education, prioritizing systems at or near schools to reduce the time students spend walking for water. Major projects this year included a borehole project at Oldadai Primary School that serves 930 students and the surrounding community. Overall, the program impacted 4,604 lives through the distribution of 272 ceramic filters, the drilling of 1 new well, and the construction of 2 community water systems.

Wine to Water South Africa – This year, the Organization established a country office in South Africa, taking over operations of a ceramic filter factory in the Hammanskraal province. The program addresses "water shedding" disruptions by providing filtration solutions and WASH education to vulnerable households. These inaugural efforts impacted 3,589 lives in the region, involving the distribution of 371 ceramic filters and 500 reusable menstrual products.

Uganda – To address critical water and sanitation needs in districts like Kasese and Kabarole, WTW established a dedicated in-country team in Uganda this year. The team focuses on enhancing hygiene infrastructure through spring harvesting, borehole drilling, and the construction of inclusive latrines. The program reached 5 communities and impacted 5,107 lives, resulting in the distribution of 385 membrane filters and the construction of 2 community water systems.

WINE TO WATER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Nature of activities (continued)

WASH Partners – The Organization partners with other local organizations worldwide to expand our capacity to provide clean water to those in need and broaden our global response. This year, 11 global partners were equipped with 9,639 membrane filters to implement in their community development programming. In total, the Organization's work through WASH Partners impacted 143,105 individuals in 11 countries.

Disaster Response – The Global Disaster Response program provides rapid relief and long-term recovery for communities facing natural disasters or humanitarian crises. This year, the organization responded to emergencies in 10 countries, including floods in Pakistan and Kenya and earthquakes in Morocco. These consolidated efforts impacted 193,012 lives, reached 75 communities and 11 schools, and resulted in the distribution of 14,309 membrane filters, 9,098 hygiene kits, and 438,292 gallons of water.

Following the catastrophic impact of Hurricane Helene in late September 2024, the Organization launched a comprehensive disaster response initiative in its home region of Western North Carolina. This program provided critical relief by connecting residents with medical care, groceries, and temporary winter shelter while implementing long-term recovery efforts. In total, this initiative impacted 101,506 lives through the distribution of 3,725 membrane filters and the dispensing of 439,372 gallons of water. Additionally, the program conducted water quality testing for 328 private homes to ensure safe long-term access for the region's residents.

Note 2—Summary of significant accounting policies

Basis of Accounting – The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and, accordingly, reflect all significant assets, liabilities, and changes in net assets.

Basis of Presentation – Financial statement presentations follow the recommendations of the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") 958, *Financial Statements of Not-for-Profit Organizations*. This statement requires that nonprofit organizations provide a statement of financial position, natural classification of expenses, and a statement of cash flows. Also, the statements require classification of an Organization's net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions (with or without donor restriction). Accordingly, 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 restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

WINE TO WATER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

Estimates – The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers all highly-liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Restricted Cash – The Organization's restricted cash balance is a requirement of one outstanding loan, as discussed in Note 8.

Cash, cash equivalents, and restricted cash at June 30, 2025 is comprised of the following:

Cash and cash equivalents	\$ 5,088,243
Restricted cash and cash equivalents	233,746
	<u>\$ 5,321,989</u>

Accounts Receivable – The Organization extends credit to various agencies. In accordance with ASC Topic 326, *Financial Instruments – Credit Losses* ("ASC 326"), the Organization makes ongoing estimates relating to the collectability of accounts receivable and records an allowance for estimated credit losses expected from the inability of its customers to make required payments. The Organization establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and creditworthiness of significant customers. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Accounts receivable are written off when deemed uncollectable. As of June 30, 2025, the Organization has determined that all amounts are fully collectible and the allowance for doubtful accounts would be immaterial. Accounts receivable as of July 1, 2024 was \$698,606.

Inventories – Inventory consists of unassembled water filter parts, water filters at builds, and assembled water filters. Inventory is stated at the lower of cost or net realizable value with costs determined by the first-in, first-out method. Net realizable value is the value of an asset that can be realized upon the sale of the asset, less a reasonable estimate of the costs associated with either the eventual sale or disposal of the asset in question. The Organization recorded no write-off or reserve for inventory as of and for the year ended June 30, 2025.

Property and Equipment – Property and equipment is stated at cost or, if acquired by gift, the fair market value at the date of the gift. The cost of equipment retired or disposed of, and the related depreciation are eliminated from the accounts with the resulting gains and losses included in operations. The Organization capitalizes all property and equipment with a cost greater than \$2,500. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no indicators that impairment existed as of June 30, 2025. Depreciation is provided on the straight-line method, using estimated useful lives as follows:

Building	40 years
Furniture and equipment	10 years
Vehicles	5 years
Software in progress	5 years

WINE TO WATER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

Program Revenues – The Organization has revenue streams that are accounted for as an exchange transaction and recognized in accordance with ASC 606, *Revenue from Contracts with Customers*. Revenues from filter build events, volunteer programs, and Global WASH services are the result of a contract with a customer, satisfaction of a distinct performance obligation, and distinct sale price for the event or product provided. These revenues are recognized upon satisfaction of performance obligations in an amount that reflects the consideration the Organization expects to receive in exchange for those events held or products sold.

Filter Build Events – The Organization enters into contracts with individuals, companies, and other organizations to host filter build events. The Organization coordinates and provides the materials necessary for filter assembly, arranges shipping and delivery of those materials to the event location, and facilitates the build event including, in certain cases, sending Organization staff onsite to lead and instruct participants in the filter assembly process. Each contract represents a single performance obligation: delivering unassembled water filters through a facilitated build event. The Organization recognizes revenue at a fixed sponsorship fee per filter, which is satisfied when the filter build event occurs. Because filter assembly is performed in part by participants at the event, the Organization recognizes in-kind revenue at the difference between the filter cost and the Fair Market Value of a completed filter. This represents the value of donated services attributable to participant-assembled filters, consistent with its policy on donated services. The filter build event partner pays a per filter sponsorship fee for the event experience, which is outlined on each event contract and recognized as program revenue.

Contributions and Support – Contributions received, including donated food, materials, and services, are recognized as revenues in the period received at their estimated fair market value. Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. If a condition related to a donor-restricted contribution is fulfilled in the same period in which the contribution is received, the Organization reports the support as without donor restriction. Conditional promises to give are recognized when the conditions are substantially met.

Donated Goods and Services – Numerous volunteers have contributed significant amounts of time to the Organization which have not been reflected in the accompanying statements of financial position as they did not meet the criteria for recognition as required by U.S. GAAP. Additionally, the Organization received an estimated value of \$1,398,769 for sponsored assembled water filters and \$2,287,135 for natural disaster relief for local communities which is based on estimated fair market values of the materials donated for the year ended June 30, 2025.

Rental Income – The Organization rents various properties to third parties and recognizes rental income on a straight-line basis over the life of the related lease. This rental income is considered unrelated business taxable income for the Organization.

The Organization owns a second warehouse adjacent to their main office and leases the entire warehouse to another entity through a formal lease agreement that requires monthly payments of \$7,000 until August 2027. Subsequent to year-end, the Organization and third party elected to use the included renewal option and extended the lease for 5 years through August 2031 that requires monthly payments of \$7,210. The Organization recorded rental income of \$84,000 during the year ended June 30, 2025, as a result of this lease.

The Organization also rents a business office to another entity through a formal lease agreement that requires monthly payments of \$2,900 until February 2028. The Organization recorded rental income of \$11,600 during the year ended June 30, 2025 as a result of this lease.

WINE TO WATER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

The future rental income payments expected to be received from these two rental agreements are as follows:

Years Ending June 30,

2026	\$	120,900
2027		121,320
2028		109,720
2029		86,520
2030		86,520
Thereafter		100,940
Total rental income	\$	<u>625,920</u>

The Organization has additional leases to various third-parties that are considered to be short-term agreements of one year or less. Income related to these leases is also included in rental income on the statement of activities and changes in net assets.

Deferred Revenue – Deferred revenue is comprised mainly of payments by customers in advance of future filter build events. These funds have been collected by the Organization as of June 30 and events are to be held throughout the subsequent fiscal year. As of July 1, 2024, and June 30, 2025, deferred revenue was \$201,684 and \$1,244,369, respectively.

Income Taxes – The Organization was formed in 2007 for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Organization has been recognized by the Internal Revenue Service (“IRS”) as exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3).

As discussed previously in Note 2, the Organization receives rental income from operating leases. The Organization also receives income from one customer for the manufacturing and selling of a product (“Snowguard”) that is considered unrelated business taxable income under an executed contract for that set service. The Organization determines a fixed pricing per Snowguard product per contract agreement and recognizes revenue upon transfer of the promised goods. The Organization recorded \$158,486 to other income within the statement of activities and changes in net assets as a result of this other product income. This rental and other product income is considered unrelated business income. Certain costs are allowed to offset rental income on Form 990-T. For the year ended June 30, 2025, revenues exceeded allowable costs, and as such the Organization reported unrelated business taxable income, resulting in income tax expense and accrual as of and for the year ended June 30, 2025 of \$12,858 included in the statement of financial position and statement of activities.

U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken any uncertain position that more-likely-than-not would be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2025, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Marketing and Awareness Costs – The Organization expenses marketing and awareness costs as incurred. Marketing and Awareness costs were \$200,492 for the year ended June 30, 2025.

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among program services, general and administrative, and fundraising. Such allocations are determined by management on a reasonable basis. The Organization allocates expenses based on management’s estimate of time and effort involved in programs and other services.

WINE TO WATER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Concentrations of credit risk

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the fiscal year, the Organization's cash balances have exceeded the federally insured limit. Uninsured cash balances as of June 30, 2025 were \$4,531,753.

Note 4—Liquidity and availability

As of June 30, 2025, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one-year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 5,088,243
Accounts receivable	57,535
Total financial assets available for expenditures	5,145,778
Less amounts not available to be used within one year:	
Contractual or donor imposed restrictions:	
Net assets with donor restrictions	(615,746)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,530,032

The Organization considers all expenditures related to its ongoing mission related activities as well as the conduct of services undertaken to support those activities to be general expenditures. As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in a money market fund. The Organization also has an internal goal to maintain cash on hand to cover six months worth of fixed overhead costs. Funds are also used to optimize returns and are being held for future expansion and growth opportunities as they present.

Note 5—Property and equipment, net

Net property and equipment consisted of the following as of June 30, 2025:

Property	\$ 3,561,262
Furniture and equipment	554,706
Software in progress	96,295
Vehicles	215,605
	4,427,868
Less accumulated depreciation	(426,509)
Property and equipment, net	\$ 4,001,359

Depreciation expense for the year ended June 30, 2025 was \$173,448.

WINE TO WATER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 6—Inventory

The Organization records three major inventory classes for water filters based on their phase of development – unassembled inventory, filters at builds, and finished goods. Used in connection with the Organization's Filter Builds & Awareness events, the filter inventory represents the movement of filters that have been sponsored by outside individuals or businesses to put together and send back to the Organization. The filter build partner pays a fee for the event experience to assemble the filter components and get them ready for implementation. These assembled filters are returned to the Organization warehouse for quality control and await deployment to the field as finished goods. Filters at build inventory allow the Organization to track how many filters are either at an event, in transit to an event, or in transit back to the warehouse. Inventory consists of the following as of June 30, 2025:

Unassembled inventory	\$ 859,974
Filters at build	362,955
Finished goods	950,931
Total inventory	<u>\$ 2,173,860</u>

Note 7—Retirement plan

The Organization has a multiple employer defined contribution plan. The Organization matches participants' contributions to the plan up to 4% of the eligible employee's compensation. During the year ended June 30, 2025, the Organization made retirement contributions in the amount of \$56,386.

Note 8—Notes Payable

In April 2022, the Organization entered into a mortgage agreement with First Horizon Bank. The agreement includes a term loan in the amount of \$1,643,500 for the purchase of property located at 689 George Wilson Road in Boone, North Carolina with a maturity date of April 13, 2032. The loan bears interest at a rate of 3.5% per annum. The agreement requires repayment in monthly payments of principal and interest of \$9,575. The loan is secured through Organization's restricted cash balance of \$233,746 held in a money market account as collateral in addition to the property purchased with the loan. The outstanding balance of the loan as of June 30, 2025 was \$1,462,221.

In May 2022, the Organization entered into a mortgage agreement with First Horizon Bank. The agreement includes a term loan in the amount of \$1,000,000 for the purchase of property located at 671 George Wilson Road in Boone, North Carolina with a maturity date of May 13, 2032. The loan bears interest at a rate of 4.22% per annum. The agreement requires repayment in monthly payments of principal and interest of \$6,210. The outstanding balance of the loan as of June 30, 2025 was \$895,813.

In September 2022, the Organization entered into a financing agreement with Kubota Credit Corporation. The agreement in the amount of \$76,096 for the purchase of a Kubota SVL-75. The loan bears interest at a rate of 0% per annum. The agreement requires repayment in monthly payments of \$1,618. The outstanding balance of this loan was \$22,538 as of June 30, 2025.

In May 2020, the Organization was approved to receive Economic Injury Disaster Loan ("EIDL") funds totaling \$160,000. A COVID-19 Targeted EIDL Advance of \$10,000 was received for which there is no obligation to repay. The remaining \$150,000 (less \$100 of filing fees) is to be repaid over 30 years. In March 2021, the U.S. Small Business Administration extended the deferment period for the Covid-19 EIDL program to 24 months from the date of the note. Interest on the note continues to accrue during the deferment period at a rate of 2.75%. A liability has been recorded in the amount of \$12,748 for accrued interest as of June 30, 2025. The loan is secured through collateral of property the Organization owns or shall acquire of all tangible and intangible personal property. Payments of principal and interest have begun and a total of \$10,837 was paid during the year. At June 30, 2025, the principal balance on the loan was \$74,231.

WINE TO WATER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 8—Notes Payable (continued)

The future principal payments on the notes payable are as follows:

Years Ending June 30,

2026	\$	126,720
2027		117,602
2028		116,723
2029		121,179
2030		125,589
Thereafter		<u>1,846,990</u>
		2,454,803
Current portion of long-term debt		<u>(126,720)</u>
Total long-term debt	\$	<u><u>2,328,083</u></u>

Interest expense for the year ended June 30, 2025 was \$91,969.

Note 9—Net assets

Net assets with donor restrictions as of June 30, 2025 are as follows:

Media campaign	\$	40,633
Disaster relief		<u>575,113</u>
	\$	<u><u>615,746</u></u>

Net assets released from donor restrictions during the year ended June 30, 2025 are as follows:

Global WASH programs	\$	170,902
Media campaign		29,080
Disaster relief		<u>581,382</u>
	\$	<u><u>781,364</u></u>

Note 10—Contingent liability

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act ("CARES") Act signed into law on March 27, 2020, and the subsequent extension of the CARES Act, the Organization applied for and received refundable employee retention credits. While management believes the Organization met all eligibility requirements, these claims are subject to retroactive audit and review by the IRS for several years after the initial filing. Due to the complexity of the laws and the potential for varying interpretations, there is a reasonable possibility that a portion of the credits could be challenged, disallowed, or required to be repaid upon audit. The Organization recorded a contingent liability in the amount of \$165,472 and will continue to recognize this obligation until the applicable statute of limitations for assessment expires.

WINE TO WATER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 11—Subsequent events

As discussed in Note 2, the Organization renewed its agreement to lease warehouse space to a third party for 5 additional years subsequent to year-end.

Subsequent to year-end, the Organization invested \$175,000 in a newly created entity in Tanzania and advanced a separate loan of \$125,000 to the new entity for the purpose of expanding operations into new geographic areas. The loan bears interest at 9% per annum starting May 1, 2026 and provides the borrower a grace period of two years from that date where no principal or interest payments shall be due or payable, which is then to be followed with quarterly payments of principal and interest commencing May 2028 through maturity date of June 2036.

The Organization has evaluated subsequent events occurring after the statement of financial position date of June 30, 2025 through August 5, 2026, which is the date the financial statements were available to be issued and has determined that no other subsequent events have occurred which require disclosure in the financial statements.