



**EOS INTERNATIONAL NFP
& SUBSIDIARY**

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2017 & 2016 (Restated)

EOS INTERNATIONAL NFP & SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of EOS International NFP & Subsidiary (a nonprofit organization), which comprise the statements of consolidated financial position as of December 31, 2017 and 2016 (restated), and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated statements of financial position of EOS International NFP & Subsidiary as of December 31, 2017 and 2016 (restated), and the consolidated statements of changes in its activities and net assets, consolidated statements of functional expenses and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note number 5 to the financial statements, the Organization restated its prior audited financial statements to include property and equipment previously omitted.



Minneapolis, Minnesota
August 30, 2018

EOS INTERNATIONAL NFP & SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016 (Restated)

	2017	Restated 2016
ASSETS		
Current assets		
Cash and equivalents	\$ 75,441	\$ 126,638
Accounts receivable, net	48,977	19,866
Inventory	6,875	11,431
Prepaid expenses	5,811	1,833
Total current assets	137,104	159,768
Property and equipment	48,103	42,103
Less: accumulated depreciation	(24,414)	(25,387)
Net property and equipment	23,689	16,716
 Total assets	 \$ 160,793	 \$ 176,484
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,220	\$ 6,013
Total current liabilities	5,220	6,013
Net assets		
Unrestricted	126,573	159,471
Temporarily restricted	29,000	11,000
Total net assets	155,573	170,471
 Total liabilities and net assets	 \$ 160,793	 \$ 176,484

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Years Ended December 31, 2017 and 2016 (Restated)

	2017		Restated 2016		
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
Support and revenue					
Individual contributions	\$ 89,489	\$ -	\$ 89,489	\$ -	\$ 89,489
Event contributions	-	-	-	-	-
Corporate and foundation contributions	24,666	29,000	53,666	11,000	64,666
Field program revenue	200,433	-	200,433	-	200,433
In-kind contributions	101,678	-	101,678	-	101,678
Other revenue	3	-	3	-	3
Net assets released from restriction	11,000	(11,000)	-	(69,267)	(58,267)
Total support and revenue	<u>427,269</u>	<u>18,000</u>	<u>445,269</u>	<u>(58,267)</u>	<u>408,883</u>
Expenses:					
Program services	384,491	-	384,491	-	384,491
General and administrative	9,191	-	9,191	-	9,191
Fundraising	64,473	-	64,473	-	64,473
Total expenses	<u>458,155</u>	<u>-</u>	<u>458,155</u>	<u>-</u>	<u>458,155</u>
Foreign currency adjustment	(2,012)	-	(2,012)	-	(2,012)
Change in net assets	(32,898)	18,000	(14,898)	(58,267)	(72,165)
Net assets - beginning of year (restated)	159,471	11,000	170,471	69,267	239,738
Net assets - end of year	<u>\$ 126,573</u>	<u>\$ 29,000</u>	<u>\$ 155,573</u>	<u>\$ 11,000</u>	<u>\$ 170,471</u>

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31, 2017 and 2016 (Restated)

	2017				Restated 2016			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Personnel & benefits	\$ 65,672	-	\$ 52,371	\$ 118,043	\$ 34,569	-	\$ 13,826	\$ 48,395
In-Country professional service	87,857	-	-	87,857	99,094	-	-	99,094
Professional services	700	4,847	5,635	11,182	523	424	25,116	26,063
Cost of products	33,215	-	-	33,215	46,396	-	-	46,396
In-kind expenses	98,697	700	2,281	101,678	41,956	1,000	4,171	47,127
Training, travel & meetings	24,041	222	313	24,576	46,940	80	181	47,201
Facilities & office	15,137	-	189	15,326	11,714	-	4,748	16,462
Depreciation	6,775	-	-	6,775	7,558	-	-	7,558
Insurance	4,150	650	-	4,800	2,840	91	-	2,931
Business administrative	5,286	2,772	3,684	11,742	1,123	3,644	1,776	6,543
Direct program expenses	42,961	-	-	42,961	28,363	-	-	28,363
Total	\$ 384,491	\$ 9,191	\$ 64,473	\$ 458,155	\$ 321,076	\$ 5,239	\$ 49,818	\$ 376,133

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2017 and 2016 (Restated)

	2017	Restated 2016
Cash flows from operating activities		
Change in net assets:	\$ (14,898)	\$ 25,493
Adjustment to reconcile the change in net assets to net cash flows from operating activities:		
Depreciation	6,775	7,558
Loss on disposal of property and equipment	1,253	-
Change in assets and liabilities		
Accounts receivable	(29,111)	2,069
Inventory	4,556	(4,339)
Prepaid expenses	(3,979)	(765)
Accounts payable and accrued expenses	(793)	5,909
Net cash flows from operating activities	(36,197)	35,925
Cash flows from investing activities:		
Purchase of property and equipment	(15,000)	-
Net cash flows from investing activities	(15,000)	-
Net change in cash and equivalents	(51,197)	35,925
Cash and equivalents - beginning of year	126,638	90,713
Cash and equivalents - end of year	\$ 75,441	\$ 126,638

See Accompanying Notes to Financial Statements

EOS INTERNATIONAL NFP & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016 (Restated)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization EOS International NFP (the Organization) is a nonprofit organization founded in 2008. The Organization empowers rural families in Central America with access to clean water and opportunities to generate income through simple technology solutions and education.

Principles of consolidation The financial statements include the Organization's wholly owned subsidiary, EOS International – Nicaragua, all inter-organization activity has been eliminated.

Basis of accounting The accompanying consolidate financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Tax status The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes.

The Organization accounts for uncertainty in income taxes recognized in the consolidated financial statements annually assessing its exposure for uncertain tax positions. If required, the Organization would accrue income taxes plus a related interest and penalty as a liability. For the years presented the Organization has recorded no liability for uncertain tax positions. Tax years ending after December 31, 2014 remain open and subject to examination for both federal and state returns.

Basis of presentation Support is classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are permanently restricted by donors for specific purposes. The Organization has no permanently restricted net assets.

EOS INTERNATIONAL NFP & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016 (Restated)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Use of estimates The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and equivalents For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

Contributions receivable Contributions receivable represent unconditional promises to give and are due within one year.

Accounts receivable Accounts receivable represent monies owed from the implementation of the Organization's technology in Nicaragua. Allowance for bad debt at December 31, 2017 and 2016 were \$4,406 and \$4,932, respectively.

Inventory Inventory consists of products purchased for resale in the implementation of the Organization's technology.

Property & Equipment Property & Equipment is recorded at the lower of cost or estimated fair value. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Expenditures for equipment over \$3,000 with determinable lives are capitalized and depreciated. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized.

Contributed materials Contributed materials are recorded as contributions, when received, at their estimated fair value where such value can be objectively and accurately determined.

EOS INTERNATIONAL NFP & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016 (Restated)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Contributed services Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a nonfinancial asset or the service requires specialized skills provided by an individual possessing those skills, and would need to be purchased if not provided by donation. A substantial number of volunteers donate significant amounts of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these statements since it does not meet the requirements of generally accepted accounting principles for recognition in consolidated financial statements.

Contributions Contributions are recorded at their net realizable values when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as satisfaction of donor restrictions.

Functional expenses Allocations are generally made as follows:

- Salaries by time spent on principal activities of each employee
- Employee benefits and payroll taxes according to the percentage used to allocate salaries
- All other expenses are allocated based on management estimates

EOS INTERNATIONAL NFP & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016 (Restated)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Fair value measurements The Organization complies with Topic 820 of the Accounting Standards Codification. ASC Topic 820 defines fair value, establishes framework for measuring fair value and expands disclosure about fair value.

Under ASC Topic 820, fair value is determined using assumptions that market participants would use to determine the price of the asset or liability as opposed to measurements determined based upon information specific to the entity holding those assets and liabilities. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. To determine those market participant assumptions, ASC Topic 820 establishes a hierarchy of inputs that the entity must consider including both independent market data and the entities' assumptions about the market participant assumptions. This hierarchy us as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Quoted prices in markets that are not active, as those quoted market prices included in level 1, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Unobservable inputs, used when there is little or no market activity, for the asset or liability at the measurement date. These inputs represent the entity's own assumptions about the assumptions that market participants would use to price the asset or liability.

The Organization uses the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Subsequent events Management evaluates events occurring subsequent to the date of the balance sheet in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through August 30, 2018 which is the date the consolidated financial statements were available to be issued.

EOS INTERNATIONAL NFP & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016 (Restated)

2. DONATED SERVICES

The Organization received and recorded donated professional services in the amount of \$101,678 and \$50,186 for the years ended December 31, 2017 and 2016, respectively.

3. RELATED PARTY TRANSACTIONS

The Organization reimbursed its Nicaraguan subsidiary for expenses incurred in the production and implementation of its technology in the amount of \$145,000 and \$174,145 for the year ended December 31, 2017 and 2016, respectively.

4. NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Water projects	<u>\$ 11,000</u>	<u>69,267</u>

Temporarily restricted net assets are restricted for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Satisfaction of donor restrictions		
Water projects	<u>\$ 29,000</u>	<u>11,000</u>

5. RESTATEMENT

The Organization restated its 2016 audit to adjust for equipment and vehicles located in Nicaragua. The effect on net assets was an increase of \$13,474.