



**COVA AGUA & SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

# COVA AGUA & SUBSIDIARIES

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Cova Agua & Subsidiaries  
St. Paul, Minnesota

### **Opinion**

We have audited the accompanying consolidated financial statements of Cova Agua & Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cova Agua & Subsidiaries as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of Cova Agua & Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cova Agua & 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 Cova Agua & Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Lewis & Mount LLC*

Edina, Minnesota  
July 26, 2024

**COVA AGUA & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 272,782	\$ 298,556
Contributions and accounts receivable, net	245,116	143,833
Current portion of promise to give	12,500	-
Inventory	151,203	91,353
Prepaid expenses	10,382	802
Total current assets	691,983	534,544
Property and equipment		
Less: accumulated depreciation	111,662	105,439
Net property and equipment	(87,435)	(82,726)
Net property and equipment	24,227	22,713
Long-term promise to give		
	32,244	-
Total assets	\$ 748,454	\$ 557,257
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Current portion of long-term debt	\$ 12,500	\$ -
Accounts payable and accrued expenses	23,749	14,416
Total current liabilities	36,249	14,416
Long-term debt		
Accrued labor benefit	87,500	-
Total long-term liabilities	72,521	86,762
Total long-term liabilities	160,021	86,762
Net assets		
Net assets without donor restriction	434,837	363,595
Net assets with donor restriction	117,347	92,484
Total net assets	552,184	456,079
Total liabilities and net assets	\$ 748,454	\$ 557,257

See Accompanying Notes to Financial Statements

## COVA AGUA & SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and revenue						
Individual contributions	\$ 220,908	\$ 44,744	\$ 265,652	\$ 224,062	\$ -	\$ 224,062
Corporate and foundation contributions	22,897	268,576	291,473	23,591	214,326	237,917
Field program revenue	708,273	-	708,273	290,917	-	290,917
In-kind contributions	117,879	-	117,879	313,053	-	313,053
Other income	9,785	-	9,785	1,235	-	1,235
Net assets released from restriction	288,457	(288,457)	-	229,477	(229,477)	-
Total support and revenue	1,368,199	24,863	1,393,062	1,082,335	(15,151)	1,067,184
Expenses:						
Program services	1,163,557	-	1,163,557	999,628	-	999,628
General and administrative	12,855	-	12,855	12,022	-	12,022
Fundraising	119,425	-	119,425	98,743	-	98,743
Total expenses	1,295,837	-	1,295,837	1,110,393	-	1,110,393
Foreign currency adjustment	(1,120)	-	(1,120)	102	-	102
Change in net assets	71,242	24,863	96,105	(27,956)	(15,151)	(43,107)
Net assets - beginning of year	363,595	92,484	456,079	391,551	107,635	499,186
Net assets - end of year	\$ 434,837	\$ 117,347	\$ 552,184	\$ 363,595	\$ 92,484	\$ 456,079

See Accompanying Notes to Financial Statements

## COVA AGUA & SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For The Years Ended December 31, 2023 and 2022

	2023				2022			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
In-Country professional service	\$ 339,488	\$ -	\$ -	\$ 339,488	252,131	\$ -	\$ -	\$ 252,131
Personnel & benefits	169,896	-	89,419	259,315	102,349	-	77,595	179,944
Direct program expenses	214,066	-	-	214,066	57,053	-	-	57,053
Cost of products	139,522	-	-	139,522	92,322	-	-	92,322
Training, travel & meetings	98,569	951	2,468	101,988	70,086	-	102	70,188
In-kind expenses	117,879	-	-	117,879	312,778	275	-	313,053
Professional services	2,109	6,165	20,882	29,156	11,302	7,684	14,415	33,401
Facilities & office	52,912	1,311	5,997	60,220	80,131	678	6,388	87,197
Depreciation	4,710	-	-	4,710	3,872	-	-	3,872
Insurance	-	3,502	-	3,502	2,208	3,048	-	5,256
Business administrative	24,406	926	659	25,991	15,396	337	243	15,976
Total	<u>\$ 1,163,557</u>	<u>\$ 12,855</u>	<u>\$ 119,425</u>	<u>\$ 1,295,837</u>	<u>\$ 999,628</u>	<u>\$ 12,022</u>	<u>\$ 98,743</u>	<u>\$ 1,110,393</u>

See Accompanying Notes to Financial Statements

**COVA AGUA & SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets:	\$ 96,105	\$ (43,107)
Adjustment to reconcile the change in net assets to net cash flows from operating activities:		
Depreciation	4,710	3,872
Change in assets and liabilities		
Accounts receivable	(101,283)	62,914
Promises to give	(44,744)	-
Inventory	(59,850)	(31,036)
Prepaid expenses	(9,580)	1,725
Accounts payable and accrued expenses	(4,908)	2,677
Net cash flows from operating activities	<u>(119,550)</u>	<u>(2,955)</u>
 Cash flows from investing activities:		
Purchase of property and equipment	(6,224)	-
Net cash flows from investing activities	<u>(6,224)</u>	<u>-</u>
 Cash flows from financing activities:		
Proceeds from long-term debt	100,000	-
Payments on long-term debt	-	(20,368)
Net cash flows from financing activities	<u>100,000</u>	<u>(20,368)</u>
 Net change in cash and equivalents	(25,774)	(23,323)
 Cash and equivalents - beginning of year	298,556	321,879
 Cash and equivalents - end of year	<u>\$ 272,782</u>	<u>\$ 298,556</u>

See Accompanying Notes to Financial Statements



**COVA AGUA & SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** Cova Agua, formally EOS International (the Organization) is a nonprofit organization founded in 2008. The Organization empowers rural families in Central America with access to safe drinking water and opportunities to generate income through simple technology solutions and education.

**Principles of consolidation** The financial statements include the Organization's wholly owned subsidiaries, EOS International – Nicaragua and Cova Agua - Honduras, all inter-organization activity has been eliminated.

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

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

The Organization accounts for uncertainty in income taxes recognized in the consolidated financial statements annually assessing its exposure for uncertain tax positions. If required, the Organization would accrue income taxes plus a related interest and penalty as a liability. For the years presented the Organization has recorded no liability for uncertain tax positions. Tax years ending after December 31, 2020 remain open and subject to examination for both federal and state returns.

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

- Net assets without donor restriction represent the portion of net assets that are not subject to donor restrictions.
- Net assets with donor restriction arise from contributions that are restricted by donors for specific purposes or time periods.

See Accompanying Notes to Financial Statements

**COVA AGUA & SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

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

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

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

**Contributions and accounts receivable** Contributions and accounts receivable represent monies owed from the implementation of the Organization's technology in Nicaragua and Honduras as well as contributions which are unconditional promises to give.

**Promises to give** Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Accounts receivable** Accounts receivable represent monies owed from the implementation of the Organization's technology in Nicaragua and Honduras. Bad debt expense at December 31, 2023 and 2022 was \$0 and \$5,065, respectively.

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

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

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

**COVA AGUA & SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

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

**Contributed services** Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a nonfinancial asset or the service requires specialized skills provided by an individual possessing those skills, and would need to be purchased if not provided by donation. A substantial number of volunteers donate significant amounts of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these statements since it does not meet the requirements of generally accepted accounting principles for recognition in the consolidated financial statements. Cova Agua received in-kind resources in the form of engineering support, graphic design and rebrand experts to help the organization launch a rebrand, business and financial experts to support the organization participate in an accelerator, and legal pro-bono support for reporting and legal needs. The Organization received and recorded donated professional services in the amount of \$117,879 and \$313,053 for the years ended December 31, 2023 and 2022, respectively.

**Contributions** Contributions are recorded at their net realizable values when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases net assets with donor restriction. When a restriction expires, net assets are with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activity as satisfaction of donor restrictions.

**Revenue from Contracts with Customers** (Topic 606) This Accounting Standard Update (ASU) provides a single principles-based revenue recognition model with a five-step analysis of transactions to determine when or how revenue is recognized. The core principle is that an Organization should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization has analyzed the ASU and determined that no changes to its revenue recognition are necessary to conform with the standard.

**Functional expenses** Allocations are generally made as follows:

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

**COVA AGUA & SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

2. RELATED PARTY TRANSACTIONS

The Organization reimbursed its Nicaraguan and Honduras Subsidiaries for expenses incurred in the production and implementation of its technology in the amount of \$553,465 and \$265,077 for the years ended December 31, 2023 and 2022, respectively.

3. LINE OF CREDIT

The Organization has a line of credit with maximum borrowings of \$100,000 interest is charged at the prime rate and matures in August 2024. There were no amounts outstanding as of December 31, 2023 and 2022, respectively.

4. LONG-TERM DEBT

	2023	2022
Loan payable to an individual requiring interest only payments at 8.0%. The note is unsecured and due January 2027	\$ 100,000	-
Total	100,000	-
Current portion of long-term debt	(12,500)	-
Total long-term debt	\$ 87,500	\$ -

Current portion of long-term debt are as follows:

2024	\$ 12,500
2025	12,500
2026	12,500
2027	62,500
Total	\$ 100,000

5. NET ASSETS

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

	2023	2022
Water projects	\$ 117,347	\$ 92,484

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

	2023	2022
Satisfaction of donor restrictions	288,457	229,477
Water projects	\$ 288,457	\$ 229,477

**COVA AGUA & SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use because of donor-imposed restriction within one year of the statement of financial position date.

	<u>2023</u>	<u>2022</u>
Financial assets, at year end	\$ 272,782	\$ 298,556
Less those unavailable for general expenditures with in one year due to donor imposed restrictions	(117,347)	(92,484)
Financial assets available, at year end	<u>\$ 155,435</u>	<u>\$ 206,072</u>

Management of the Organization reviews cash balances and cash use on a daily and weekly basis. Additionally, its Board of Directors and Finance Committee review the cash balance, and specifically, the months of cash on hand, monthly. The Organization uses a benchmark of three months of operating expenditures. At December 31, 2023 and 2022, the Organization had 1 and 2 months of financial assets available for future general operating expenditures, respectively.

7. SUBSEQUENT EVENT

Management evaluates events occurring subsequent to the date of the balance sheet in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through July 26, 2024 which is the date the consolidated financial statements were available to be issued.