

Waterstep, Inc.

Financial Statements

December 31, 2025 and 2024



Waterstep, Inc.

Financial Statements

December 31, 2025 and 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Waterstep, Inc.
Louisville, Kentucky

Opinion

We have audited the accompanying financial statements of Waterstep, Inc. (the "Organization"), which are comprised of the statements of financial position as of December 31, 2025, and 2024 and the related statements of activities, functional expenses and cash flows for the years 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 Waterstep, Inc. as of December 31, 2025 and 2024, 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 ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. 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 that the financial statements are available to be issued.

Auditors' 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

LBMC, PC

Louisville, Kentucky
August 20, 2026

Waterstep, Inc

Statements of Financial Position

	December 31	
	2025	2024
Assets		
Current Assets		
Cash	\$ 1,246,807	\$ 1,189,354
Accounts receivable	15,769	2,462
Pledges receivable	43,787	-
Inventories	235,235	296,970
Prepaid expenses and other assets	253,763	69,196
Total Current Assets	1,795,361	1,557,982
Property and Equipment , net of accumulated depreciation	1,159,865	1,120,406
Other Intangible Assets , net of accumulated amortization of \$6,625 (2025) and \$5,536 (2024)	11,895	12,984
Total Assets	<u>\$ 2,967,121</u>	<u>\$ 2,691,372</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 172,157	\$ 91,903
Accrued expenses	9,935	65,380
Current maturities of long-term debt	68,492	17,810
Total Current Liabilities	250,584	175,093
Long-Term Debt , less current maturities	242,077	209,653
Total Liabilities	492,661	384,746
Net Assets		
Without donor restriction	2,081,171	2,035,742
With donor restriction	393,289	270,884
Total Net Assets	<u>2,474,460</u>	<u>2,306,626</u>
Total Liabilities and Net Assets	<u>\$ 2,967,121</u>	<u>\$ 2,691,372</u>

See Notes to Financial Statements

Waterstep, Inc.

Statements of Activities

	Year Ended December 31, 2025			Year Ended December 31, 2024		
	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Revenues and Support						
Program Service Revenues						
Product sales	\$ 316,516	\$ -	\$ 316,516	\$ 1,282,686	\$ -	\$ 1,282,686
Shoe program	122,275	-	122,275	132,420	-	132,420
Support						
Contributions	992,315	482,676	1,474,991	1,078,402	377,832	1,456,234
Non-cash contributions	1,218,073	-	1,218,073	77,202	-	77,202
Grants	-	74,330	74,330	-	62,000	62,000
Fundraising events	\$ 288,804			\$ 134,913		
Less direct fundraising expenses	<u>118,889</u>			<u>47,218</u>		
	169,915	-	169,915	87,695	-	87,695
Rental income	54,971	-	54,971	37,800	-	37,800
Miscellaneous income	<u>41,462</u>	<u>-</u>	<u>41,462</u>	<u>6,920</u>	<u>-</u>	<u>6,920</u>
	2,915,527	557,006	3,472,533	2,703,125	439,832	3,142,957
Net Assets Released from Restrictions	<u>434,601</u>	<u>(434,601)</u>	<u>-</u>	<u>289,132</u>	<u>(289,132)</u>	<u>-</u>
Total Revenues and Support	3,350,128	122,405	3,472,533	2,992,257	150,700	3,142,957
Expenses						
Program Services	2,423,878	-	2,423,878	2,464,258	-	2,464,258
General and administrative	511,341	-	511,341	313,691	-	313,691
Fundraising	<u>433,311</u>	<u>-</u>	<u>433,311</u>	<u>329,773</u>	<u>-</u>	<u>329,773</u>
Total Expenses	3,368,530	-	3,368,530	3,107,722	-	3,107,722
Other Income						
Gain on disposal of donated building	44,133	-	44,133	-	-	-
Interest income	<u>19,698</u>	<u>-</u>	<u>19,698</u>	<u>24,844</u>	<u>-</u>	<u>24,844</u>
Changes in Net Assets	45,429	122,405	167,834	(90,621)	150,700	60,079
Net Assets at Beginning of Year	<u>2,035,742</u>	<u>270,884</u>	<u>2,306,626</u>	<u>2,126,363</u>	<u>120,184</u>	<u>2,246,547</u>
Net Assets at End of Year	<u>\$ 2,081,171</u>	<u>\$ 393,289</u>	<u>\$ 2,474,460</u>	<u>\$ 2,035,742</u>	<u>\$ 270,884</u>	<u>\$ 2,306,626</u>

See Notes to Financial Statements

Waterstep, Inc.

Statement of Functional Expenses

	Year Ended December 31, 2025							
	Program Activities				Supporting Activities			
	Safe Water	Disaster Relief	Shoe Program	Program Subtotal	General and Administrative	Fundraising	Supporting Subtotal	Total Expenses
Salaries	\$ 570,152	\$ 233,633	\$ 72,662	\$ 876,447	\$ 215,501	\$ 252,660	\$ 468,161	\$ 1,344,608
Payroll taxes	36,062	11,227	5,247	52,536	11,011	18,545	29,556	82,092
Employee benefits	52,413	16,919	4,534	73,866	21,875	27,928	49,803	123,669
Total Salary and Related Expenses	658,627	261,779	82,443	1,002,849	248,387	299,133	547,520	1,550,369
Safe water supplies	282,038	-	-	282,038	-	-	-	282,038
Safe water products	419,098	-	-	419,098	-	-	-	419,098
Professional fees	1,293	431	431	2,155	213,275	-	213,275	215,430
Travel	7,992	2,664	2,664	13,320	-	8,880	8,880	22,200
Supplies	-	-	6,954	6,954	-	-	-	6,954
Printing and advertising	11,276	3,759	3,759	18,794	-	8,055	8,055	26,849
Meals	15,842	5,281	5,443	26,566	-	-	-	26,566
Water Relief Travel	-	41,275	-	41,275	-	-	-	41,275
Water Relief Training	-	32,673	-	32,673	-	-	-	32,673
Water Relief Product	-	66,457	-	66,457	-	-	-	66,457
Water Relief Shipping	-	30,100	-	30,100	-	-	-	30,100
Postage & Shipping	457	152	152	761	761	761	1,522	2,283
Insurance	14,335	4,778	4,778	23,891	5,735	1,346	7,081	30,972
Utilities	21,085	7,028	7,028	35,141	740	1,110	1,850	36,991
Building supplies and equipment	3,944	1,315	1,315	6,574	138	208	346	6,920
Service contracts	16,543	5,514	5,514	27,571	580	871	1,451	29,022
Auto expense	2,171	724	1,445	4,340	3,618	3,618	7,236	11,576
Banking and finance fees	2,252	751	751	3,754	7,395	2,698	10,093	13,847
Repairs and maintenance	1,853	618	618	3,089	65	98	163	3,252
Interest expense	8,442	2,814	2,814	14,070	296	444	740	14,810
Information technology	46,018	15,339	15,339	76,696	9,587	9,587	19,174	95,870
Consulting	42,846	14,282	14,282	71,410	-	47,607	47,607	119,017
Media	3,507	1,169	1,169	5,845	-	2,686	2,686	8,531
Mailing	4,684	1,561	1,561	7,806	-	5,204	5,204	13,010
Software	11,797	3,932	3,932	19,661	-	13,108	13,108	32,769
Office expense	6,958	2,319	2,319	11,596	10,330	7,313	17,643	29,239
Telephone expense	1,553	518	518	2,589	2,589	2,589	5,178	7,767
Depreciation and amortization	75,805	25,268	25,268	126,341	2,660	3,990	6,650	132,991
Membership dues	3,111	1,037	1,037	5,185	5,185	5,185	10,370	15,555
Conferences and conventions	21,167	7,056	7,056	35,279	-	8,820	8,820	44,099
	<u>\$ 1,684,694</u>	<u>\$ 540,594</u>	<u>\$ 198,590</u>	<u>\$ 2,423,878</u>	<u>\$ 511,341</u>	<u>\$ 433,311</u>	<u>\$ 944,652</u>	<u>\$ 3,368,530</u>

See Notes to Financial Statements

Waterstep, Inc.

Statement of Functional Expenses

	Year Ended December 31, 2024							
	Program Activities				Supporting Activities			
	Safe Water	Disaster Relief	Shoe Program	Program Subtotal	General and Administrative	Fundraising	Supporting Subtotal	Total Expenses
Salaries	\$ 448,599	\$ 181,420	\$ 132,209	\$ 762,228	\$ 219,499	\$ 209,330	\$ 428,829	\$ 1,191,057
Payroll taxes	26,715	8,905	9,277	44,897	11,957	15,230	27,187	72,084
Employee benefits	36,866	12,289	13,899	63,054	21,226	17,148	38,374	101,428
Total Salary and Related Expenses	512,180	202,614	155,385	870,179	252,682	241,708	494,390	1,364,569
Safe water supplies	265,746	106,670	1,481	373,897	156	234	390	374,287
Safe water products	675,806	15,006	-	690,812	-	-	-	690,812
Professional fees	690	230	230	1,150	22,843	-	22,843	23,993
Travel	56,357	20,906	3,748	81,011	-	12,493	12,493	93,504
Supplies	-	-	35,940	35,940	-	-	-	35,940
Printing and advertising	43,089	14,363	14,773	72,225	-	32,274	32,274	104,499
Meals	13,985	4,662	4,662	23,309	-	-	-	23,309
Postage and shipping	1,203	401	742	2,346	2,005	2,005	4,010	6,356
Insurance	13,814	4,605	4,605	23,024	5,382	1,290	6,672	29,696
Utilities	19,445	6,482	6,482	32,409	682	1,023	1,705	34,114
Building supplies and equipment	12,215	4,072	4,072	20,359	428	643	1,071	21,430
Service contracts	14,815	4,938	4,938	24,691	521	780	1,301	25,992
Auto expense	1,357	452	8,381	10,190	1,462	1,462	2,924	13,114
Banking and finance fees	2,890	963	963	4,816	5,249	4,067	9,316	14,132
Repairs and maintenance	2,654	885	885	4,424	92	140	232	4,656
Interest expense	5,631	1,877	1,877	9,385	198	296	494	9,879
Information technology	32,007	10,669	10,669	53,345	6,668	6,668	13,336	66,681
Office expense	6,275	2,092	2,092	10,459	6,338	7,161	13,499	23,958
Telephone expense	1,465	488	488	2,441	2,442	2,442	4,884	7,325
Depreciation	60,673	20,225	20,225	101,123	2,128	3,193	5,321	106,444
Amortization	1,089	-	-	1,089	-	-	-	1,089
Membership dues	2,649	883	883	4,415	4,415	4,415	8,830	13,245
Conferences and conventions	6,731	2,244	2,244	11,219	-	7,479	7,479	18,698
	<u>\$ 1,752,766</u>	<u>\$ 425,727</u>	<u>\$ 285,765</u>	<u>\$ 2,464,258</u>	<u>\$ 313,691</u>	<u>\$ 329,773</u>	<u>\$ 643,464</u>	<u>\$ 3,107,722</u>

See Notes to Financial Statements

Waterstep, Inc.

Statements of Cash Flows

	Year Ended December 31	
	2025	2024
Cash Flows From Operating Activities		
Changes in net assets	\$ 167,834	\$ 60,079
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	131,902	106,444
Amortization	1,089	1,089
Gain on disposal of donated building	(44,133)	-
Noncash donation of building	(1,160,000)	-
Changes in operating assets and liabilities		
Accounts receivable	(13,307)	86,034
Pledges receivable	(43,787)	-
Inventory	61,735	29,981
Prepaid expenses and other assets	(184,567)	(49,373)
Accounts payable	80,254	19,853
Accrued expenses	(55,445)	60,202
Net Cash (Used In) Provided By Operating Activities	(1,058,425)	314,309
Cash Flows From Investing Activities		
Purchases of property and equipment	(167,228)	(383,175)
Proceeds from disposal of property and equipment	1,200,000	-
Net Cash Provided By (Used In) Investing Activities	1,032,772	(383,175)
Cash Flows From Financing Activity		
Payments on long-term debt	83,106	(17,050)
Net Increase (Decrease) in Cash	57,453	(85,916)
Cash Beginning of Year	1,189,354	1,275,270
Cash at End of Year	\$ 1,246,807	\$ 1,189,354
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 14,810	\$ 9,879
Supplemental Disclosure of Noncash Operating Activities		
Noncash donation of building	\$ 1,160,000	

See Notes to Financial Statements

Waterstep, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

Note A--Nature of Organization

Waterstep, Inc., (the "Organization") acting through its Board of Directors, operates as a not-for-profit organization established to empower ordinary people to provide safe water solutions, sanitation and basic needs to communities in need. The Organization is dependent on contributions from supporters and revenues from mission projects, product sales and community education and engagement program services. The Organization changed its name from Edge Outreach, Inc. to Waterstep, Inc. during 2023.

Note B--Summary of Significant Accounting Policies

Basis of Accounting--The financial statements of the Organization are prepared on the accrual basis of accounting. The *Accounting Standards Codification* ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative generally accepted accounting principles ("GAAP").

Basis of Presentation--The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization classifies mission trip revenue as net assets with donor restrictions until the related mission trip is taken. The Organization reports contributions as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, net assets with donor restrictions are reported in the statements of activities as net assets released from restrictions. Certain contributions and grants received and earned within the same year are recorded as support without donor restrictions in the accompanying statements of activities.

Use of Estimates--The preparation of financial statements in accordance with 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 revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

Program Service Revenues and Accounts Receivable--The Organization sells water chlorination and sanitation devices and related materials. Items are recognized as revenue when shipped and the Organization records these amounts as receivables. Allowance for credit losses are determined based on historical collectability, knowledge of the creditor, and future economic conditions that may impact the Organization's ability to collect on the accounts receivable. The Organization does not anticipate any issues with collectability of accounts receivable, therefore an allowance for credit losses was not considered necessary at December 31, 2025 or 2024.

Continued

Waterstep, Inc.

Notes to Financial Statements--Continued

December 31, 2025 and 2024

Note B--Summary of Significant Accounting Policies--Continued

Pledges Receivable-- All pledges are recorded at their estimated fair value. Pledges receivable due in more than one year are discounted to present value. Management has evaluated the collectability of outstanding pledges receivable and concluded that no allowance for uncollectible pledges is necessary at December 31, 2025 and 2024. This conclusion is based on management's review of historical collection experience, the creditworthiness of donors, and subsequent collections through the date the financial statements were available to be issued. Management is not aware of any circumstances indicating that any material amounts are uncollectible. The Organization had pledges receivable collectible within one year of \$43,787 at December 31, 2025 and none at December 31, 2024. No pledges are secured by collateral.

Cash and Cash Equivalents--The Organization considers all short-term investments purchased with maturities of three months or less to be cash equivalents.

Inventories--Inventories of chlorination and sanitation devices and related materials are recorded at the lower of cost (average cost method) or net realizable value. Reserves for obsolete inventory are recorded when an impairment of value is identified. No reserves were recorded at December 31, 2025 or 2024.

Property and Equipment--Property and equipment is stated at cost if purchased, or at fair market value if donated. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets. Renewals and betterments in excess of \$1,000 and that extend the economic useful lives of the related assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are reduced, and any gain or loss is included in the statements of activities. Estimated useful lives used for depreciation are as follows:

Automobiles and trucks	10 years
Equipment, furniture and fixtures	5-10 years
Buildings and Land improvements	15 years

Other Intangible Asset--The Organization has a patent-related intangible asset recorded on the statements of financial position. The patent was internally developed and carried at the legal and filing costs associated with obtaining and defending the patent. The patent is amortized on a straight-line basis over its estimated useful life at 17 years. Amortization expense was \$1,089 for the years ended December 31, 2025 and 2024.

Management evaluates the useful life of the patent-related intangible asset and reviews for potential impairment annually whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable.

Continued

Waterstep, Inc.

Notes to Financial Statements--Continued

December 31, 2025 and 2024

Note B--Summary of Significant Accounting Policies--Continued

Impairment of Long-Lived Assets--Management of the Organization reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition, are less than its carrying amount. There were no charges for impairment of long-lived assets during 2025 or 2024.

Non-cash Contributions--The Organization receives a substantial amount of services donated by volunteers, equipment, and supplies in carrying out the Organization's mission. Such non-cash contributions are recorded as support and program expenses in the accompanying statements of activities at their fair value, in accordance with GAAP. Contributed manufacturing labor is recorded at an hourly rate determined by average volunteer national and state hourly rates. Contributed manufacturing supplies and shipping are recorded at fair value based on the cost of comparable goods and services.

The Organization also receives some free non-technical services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because these services do not meet the criteria for recording as non-cash support and expenses.

During the year ended December 31, 2025, the Organization received a donation of a building as a non-cash contribution. The land was initially recorded at a value of \$1,160,000, which was determined using the property's most recent assessed value as established by the local taxing authority. Management believes the assessed value represents a reasonable estimate of fair value at the date of contribution. Subsequent to the donation, the Organization sold the building during the same year for \$1,200,000. The proceeds from the sale were used to support the Organization's mission and operations. The building classified as a depreciable asset until its disposition.

Income Taxes--The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 141.010(1)(f) of the Kentucky Revised Statutes. The Organization had no unrelated business income for the years ended December 31, 2025 or 2024. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Organization follows GAAP which prescribe a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. For the years ended December 31, 2025 and 2024, the Organization determined it did not have any uncertain tax positions and the Organization did not incur or accrue any associated interest or penalties related to those positions.

Continued

Waterstep, Inc.

Notes to Financial Statements--Continued

December 31, 2025 and 2024

Note B--Summary of Significant Accounting Policies--Continued

Contributions--Unconditional promises to give contributions are recognized as support when the donor makes a promise that is in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Management periodically reviews the collectability of promises to give, and any amounts where collection is questionable are reserved.

Advertising Costs--Advertising costs are expensed as incurred. Total advertising expense was \$26,849 and \$104,499 for the years ended December 31, 2025 and 2024, respectively.

Functional Expenses--The costs of providing the various programs and other activities have been summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management estimates the expense allocations based on the percentage of square footage or hours worked for the benefited programs or functions.

Note C--Concentrations

The Organization maintains their cash accounts with two banks. The Federal Depository Insurance Corporation ("FDIC") insures these balances up to \$250,000 at each institution. At December 31, 2025 or 2024, the Organization's cash accounts exceeded its FDIC insurance by approximately \$873,000 and \$769,000, respectively.

Note D--Inventories

Inventories consist of the following:

	Year Ended December 31	
	2025	2024
Raw materials	\$ 145,786	\$ 159,759
Work in process	25,746	36,095
Finished goods	63,703	101,116
	<u>\$ 235,235</u>	<u>\$ 296,970</u>

Waterstep, Inc.

Notes to Financial Statements--Continued

December 31, 2025 and 2024

Note E--Property and Equipment

Property and equipment consists of the following:

	December 31	
	2025	2024
Land and land improvements	\$ 105,835	\$ 105,835
Building	1,240,594	1,217,850
Software	112,180	-
Furniture, fixtures, and equipment	492,375	492,374
Vehicles	97,422	97,421
	2,048,406	1,913,480
Less accumulated depreciation	965,437	837,668
	1,082,969	1,075,812
Construction in progress	76,896	44,594
	<u>\$ 1,159,865</u>	<u>\$ 1,120,406</u>

The Organization incurred construction in progress related to the production of emergency response trailers. This project is ongoing as of December 31, 2025.

Note F--Line of Credit

The Organization maintains a revolving line of credit with Republic Bank which allows for borrowings up to \$500,000 and expires in July 2027. Outstanding borrowings bear interest at the prime rate plus 0.5% (not to be less than 7%.) The bank's prime rate was 6.75% and 7.5% at December 31, 2025 and 2024, respectively. The line of credit is collateralized by the Organization's building. There were no outstanding borrowings on the line of credit as of December 31, 2025 and 2024.

Waterstep, Inc.

Notes to Financial Statements--Continued

December 31, 2025 and 2024

Note G--Long-Term Debt

Long-term debt consists of the following:

	December 31	
	2025	2024
Note payable to Republic Bank, requiring monthly principal and interest payments of \$2,244 through May 2030; interest at 6.50%; collateralized by the building	\$ 210,714	\$ 227,463
Note payable to Oracle America, Inc., requiring monthly principal and interest payments of \$4,340 through December 2027; interest at 0%	99,855	-
	310,569	227,463
Less current maturities	68,492	17,810
	<u>\$ 242,077</u>	<u>\$ 209,653</u>

Future minimum payments are as follows:

Year Ending December 31

2026	\$ 68,492
2027	69,279
2028	20,151
2029	21,025
2030	131,622
	<u>\$ 310,569</u>

Waterstep, Inc.

Notes to Financial Statements--Continued

December 31, 2025 and 2024

Note H--Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for specified purposes as follows:

	December 31	
	2025	2024
Restricted for Specified Purposes:		
Disaster relief	\$ 111,563	\$ 181,549
Mission projects	237,237	64,335
Equipment	44,489	25,000
	<u>\$ 393,289</u>	<u>\$ 270,884</u>

Note I--Liquidity and Availability of Financial Assets

The Organization's major sources of revenue and support are product sales and contributions, and even though this support can fluctuate significantly from year to year, the Organization has a strong cash position to cover its monthly financial obligations.

The following table reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

	December 31	
	2025	2024
Cash	\$ 1,246,807	\$ 1,189,354
Accounts receivable, to be collected in less than one year	15,769	2,462
Pledges receivable, net, collected in less than one year	43,787	-
Total Financial Assets, Excluding Noncurrent Receivables	1,306,363	1,191,816
Less those unavailable for general expenditure within one year, due to:		
Donor restricted for disaster relief	(111,563)	(181,549)
Donor restricted for mission projects	(237,237)	(64,335)
Donor restricted for the purchase of equipment	(44,489)	(25,000)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 913,074</u>	<u>\$ 920,932</u>

Waterstep, Inc.

Notes to Financial Statements--Continued

December 31, 2025 and 2024

Note J--Retirement Plan

The Organization has a Simplified Employee Pension ("SEP") Individual Retirement Account covering all full-time employees. The Organization can provide discretionary contributions each year to the individual retirement account or individual retirement annuity ("IRA"). No employer contributions were incurred for the year ended December 31, 2025 or December 31, 2024.

Note K--Non-cash Contributions

Amounts recorded as non-cash contributions consisted of the following:

	December 31		
	2025	2024	Usage
Manufacturing labor	\$ 49,723	\$ 75,090	Volunteer hours are used for the manufacturing of safe water products
Manufacturing supplies	350	2,112	Manufacturing of safe water products
Repairs	8,000	-	Drywall repairs
Real estate	1,160,000	-	Donation of property that was later sold
	<u>\$ 1,218,073</u>	<u>\$ 77,202</u>	

No non-cash contributions were restricted.

Waterstep, Inc.

Notes to Financial Statements--Continued

December 31, 2025 and 2024

Note L--Subsequent Events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Organization through August 20, 2026, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.