DIGDEEP RIGHT TO WATER PROJECT
(A NONPROFIT ORGANIZATION)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020

DIGDEEP RIGHT TO WATER PROJECT

(A NONPROFIT ORGANIZATION)
Audited Financial Statements
December 31, 2020

Index to Financial Statements

LICHTER, YU AND ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

21031 VENTURA BLVD., SUITE 316
WOODLAND HILLS, CA 91364
TEL (818)789-0265 FAX (818) 789-3949

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
DigDeep Right to Water Project
Los Angeles, California

Members of the Board:

We have audited the accompanying financial statements of DigDeep Right to Water Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DigDeep Right to Water Project as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited DigDeep Right to Water Project's 2019 financial statements, and our report dated May 8, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Woodland Hills, CA
May 10, 2021

DIGDEEP RIGHT TO WATER PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	2020	2019
ASSETS		
Cash	$ 9,951,399	$ 2,302,583
Investments	199,303	1,020,039
Prepaid Expenses	30,016	17,120
Fixed Assets, Net	1,800,270	512,960
TOTAL ASSETS	$ 11,980,988	$ 3,852,702
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 30,437	$ 22,614
Accrued Expenses	158,314	34,833
Note Payable	132,400	-
Deferred Revenue	-	71,278
Total Liabilities	321,151	128,725
NET ASSETS		
Without Donor Restrictions	3,332,864	947,086
With Donor Restrictions	8,326,973	2,776,891
Total Net Assets	11,659,837	3,723,977
TOTAL LIABILITIES AND NET ASSETS	$ 11,980,988	$ 3,852,702

See accompanying Notes to Financial Statements

DIGDEEP RIGHT TO WATER PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	2020			2019
REVENUE AND SUPPORT	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Total**
Contributions	$ 960,920	$ 6,020,124	$ 6,981,044	$ 1,555,732
Grants and sponsorships	610,000	3,682,164	4,292,164	1,517,045
Interest income	13,375	-	13,375	17,689
Dividend income	69	-	69	206
Investment income	1,084	-	1,084	9,376
Other income	-	-	-	7,658
Sales (Net of Cost of Goods Sold of $62,026)	13,665	-	13,665	-
In-kind contributions	-	430,100	430,100	13,754
Net assets released from purpose restrictions	4,582,306	(4,582,306)	-	-
Total Revenue and Support	6,181,419	5,550,082	11,731,501	3,121,460
Expenses				
Program services	3,235,372	-	3,235,372	2,080,531
General and administrative	226,224	-	226,224	167,879
Fundraising	334,045	-	334,045	166,911
Total Expenses	3,795,641	-	3,795,641	2,415,321
CHANGES IN NET ASSETS	2,385,778	5,550,082	7,935,860	706,139
NET ASSETS - Beginning of Year	947,086	2,776,891	3,723,977	3,017,838
NET ASSETS - End of Year	$ 3,332,864	$ 8,326,973	$11,659,837	$ 3,723,977

See accompanying Notes to Financial Statements

DIGDEEP RIGHT TO WATER PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	2020						Total Expenses	
	Program			Total	Management			
	Water Projects	Education	Research	Program	& General	Fundraising	2020	2019
Salaries	$ 937,944	$ -	$ -	$ 937,944	$ 62,932	$ 146,919	$ 1,147,795	$ 627,218
Payroll taxes	85,753	-	-	85,753	10,819	10,797	107,369	73,175
Employee benefits	74,495	-	-	74,495	7,711	6,896	89,102	29,420
Total salaries, payroll taxes and benefits	1,098,192	-	-	1,098,192	81,462	164,612	1,344,266	729,813
Bank fees	98,909	-	-	98,909	4,051	1,763	104,723	10,672
Depreciation expense	170,521	-	-	170,521	-	-	170,521	50,948
Travel	113,106	4,634	1,036	118,776	530	4,979	124,285	198,606
In-kind donations	329,314	-	-	329,314	-	-	329,314	13,754
Insurance	81,021	-	-	81,021	-	-	81,021	35,660
Office	38,636	1,538	34	40,208	11,589	20,316	72,113	56,383
Postage	1,485	135	155	1,775	2,308	383	4,466	3,786
Professional services	140,518	129,658	-	270,176	74,231	117,750	462,157	210,567
Project costs	907,598	11,673	21,999	941,270	-	-	941,270	1,049,767
Advertising	12,628	585	-	13,213	2,160	14,000	29,373	6,774
Rent	65,069	-	-	65,069	44,314	-	109,383	34,293
Supplies	6,928	-	-	6,928	5,579	10,242	22,749	14,298
Total Expense	$ 3,063,925	$ 148,223	$ 23,224	$ 3,235,372	$ 226,224	$ 334,045	$ 3,795,641	$ 2,415,321

See accompanying Notes to Financial Statements

DIGDEEP RIGHT TO WATER PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

CASH FLOWS FROM OPERATING ACTIVITIES:	2020	2019
Change in net assets	$ 7,935,860	$ 706,139
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized investment (gain) loss	803	(4,703)
Depreciation expense	170,521	50,948
Changes in assets and liabilities		
Prepaid expenses	(12,896)	(5,820)
Accounts payable and accrued expenses	131,304	28,966
Deferred revenue	(71,278)	71,278
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,154,314	846,808
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(199,303)	(2,214,738)
Proceeds from sales of investments	1,019,236	2,223,996
Purchase of building and land	(526,598)	-
Purchase of fixed assets	(931,233)	(460,458)
NET CASH USED IN INVESTING ACTIVITIES	(637,898)	(451,200)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceed from Paycheck Protection Program	132,400	$ -
NET CASH PROVIDED BY FINANCING ACTIVITIES	132,400	-
NET CHANGE IN CASH	7,648,816	395,608
CASH at beginning of year	2,302,583	1,906,975
CASH at end of year	$ 9,951,399	$ 2,302,583
Supplemental disclosure of cash flow information:		
Noncash investment and financing transactions		
Donated investments	$ 100,786	$ 5,152

See accompanying Notes to Financial Statements

DigDeep Right to Water Project
Notes to Financial Statements
December 31, 2020

NOTE 1 – ORGANIZATION:

DigDeep Right to Water Project (the "Organization") is a nonprofit corporation organized under the general nonprofit corporation laws of the State of California.

DigDeep is the leading organization improving community-based water and sanitation (WASH) outcomes in the United States. DigDeep was founded in Los Angeles in 2012 by a group of human rights professionals working in water, health and international development. Today, the organization runs several nationally-recognized water access programs that serve communities in New Mexico, Arizona and Utah. DigDeep is best-known for its Navajo Water Project, an initiative bringing safe, hot-and-cold running water to hundreds of remote Navajo families for the first time ever. DigDeep also develops research and education projects, and maintains an extensive network of academic, government and water industry partners focused on solving America's water crisis.

The operations of the Organization are funded primarily by contributions from individuals and businesses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has discretionary control over these resources. Designated amount represent those net assets that the board has set aside for a particular purpose.

- Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue Recognition

All contributions are considered temporarily restricted unless specifically unrestricted by the donor. Contributions are recognized when the donor makes a promise to give, in substance and unconditionally. It is the Organization's policy to treat donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted. Donations that are not expended in the current year are classified as temporarily restricted.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Goods and Services

Donated goods and services that would typically need to be purchased if not donated are recognized in the accompanying financial statements as contributions when such goods and services (a) enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills. Donated goods and services are recorded at estimated fair market value on the date of the gift. Contributed auxiliary services are not reflected in the financial statements. The Organization pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization. Details for the donated in-kind contributions recorded at their estimated fair market values are as follows:

	December 31, 2020		**December 31, 2019**	
Water bottles	**$**	**329,314**	**$**	**-**
Professional services		**-**		**13,754**
	$	**329,314**	**$**	**13,754**

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenues and Other Support, Expenses, and Changes in Net Assets, and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited in a manner management believes to be reasonable and appropriate.

Cash and Cash Equivalent

Cash and cash equivalents include cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less.

The Organization maintains bank accounts at various financial institutions. Balances in these accounts may occasionally exceed the FDIC federally insured amount of $250,000.

Investments

The Organization invests a portion of its cash not required for current operations in money market accounts, certificates of deposit, and treasury bills and notes. The investments are invested with the intent to hold them until maturity. The Organization occasional receives stock donations.

Investments were comprised of the following:

	December 31, 2020		**December 31, 2019**	
US Treasury	$	199,303	$	994,674
Corporate equities		-		25,365
Total Investments	$	199,303	$	1,020,039

Investment income consists of the following:

	December 31, 2020	December 31, 2019
Unrealized gain (loss)	$ (803)	$ 4,703
Realized gain	1,887	4,673
Interest and dividend income	13,444	17,895
Total Investment Income	$ 14,528	$ 27,271

Fair Value Measurements

For certain of the Organization's financial instruments, including cash and equivalents, investments, grants receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Organization. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the balance sheets for investments, receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The level in the fair value hierarchy within which a fair value measurement in its entirely falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Organization's statements of financial position did not have financial instruments that required to be measured at fair value on a recurring basis.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Organization evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. There were no transfers between Level 1, Level 2, or Level 3 for the years ended December 31, 2020.

The following table presents assets that are measured at fair value on a recurring basis:

December 31, 2020	Total	Level 1	Level 2	Level 3
Asset:				
Investments	199,303	199,303	-	-
Total	$ 199,303	$ 199,303	$ -	$ -

December 31, 2019	Total	Level 1	Level 2	Level 3
Asset:				
Investments	1,020,039	1,020,039	-	-
Total	$ 1,020,039	$ 1,020,039	$ -	$ -

Fixed Assets

Fixed assets are unrestricted and carried at cost or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Property and equipment are capitalized if the cost of an asset is greater than or equal to $1,000 and the useful life is greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows: furniture, fixtures and equipment over 3 to 10 years and buildings over 31 to 40 years

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. Therefore, no provision for federal or California income tax is reflected in the financial statements.

The Organization follows the provisions of FASB ASC 740-10, *Income Taxes,* and accordingly, the Organization accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. The Organization does not believe that its financial statements include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements

Concentration of credit risk

Cash and investments are financial instruments which potentially subject the Organization to a concentration of credit risk. Cash in bank accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash deposits.

Investments consist of funds in corporate equities, debt securities and mutual funds. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. Management believes that the Organization's investment strategy and ability to hold investments for the long term minimize this risk.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. ASU No. 2016-02 requires that leased assets be recognized as assets on the statement of financial position and the liabilities for the obligations under the lease also be recognized on the statement of financial position. ASU No. 2016-02 requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The required disclosures include qualitative and quantitative requirements. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years beginning after December 15, 2020. Early adoption is permitted. ASU No. 2016-02 must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU No. 2018-08 improves the current guidance on determining whether transactions are contributions or exchange transactions. ASU No. 2018-08 also requires determining if a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. ASU No. 2018-08 is effective for resource recipients for annual reporting periods beginning after December 15, 2018 and for resource providers for annual reporting periods beginning after December 15, 2019.

Reclassification

Certain prior period amounts have been reclassified to conform to the year ended December 31, 2020 presentation.

NOTE 3 - CASH:

At December 31, 2020, cash and cash equivalents consisted primarily of checking and money market accounts with banks. At December 31, 2020, the Organization's cash account exceeded federally insured limits by approximately $9,230,000. No reserve has been made in the financial statements for any possible loss due to any financial institution failure. Management believes that the financial institutions holding its cash balances are financially secure.

NOTE 4 – FIXED ASSETS:

Fixed assets at December 31, 2020 and 2019 were comprised of the following:

	December 31, 2020	December 31, 2019
Furniture and Equipment	$ 6,023	$ 6,023
Vehicles	1,527,786	596,552
Building and Land	526,598	-
	2,060,407	602,575
Accumulated Depreciation	(260,136)	(89,615)
	$ 1,800,270	$ 512,960

Depreciation expense was $170,521 and $50,948 for the year ended December 31, 2020 and 2019.

NOTE 5 – COMPENSATED ABSENCES:

All regular hourly full-time and part-time employees are eligible for paid vacation time. The rate of accrual is based on length of employment and prorated by full-time equivalency.

Upon termination, hourly employees are paid for any accumulated unpaid vacation leave. As of December 31, 2020 and 2019, vacation liability exists in the amount of $13,200 and $22,595, respectively.

NOTE 6 – NOTE PAYABLE:

On April 27, 2020, the Organization received a loan from the Paycheck Protection Program (PPP) in the amount of $132,400 with interest at 1% and maturity on April 27, 2022. The loan is to be repaid starting November 27, 2020. Due to constant changes in the PPP, no payment has been deducted by the bank as of December 31, 2020. On January 28, 2021 the loan was paid in full with interest for $133,405. No interest was accrued as of December 31, 2020. The full amount of the loan is classified as current as the loan was paid off on January 28, 2021.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS:

Net Assets with Donor Restrictions are available for the following purposes as of December 31, 2020:

	Beginning Balance	Support	Expenditure	Ending Balance
Water Project	$ 2,776,891	$ 9,851,486	$ (4,559,475)	$ 8,068,902
Education	-	76,450	(76,450)	-
Research	-	281,295	(23,224)	258,071
	$ 2,776,891	$ 10,209,231	$ (4,659,149)	$ 8,326,973

NOTE 8 – LEASE OBLIGATIONS:

Operating Lease

The Organization leases their office spaces under non-cancelable operating lease in Los Angeles, California under a renewable operating lease which expires in July 2021. For the year ended December 31, 2020, rental expense was $42,605. The future minimum operating lease obligations is as follows:

December 31,		
2021	$	20,790
Total	$	20,790

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

		December 31, 2020
Financial assets as of:		
Cash and cash equivalents	$	9,951,399
Investments		199,303
Less contractual or donor-imposed restrictions:		
Donor restrictions for specific purpose		(8,326,973)
	$	1,823,729

As part of the Organization's liquidity management, it will structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 10 – EFFECT OF CURRENT ECONOMIC CONDITIONS ON REVENUE AND SUPPORT:

As a result of the spread of the SARS-CoV-2 virus and the incidence of Covid-19, economic uncertainties have arisen which may negatively affect the financial positions, result of operations, and cash flows of the Organization. The duration of these uncertainties and the ultimate financials effects cannot be reasonable estimated at this time.

The Organization depends heavily on contributions, fundraising events and grants for its revenue. The ability of the Organization to attract support comparable to prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to the Organization. While the Organization's Board of Directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

NOTE 10 – SUBSEQUENT EVENT:

The Organization has evaluated subsequent events through May 10, 2021 the date on which the financial statements were available to be issued. The Organization is not aware of any subsequent events that require recognition or disclosure in the financial statements.