



*Report of Independent Auditors and
Consolidated Financial Statements*

Thrive Networks Global, Inc. and Subsidiaries

December 31, 2021 and 2020

Table of Contents

REPORT OF INDEPENDENT AUDITORS	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position.....	5
Consolidated Statements of Activities.....	6
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements.....	9

Report of Independent Auditors

The Board of Directors
Thrive Networks Global, Inc. and subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Thrive Networks Global, Inc. and subsidiaries (“Thrive Networks”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Thrive Networks as of December 31, 2021, and 2020, and the changes in their net assets and their 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Thrive Networks 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 opinion.

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 Thrive Network’s 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 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 consolidated 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 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 consolidated 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 Thrive Networks' 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 Thrive Networks' 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.

Substantial Doubt About Thrive Networks Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that Thrive Networks will continue as a going concern. As discussed in Note 10 to the consolidated financial statements, Thrive Networks has continued to experience minimal funds without donor restrictions and the lack of assurance that Thrive Networks will be able to obtain additional funding without donor restrictions raises substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to these matters.

Moss Adams LLP

San Francisco, California
June 13, 2022

Consolidated Financial Statements

Thrive Networks
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 2,029,047	\$ 1,772,550
Grants receivable, net	1,216,546	403,629
Other assets	<u>17,986</u>	<u>23,357</u>
Total assets	<u>\$ 3,263,579</u>	<u>\$ 2,199,536</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
LIABILITIES		
Accounts payable and accrued expenses	\$ 109,116	\$ 49,788
Accrued payroll and other benefits	320,125	308,120
Loan payable	<u>-</u>	<u>65,600</u>
Total liabilities	<u>429,241</u>	<u>423,508</u>
NET ASSETS		
NET ASSETS		
Without donor restrictions	106,067	176,189
With donor restrictions	<u>2,728,271</u>	<u>1,599,839</u>
Total net assets	<u>2,834,338</u>	<u>1,776,028</u>
Total liabilities and net assets	<u>\$ 3,263,579</u>	<u>\$ 2,199,536</u>

Thrive Networks
Consolidated Statements of Activities
Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Grants	\$ 163,065	\$ 3,511,157	\$ 3,674,222	\$ 103,675	\$ 2,714,424	\$ 2,818,099
Contributions	243,054	6,000	249,054	278,264	90,870	369,134
Contract revenue	1,830	-	1,830	13,085	-	13,085
In-kind contributions	2,672	-	2,672	178	-	178
Foreign currency loss	(991)	-	(991)	(1,483)	-	(1,483)
Gain from extinguishment on loan payable	65,600	-	65,600	-	-	-
Net assets released from restrictions	2,388,725	(2,388,725)	-	2,885,083	(2,885,083)	-
Total support and revenue	<u>2,863,955</u>	<u>1,128,432</u>	<u>3,992,387</u>	<u>3,278,802</u>	<u>(79,789)</u>	<u>3,199,013</u>
EXPENSES						
Program services						
Water, sanitation, and hygiene	2,172,462	-	2,172,462	2,452,873	-	2,452,873
Construction and other projects	202,084	-	202,084	83,763	-	83,763
Total program services	2,374,546	-	2,374,546	2,536,636	-	2,536,636
Support						
Management and general	493,481	-	493,481	721,969	-	721,969
Fundraising	66,050	-	66,050	116,863	-	116,863
Total support	559,531	-	559,531	838,832	-	838,832
Total expenses	2,934,077	-	2,934,077	3,375,468	-	3,375,468
CHANGE IN NET ASSETS	<u>(70,122)</u>	<u>1,128,432</u>	<u>1,058,310</u>	<u>(96,666)</u>	<u>(79,789)</u>	<u>(176,455)</u>
NET ASSETS, at beginning of year	<u>176,189</u>	<u>1,599,839</u>	<u>1,776,028</u>	<u>272,855</u>	<u>1,679,628</u>	<u>1,952,483</u>
NET ASSETS, at end of year	<u>\$ 106,067</u>	<u>\$ 2,728,271</u>	<u>\$ 2,834,338</u>	<u>\$ 176,189</u>	<u>\$ 1,599,839</u>	<u>\$ 1,776,028</u>

See accompanying notes.

Thrive Networks
Consolidated Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Personnel costs	\$ 755,944	\$ 362,871	\$ 45,714	\$ 1,164,529	\$ 783,102	\$ 517,660	\$ 55,677	\$ 1,356,439
Project implementation costs	1,055,383	-	-	1,055,383	1,044,507	-	-	1,044,507
Grants to others	412,338	-	-	412,338	506,087	-	-	506,087
Professional fees	122	81,198	15,497	96,817	18,955	102,927	49,753	171,635
Travel and meetings	89,237	1,513	-	90,750	102,669	8,055	3,232	113,956
Office and other expenses	19,900	41,666	4,839	66,405	30,521	64,686	5,680	100,887
Occupancy	41,622	6,233	-	47,855	50,795	28,641	2,521	81,957
	<u>\$ 2,374,546</u>	<u>\$ 493,481</u>	<u>\$ 66,050</u>	<u>\$ 2,934,077</u>	<u>\$ 2,536,636</u>	<u>\$ 721,969</u>	<u>\$ 116,863</u>	<u>\$ 3,375,468</u>

Thrive Networks
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,058,310	\$ (176,455)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in discount on grants receivable	304	-
Gain on extinguishment of debt	(65,600)	-
Decrease (increase) in:		
Grants receivable	(813,221)	(176,760)
Other assets	5,371	17,244
(Decrease) increase in:		
Accounts payable and accrued expenses	59,328	(29,305)
Accrued payroll and other benefits	12,005	57,767
	<u>256,497</u>	<u>(307,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from loan payable	<u>-</u>	<u>65,600</u>
	<u>-</u>	<u>65,600</u>
CHANGE IN CASH AND CASH EQUIVALENTS	256,497	(241,909)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,772,550</u>	<u>2,014,459</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,029,047</u>	<u>\$ 1,772,550</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
In-kind contributions	<u>\$ 2,672</u>	<u>\$ 178</u>
Donated securities	<u>\$ 52,599</u>	<u>\$ 33,291</u>

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and nature of activities – The consolidated financial statements include the accounts of Thrive Networks Global, Inc., formerly known as East Meets West Foundation, and subsidiaries: Thrive Networks Foundation Limited and Embrace India (“Thrive Networks”). The accounts of these organizations have been consolidated because they are under common management and control. All significant intercompany transactions and balances have been eliminated in consolidation.

Thrive Networks’ mission is to improve the health and well-being of underserved communities in Southeast Asia through evidence-based programs and technologies. Thrive Networks is an international NGO (non-governmental organization) pioneering evidence-based programs and technologies in health, water and sanitation, and education for underserved populations in Southeast Asia.

Thrive Networks was incorporated in California in 1988, as East Meets West Foundation to help the people of Vietnam, and continues to do so today. Thrive Networks most recently worked in the following countries: Cambodia, Laos, and Vietnam.

The following characteristics describe Thrive Networks:

- Comprehensive intervention design: innovative technological and operational ideas are identified, then programs employing these innovations are implemented, followed by careful measurement of program performance, and finally these programs are scaled, when appropriate, combined with dissemination of learnings to institutional entities.
- Evidence-based: each action is rigorously evaluated, including participating in RCTs (Randomized Control Trials) and academic research, that involves employing third-party monitoring & evaluation to determine what works best.
- Locally led / partnership focused: programmatic work is locally-led and in partnership with governments, NGOs and local organizations.
- Professional program execution: field staff perform at a high level by managing ambitious and complex programs that consistently meet performance targets at or below budget.

With the Embrace acquisition in 2015, Thrive Networks gained control over Embrace India, which was incorporated in India in 2010. Thrive Networks currently has offices in San Francisco, California; Hanoi and Da Nang, Vietnam; Vientiane, Laos; and Phnom Penh, Cambodia.

Description of program and supporting services:

Program expenses –

- Water, sanitation, and hygiene, includes programs to provide clean water, sanitation, and improved hygiene habits to poor and underserved communities in Cambodia, Laos, and Vietnam.

Thrive Networks

Notes to Consolidated Financial Statements

- Output-based aid approaches: since 2007, Thrive Networks has been applying Output-Based Aid (“OBA”) funding approaches to water supply and sanitation in Vietnam, and more recently in Cambodia and Laos. In the water supply programs, the OBA approach targets “last-mile” service delivery, with water service providers receiving payments for each new household connected to a new, expanded, or rehabilitated water supply network. In the sanitation programs, payments are made to both beneficiary households and implementing organizations upon verification of properly built (and used) hygienic latrines and hand washing stations. In some cases, communities are also eligible to earn conditional cash transfers when they achieve sanitation coverage targets. In all Thrive Networks Water programs, OBA payments are designed to 1) reach the poor and underserved, 2) increase accountability, and 3) drive operating efficiencies. The approach has proved successful on all counts: for example, in the sanitation program, increases in coverage have been highest among the poorest population segments, and delivery costs have proven far lower than via other approaches, all while leveraging massive local investment.
- Thrive Networks’ WASH (“Water, Sanitation, and Hygiene”) in Schools program installs water filtration systems and handwashing basins and latrines for kindergartens, primary schools and secondary schools in rural and mountainous areas where daily living conditions of pupils and teachers are very difficult. The program also aims to raise awareness for school hygiene and conducted a behavior change campaign promoting handwashing.
- Applied research: nearly all of Thrive Networks’ programs feature a research component that moves beyond traditional process and output monitoring into the realm of impact evaluation. In Thrive Networks’ sanitation program, for example, there are dedicated resources to understand the relative advantages of individual vs. community-based output incentives, as well as exploring the interaction between smart subsidies and sanitation marketing.
- Community-scale water systems: Thrive Networks has been constructing, rehabilitating, and expanding rural water supply and treatment systems since 1995. The majority are piped village water systems with metered household connections; a smaller number are school-based water systems. Upon project completion, Thrive Networks transfers ownership and management responsibilities to government, private, or community operators.
- Empowering rural and village WASH service providers: Blue Planet Network, which joined Thrive Networks in 2014, brings together rural and small-town WASH providers from around the developing world in a collaborative online environment.
- Construction and other projects include:
 - Construction of climate resilient compassion homes in Vietnam that benefit poor rural communities and their families.
 - Building Healthy Cities partnership aims to refocus city policies, planning, and services with a health equity lens while improving data driven decision making for Smart Cities in Vietnam.

Management and general expenses – These include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Thrive Networks.

Thrive Networks

Notes to Consolidated Financial Statements

Fundraising expenses – Fundraising expenses include the cost of all activities that constitute an appeal for financial support; that is, costs incurred to induce others to contribute money, securities, time, and materials to Thrive Networks.

Basis of presentation – The consolidated financial statements are presented on the basis of net assets without donor restrictions and net assets with donor restrictions pursuant to the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*.

Basis of accounting – The consolidated financial statements are prepared using the accrual basis of accounting.

Cash and cash equivalents – For purposes of the consolidated statement of cash flows, all highly liquid investments with an initial purchased maturity of three months or less are considered to be cash equivalents.

Grants receivable – Thrive networks records grants receivables at the time such grants are made and confirmed. Grant revenue is considered without donor restrictions unless a donor-imposed restriction limits the use of the grant. Grants restricted for time and/or program-specific purposes are recorded as net assets with donor restrictions and then released to net assets without donor restrictions when the respective restrictions are satisfied. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Allowance for doubtful accounts – Thrive Networks reviews grants receivable on a periodic basis and reserves against estimated uncollectible amounts as necessary. Management believes that all of its accounts are collectible; accordingly, no allowance for doubtful accounts was required at December 31, 2021 and 2020.

Property and equipment, net – Fixed assets with an estimated useful life in excess of one year are capitalized at cost; donated assets are capitalized at the fair value at date of receipt. Depreciation is computed using the straight-line method with estimated useful lives of three to five years. Thrive Networks capitalizes fixed asset purchases of amounts in excess of \$2,500.

Compensated absences – Thrive Networks accrues a liability for earned vacations to which employees are entitled depending on their length of service and other factors. The accompanying consolidated financial statements include accrued vacation benefits of \$82,388 and \$86,569, as included in accrued payroll and other benefits in the consolidated statements of financial position as of December 31, 2021 and 2020, respectively.

Deferred revenue – Thrive Networks recognizes revenue when expenses are incurred. Amounts billed and received in advanced are recorded as deferred revenue until the related services are performed. Deferred revenue represents grant funds received in excess of expenses incurred. This deferred revenue will be recognized as revenue in future periods. Thrive Network does not have deferred revenue outstanding as of December 31, 2021 and 2020.

Description of net assets – The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the guidelines set forth in the industry audit and accounting guide for Not-For-Profit Entities issued by the American Institute of Certified Public Accountants (“AICPA”). Under these guidelines, contributions of cash and other assets are classified as one of the following two categories:

Without donor restrictions – include resources for which there are no donor restrictions. Such amounts are available to support Thrive Networks’ general operations.

Thrive Networks

Notes to Consolidated Financial Statements

With donor restrictions – is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Thrive Networks' net assets with donor restrictions as of December 31, 2021 and 2020, are restricted for the specific use and occurrence of future events.

In-kind contributions – Donated services are recognized when received if such services (a) create or enhance nonfinancial assets, (b) require specialized skills, and (c) are provided by individuals possessing those skills, and would typically need to be purchased if not donated. During the years ended December 31, 2021 and 2020, Thrive Networks received pro-bono legal services. The established fair value of donated services received was based upon the number of hours contributed at appropriate billing rates, and has been recorded as an in-kind contribution and expense without donor restrictions.

Revenue recognition – Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence or nature of any donor restrictions. Contributions with donor restrictions, which are expended in the year received, are accounted for as without donor restrictions.

Revenue associated with substantive performance milestones are recognized based on the achievement of milestones, as defined in the respective agreements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses – The costs of providing programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited based upon employee time and effort recorded on functions related to the specific activity, or in the case of shared expenses, using an allocation based on personnel costs, space usage, or other relevant bases. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Thrive Networks.

Foreign currency transactions – Receipts and disbursements in foreign currencies are converted into U.S. dollars at the exchange rates approximating those at the transaction dates. The cash balances denoted in foreign currencies are translated into U.S. currency at the exchange rate approximating the rate at the closing date. Foreign currency exchange loss was \$1,905 and \$1,664 in 2021 and 2020, respectively, and is included in foreign currency loss on the consolidated statements of activities.

New accounting pronouncements – In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. The effective date of ASU No. 2016-02 was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates*, to annual reporting periods beginning after December 15, 2021. The adoption is effective for Thrive Networks for the year ending December 31, 2022. Thrive Networks is currently evaluating the impact of the ASU 2016-02 on Thrive Networks' consolidated financial statements.

Thrive Networks

Notes to Consolidated Financial Statements

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”). This guidance requires that a not-for-profit present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and clarifies disclosures of contributed nonfinancial assets. The amendments in this update are effective for annual periods beginning after June 15, 2021. The adoption is effective for Thrive Networks for the year ending December 31, 2022. Thrive Networks is currently evaluating the impact of the ASU 2020-07 on Thrive Networks’ consolidated financial statements.

Reclassifications – Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the current year presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the 2020 consolidated financial statements.

NOTE 2 – CONCENTRATIONS

Thrive Networks maintains its cash balances at various banks and brokerage houses in the United States, and at Public Bank Vietnam Limited and An Binh Commercial Joint Stock Bank (“ABBANK”) in Vietnam, Cambodia Public Bank in Cambodia, Banque Pour Le Commerce Exterieur Lao Public in Laos and HDFC Bank in India. Cash held by Public Bank Vietnam Limited and ABBANK is fully secured by the Vietnam State Bank. As of December 31, 2021 and 2020, cash balances at Vietnam banks (primarily in U.S. dollar accounts) amounted to \$167,790 and \$98,074, respectively. At December 31, 2021 and 2020, Thrive Networks held \$84,142 and \$69,831, respectively, in foreign currency. The Federal Deposit Insurance Corporation (“FDIC”) insures account balances at U.S. banks up to \$250,000. Under the FDIC’s Transaction Account Guarantee Program (“TAGP”) all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under TAGP is in addition to, and separate from, the coverage available under the FDIC’s general deposit insurance rules. At December 31, 2021 and 2020, Thrive Networks had uninsured bank balances of \$1,358,415 and \$1,169,945, respectively.

For the years ended December 31, 2021 and 2020, Thrive Networks recognized \$3,410,816 or 85% and \$2,619,608 or 82% of its consolidated revenue from three organizations: Australian Department of Foreign Affairs and Trade, Charity Water, and Korea International Cooperation Agency.

NOTE 3 – GRANTS RECEIVABLE, NET

Grants receivable are as follows as of December 31:

	2021	2020
Receivable in less than one year	\$ 353,044	\$ 403,629
Receivable in one to five years	863,806	-
Total grants receivable	1,216,850	403,629
Less discount to net present value	(304)	-
Grants receivable, net	\$ 1,216,546	\$ 403,629

Thrive Networks

Notes to Consolidated Financial Statements

The grants receivable in one to five years have been discounted using a discount of 0.03% in 2021.

NOTE 4 – LOAN PAYABLE

On April 25, 2020, Thrive Networks entered into a loan agreement with First Republic Bank for \$65,600. This loan was granted as part of the U.S. Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), to help small businesses and organizations maintain payroll in light of the COVID-19 pandemic. The loan bears an interest rate at 1% per year and the loan matures on April 27, 2022. The loan is guaranteed by the SBA and no payments are due on the loan until August 2021. The loan is subject to partial or full forgiveness if Thrive Networks: uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance. As of December 31, 2020, Thrive Networks had an outstanding amount of \$65,600 and accrued interest of \$448, which is included in accrued expenses on the consolidated statements of financial position. On May 7, 2021, Thrive Networks received full forgiveness of the loan in the amount of \$65,600, and as a result, was released from being the primary obligor and the loan is considered paid in full, along with any accrued interest. The outstanding balance has been derecognized as loan payable, and recognized as gain on the extinguishment of loan payable for the year ended December 31, 2021.

NOTE 5 – LEASE COMMITMENTS

Thrive Networks leases office space in Vietnam, Cambodia and Laos. The Vietnamese leases expire in June 2022, for the Da Nang office and in September 2022, for the Hanoi office. The Laos leases expire in December 2022. The Cambodia lease expires in December 2023. Presented below is a schedule of minimum future lease obligations as of December 31, 2021.

Year Ending December 31,

2022	\$	27,216
2023		<u>6,084</u>
	\$	<u>33,300</u>

Rent expense amounted to \$44,737 and \$71,184 in 2021 and 2020, respectively.

NOTE 6 – 401(k) PLAN

Thrive Networks has a 401(k) plan for all eligible U.S. based employees who have completed one month of service. Pension expense in 2021 and 2020 amounted to \$8,996 and \$12,083, respectively. Internationally, Thrive Networks provides employer contributions for all employees via government-run retirement plans, where applicable.

Thrive Networks

Notes to Consolidated Financial Statements

NOTE 7 – TAX STATUS

Thrive Networks was incorporated under the laws of the State of California and granted tax exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and by the California Franchise Tax Board under Section 23701d of the Revenue and Taxation Code. Accordingly, no provision for income taxes has been included in these consolidated financial statements.

Thrive Networks assesses its accounting for uncertainties in income taxes recognized in its consolidated financial statements and prescribes a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. There was no material impact on Thrive Networks’ consolidated financial statements as a result of assessing these uncertainties. Thrive Networks has no unrecognized tax benefits or uncertain tax positions as of December 31, 2021.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Support that is restricted by a grantor agency or a donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net assets with donor restrictions were available for the following purposes:

	<u>2021</u>	<u>2020</u>
Water, sanitation, and hygiene	\$ 2,695,618	\$ 1,535,554
Construction and other projects	<u>32,653</u>	<u>64,285</u>
Total	<u>\$ 2,728,271</u>	<u>\$ 1,599,839</u>

All net assets with donor restrictions as of December 31, 2021 and 2020, are expected to be released from restriction by January 31, 2024.

Net assets with donor restrictions released from restrictions by incurring expenses were as follows:

	<u>2021</u>	<u>2020</u>
Water, sanitation, and hygiene	\$ 2,322,337	\$ 2,882,869
Construction and other projects	<u>66,388</u>	<u>2,214</u>
Total	<u>\$ 2,388,725</u>	<u>\$ 2,885,083</u>

Thrive Networks

Notes to Consolidated Financial Statements

NOTE 9 – IN-KIND CONTRIBUTIONS

Contributions of donated assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Thrive Networks received donated legal services in the amount of \$2,672 and \$178 in 2021 and 2020, respectively.

NOTE 10 – LIQUIDITY AND FUNDS AVAILABLE

Thrive Networks operates within a prudent range of financial soundness and stability. Thrive Networks manages its liquidity resources through monthly forecasts of future cash flows and structures the financial assets to be available as its general expenditures, liabilities and other obligations come due. Financial assets available for general expenditure within one year as of December 31, 2021 and 2020, amounted to \$106,067 and \$176,189, respectively, the amount of net assets without donor restrictions on the consolidated statements of financial position. Thrive Networks has continued to experience minimal funds without donor restrictions for several years. However, Thrive Networks continues to seek and obtain new fundraising opportunities increasing the confidence that Thrive Networks will continue as a going concern. The consolidated financial statements do not include information about the recoverability or reclassification of recorded asset amounts or classification of liabilities should Thrive Networks be unable to continue as a going concern.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

At December 31, 2021, there were no significant outstanding legal actions or claims against Thrive Networks. Thrive Networks maintains various forms of insurance that management believes are adequate to reduce the exposure to these risks to an acceptable level.

NOTE 12 – COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments have adversely affected workforces, beneficiaries, economics, and financial markets globally, leading to increased market volatility and disruptions in normal business operations. Thrive Networks has been closely monitoring the impact of the on-going COVID-19 pandemic on operations, including the impact on its beneficiaries and employees. The duration and intensity of the pandemic is uncertain and may influence donor decisions.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. Thrive Networks recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. Thrive Networks' consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements were available to be issued.

Thrive Networks has evaluated subsequent events through, June 13, 2022, which is the date the consolidated financial statements were available to be issued, in accordance with Thrive Networks' policy related to disclosure of subsequent event.

