



**Kurtis Smith, LLC**

An Audit and Advisory Firm

**The Bucket Ministry**

**Financial Statements**

**With Independent Auditors' Report**

**For the year ended December 31, 2022**



# Kurtis Smith, LLC

An Audit and Advisory Firm

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Bucket Ministry  
Rockwall, Texas

### Opinion

We have audited the accompanying financial statements of The Bucket Ministry ("Ministry"), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ministry as of December 31, 2022, 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.

### 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ministry 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 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 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 Ministry's ability to continue as a going concern for 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 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 Ministry'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 Ministry'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.

*Kurtis Smith, LLC*

Woodland Park, Colorado

July 20, 2023

**The Bucket Ministry**  
**Statement of Financial Position**  
**As of December 31, 2022**

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**Assets**

Cash and cash equivalents	\$	1,091,217
Contributions receivable		1,128
Inventory and supplies		1,291,857
Prepaid expenses and other assets		3,500
Property and equipment, net		23,386
Right-of-use asset, net		75,227
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Total assets	\$	2,486,315
		<hr/>

**Liabilities**

Accounts payable and accrued liabilities	\$	80,520
Lease liabilities, operating		98,613
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Total liabilities		179,133
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**Net Assets**

Without donor restrictions		2,306,054
With donor restrictions		1,128
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Total net assets		2,307,182
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Total liabilities and net assets	\$	2,486,315
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**The Bucket Ministry**  
**Statement of Activities**  
**For the year ended December 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and other income</b>			
Support:			
Contributions	\$ 1,346,527	\$ 555,642	\$ 1,902,169
Gifts-in-kind	1,407,950	-	1,407,950
Special event income, net	83,903	-	83,903
	<u>2,838,380</u>	<u>555,642</u>	<u>3,394,022</u>
Other income:			
Interest income	861	-	861
Other income	4,850	-	4,850
	<u>2,844,091</u>	<u>555,642</u>	<u>3,399,733</u>
Net assets released from restrictions	<u>560,591</u>	<u>(560,591)</u>	<u>-</u>
Total contributions and other support	3,404,682	(4,949)	3,399,733
<b>Expenses</b>			
Program services	2,217,317	-	2,217,317
Supporting services:			
General and administrative	220,147	-	220,147
Fundraising	199,117	-	199,117
Total expenses	<u>2,636,581</u>	<u>-</u>	<u>2,636,581</u>
Change in net assets	<u>\$ 768,101</u>	<u>\$ (4,949)</u>	<u>\$ 763,152</u>
Net assets, beginning of year	<u>\$ 1,537,953</u>	<u>\$ 6,077</u>	<u>\$ 1,544,030</u>
Net assets, end of year	<u>\$ 2,306,054</u>	<u>\$ 1,128</u>	<u>\$ 2,307,182</u>

The accompanying notes are an integral part of these financial statements.

**The Bucket Ministry**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2022**

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	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 396,491	\$ 111,592	\$ 71,846	\$ 579,929
Field missionary compensation	500,201	-	-	500,201
Field missionary expenses	1,232,943	4,271	1,474	1,238,688
Office and occupancy	70,291	82,545	11,720	164,556
Communications and events	17,391	21,739	114,077	153,207
	<b>\$ 2,217,317</b>	<b>\$ 220,147</b>	<b>\$ 199,117</b>	<b>\$ 2,636,581</b>

**The Bucket Ministry**  
**Statement of Cash Flows**  
**For the year ended December 31, 2022**

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**Cash flows from operating activities**

Change in net assets	\$ 763,152
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Contributions receivable	4,949
Inventory and supplies	(739,757)
Prepaid expenses and other assets	7,759
Accounts payable and accrued liabilities	<u>17,689</u>
Net cash provided (used) by operating activities	53,792

**Cash flows from investing activities**

Purchases of property and equipment	<u>(23,386)</u>
Net cash provided (used) by investing activities	<u>(23,386)</u>
Net change in cash and cash equivalents	30,406

**Cash and cash equivalents**

Beginning of year	<u>1,060,811</u>
End of year	<u>\$ 1,091,217</u>

**Non-cash financing activities**

New operating leases	<u>\$ 98,613</u>
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**The Bucket Ministry**  
**Notes to financial statements**  
**For the year ended December 31, 2022**

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**1. Nature of Organization**

The Bucket Ministry (“we”, “us”, or “our”) is a non-profit corporation with a mission to share God’s love through the gift of clean, safe, drinking water. We provide under-resourced communities around the world with long-lasting water filters, forge and nurture new relationships with Jesus Christ, and inspire systemic, Christ-centered change through discipleship training.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Our significant accounting policies are described below to enhance the usefulness of the financial statements to the readers.

**Contributions**

Contributions are recognized when made or promised, which may be when cash is received, unconditional promises are made, or when ownership of donated assets is transferred. Contributions are reported as an increase in net assets with or without donor restrictions depending on the nature of the restrictions, if any. Contributions received with conditions are reflected as refundable advances.

We receive gifts of water filters, buckets and other supplies used in our ministry. We refer to these as gifts-in-kind and record them at fair value.

**Cash and Cash Equivalents**

Cash and cash equivalents are comprised of checking and interest-bearing savings accounts with banks. For the purposes of the statement of cash flows, we consider all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

**Contributions Receivable**

Contributions receivable consists of unconditional promises to give that are recognized when the promises are made. Such amounts are reported at their net realizable value. We provide for an allowance for doubtful accounts based on donor communication, historical collections, and other evidence. There was no allowance for doubtful accounts necessary as of December 31, 2022. All of our contributions receivable as of December 31, 2022 were due within one year.



**The Bucket Ministry**  
**Notes to financial statements**  
**For the year ended December 31, 2022**

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**Inventory and Supplies**

Inventory and supplies consist of donated filters, buckets, and other ministry supplies. All such inventory is recorded at its estimated fair value when donated or cost if purchased. Inventory and supplies are expensed if they become unusable or damaged. Inventory costs are maintained based on the average cost method.

**Property and Equipment**

Property and equipment are initially recorded at cost if purchased and fair value if donated. Purchases or donations in excess of \$5,000 are capitalized with lesser amounts expensed. Property and equipment are depreciated using the straight-line method. Tenant improvements are amortized over the life of the lease.

**Leases**

For leases with terms greater than 12 months, we record the initial related assets and obligations at the present value of lease payments over the lease term. Leases are classified as operating or finance leases. Lease expense for operating leases is recognized on a level basis over the term of the leases.

**Net Assets**

The financial statements report amounts by class of net assets:

- *Net assets without donor restrictions* are currently available for operations under the direction of the board of directors and resources invested in property and equipment.
- *Net assets with donor restrictions* are stipulated by donors for specific operating purposes or for the acquisition of property and equipment. These include donor restrictions requiring the net assets to be held in perpetuity or for a specified term.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

### **Functional Allocation of Expenses**

The costs of providing the various program services and supporting activities have been summarized in the Statements of Activities and Functional Expenses. Accordingly, certain costs, such as payroll and occupancy expenses have been allocated among program services and supporting activities. These expenses are allocated based on the approximate time spent and areas benefited.

### **Fair Value Measurements**

GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

Fair value is defined as the exit price we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy that prioritizes and ranks inputs in valuation techniques used to measure fair value. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Inputs using quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. This includes discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy. Because of the long-term nature of certain assets and liabilities measured at fair value as well as differences in the availability of market prices and market liquidity over their terms, inputs for some assets and liabilities may fall into any one of the three levels in the fair value hierarchy. GAAP requires us to classify these assets and liabilities in the lowest level in the hierarchy for which inputs are significant to the fair value measurement. A portion of that measurement may be determined using inputs from a higher level in the hierarchy.

**The Bucket Ministry**  
**Notes to financial statements**  
**For the year ended December 31, 2022**

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**Income Taxes**

We are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a not-for-profit organization. We are not a private foundation. Accordingly, no provision has been made for federal income taxes in the accompanying financial statements.

**Use of Estimates**

We use estimates and assumptions in preparing financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could vary from the estimates that were used in preparing the financial statements. The most significant use of estimates relates to the measurement of gifts-in-kind and allocation of expenses on a functional basis.

**Subsequent Events**

Subsequent events have been evaluated for potential recognition or disclosure through July 20, 2023, which is the date the financial statements were available to be issued.

**3. Property and Equipment**

Property and equipment, consisted of the following as of December 31, 2022:

Tenant improvements	\$ 23,386
Accumulated depreciation	<u>-</u>
Property and equipment, net	<u>\$ 23,386</u>

Our property and equipment are comprised of tenant improvements associated with our office lease. This lease commences January 1, 2023. There is no amortization expense for the year ended December 31, 2022.

**The Bucket Ministry**  
**Notes to financial statements**  
**For the year ended December 31, 2022**

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**4. Contributed Gifts-In-Kind**

We receive donations of gifts-in-kind that are primarily comprised of water filters and buckets. Water filters may be provided for specific locations, or they can be used where they are most needed. We use water filters and buckets directly in our mission to under-resourced areas of the world, and generally do not monetize these assets with limited exceptions for other organizations with similar missions. Our gifts-in-kind are summarized as follows for the year ended December 31, 2022:

Description	Amount
Water filters	\$ 1,271,480
Event supplies	48,224
Field missionary supplies	69,796
Office and other supplies	18,450
	<u>\$ 1,407,950</u>

We estimate the fair value of donated water filters and buckets based on wholesale values we would receive if we sold these in the United States. Donations of event, field, and other supplies are based on amounts we would receive if we sold these supplies to third parties.

**5. Liquidity and Availability of Financial Assets**

The following table reflects our financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the Statement of Financial Position:

Financial assets:	
Cash and cash equivalents	\$ 1,091,217
Contributions receivable	1,128
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,092,345</u>

As part of our liquidity management, we manage our expenses to ensure liquidity while also accomplishing our purpose.

**The Bucket Ministry**  
**Notes to financial statements**  
**For the year ended December 31, 2022**

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**6. Leases**

We adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases, and related amendments (“ASC 842”). ASC 842 requires that lease right-of-use assets and lease liabilities be recorded in the statement of financial position. We implemented ASC 842 using the effective date method as of January 1, 2022. We recognized a right-of-use asset and lease liability of \$42,000 on January 1, 2022, for our office lease.

We moved offices in December 2022 and entered into a new lease agreement effective January 1, 2023. This new office lease agreement requires monthly lease payments of \$3,000 and expires on December 31, 2025. We recorded this lease liability at its present value based on an incremental borrowing rate of 6%.

Lease expense was \$42,000 for the year ended December 31, 2022. The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2022:

Year Ending	Amounts
2023	\$ 36,000
2024	36,000
2025	36,000
	108,000
Less: Imputed Interest	(9,387)
	\$ 98,613

**7. Net Assets**

Net assets consisted of the following as of December 31, 2022:

Net assets without donor restrictions:	
Undesignated	\$ 2,306,054
Total net assets without donor restrictions	2,306,054
Net assets with donor restrictions:	
Time restricted	1,128
Total net assets with donor restrictions	1,128
	\$ 2,307,182

## **8. Concentrations, Risks and Uncertainties**

### **Contributions and Support**

We rely on contributions from churches, individuals, and businesses to support our ministry operations. The scope and nature of our operations are dependent on continued donor support. This support can be affected by many variables including general economic conditions, geopolitical events, and other macro or regional events.

### **Concentrations of Credit Risk**

Our cash and cash equivalents on deposit at banks may at times exceed Federal Deposit Insurance Corporation ("FDIC") insurance limits. We monitor our financial relationships and do not believe we are subject to any significant credit risk. We entered into an arrangement with a financial institution in 2023 to diversify our cash deposits to mitigate this risk.