

WATER TO THRIVE

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Water to Thrive
Austin, Texas

We have audited the accompanying financial statements of Water to Thrive (a nonprofit organization) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 of 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 Water to Thrive as of December 31, 2013 and 2012, 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.

Gindler, Chappell, Morrison & Co., P.C.
Austin, Texas
August 25, 2014

FINANCIAL STATEMENTS

WATER TO THRIVE

STATEMENTS OF FINANCIAL POSITION

Years Ended December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 101,093	\$ 49,454
Grants and trust receivables - current	80,000	80,000
Contributions and other receivables	29,023	14,269
Inventory	7,641	4,110
Prepaid expenses	1,154	-
Total current assets	218,911	147,833
 Cash - restricted	 104,284	 376,585
 Grants and trust receivables - non-current	 394,996	 473,458
 Fixed assets		
Furniture and equipment	1,877	-
Computer equipment	5,027	3,175
Website costs	10,563	10,563
Less accumulated depreciation	(8,715)	(4,092)
Net fixed assets	8,752	9,646
 Total assets	 \$ 726,943	 \$ 1,007,522
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 87,381	\$ 6,045
Accrued expenses	5,346	1,591
Accrued vacation payable	1,120	211
Total current liabilities	93,847	7,847
 Total liabilities	 93,847	 7,847
 Net assets		
Unrestricted net assets		
Available for current operations	68,289	303,866
Investment in fixed assets	8,752	9,646
Total unrestricted net assets	77,041	313,512
Temporarily restricted net assets	556,055	686,163
Permanently restricted net assets	-	-
Total net assets	633,096	999,675
 Total liabilities and net assets	 \$ 726,943	 \$ 1,007,522

See accompanying Notes to Financial Statements.

WATER TO THRIVE

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2013 and 2012

	2013			Total
	Current Operating Funds		Permanently Restricted	
	Unrestricted	Temporarily Restricted		
REVENUES AND OTHER SUPPORT				
Contributions	\$ 652,864	\$ 96,684	\$ -	\$ 749,548
Fund raising	74,267	-	-	74,267
Merchandise sales				
Gross sales	16,603	-	-	16,603
Cost of goods sold	(10,496)	-	-	(10,496)
Net merchandise sales	6,107	-	-	6,107
Net assets released from donor imposed restrictions	226,792	(226,792)	-	-
Total revenues and other support	960,030	(130,108)	-	829,922
EXPENSES				
Program services				
Providing fresh water wells to impoverished areas	1,030,744	-	-	1,030,744
Supporting services				
Management and general	52,404	-	-	52,404
Fund raising	113,353	-	-	113,353
Total expenses	1,196,501	-	-	1,196,501
CHANGE IN NET ASSETS (decrease)	(236,471)	(130,108)	-	(366,579)
NET ASSETS				
Beginning of year	313,512	686,163	-	999,675
End of year	\$ 77,041	\$ 556,055	\$ -	\$ 633,096

See accompanying Notes to Financial Statements.

WATER TO THRIVE

STATEMENTS OF ACTIVITIES - continued

Years Ended December 31, 2013 and 2012

	2012			
	Current Operating Funds			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 453,399	\$ 736,708	\$ -	\$ 1,190,107
Grants and contracts	15,000	95,000	-	110,000
Fund raising	55,024	-	-	55,024
Merchandise sales				
Gross sales	5,992	-	-	5,992
Cost of goods sold	(4,371)	-	-	(4,371)
Net merchandise sales	1,621	-	-	1,621
Net assets released from donor imposed restrictions	227,506	(227,506)	-	-
Total revenues and other support	752,550	604,202	-	1,356,752
EXPENSES				
Program services				
Providing fresh water wells to impoverished areas	377,905	-	-	377,905
Supporting services				
Management and general	26,248	-	-	26,248
Fund raising	93,067	-	-	93,067
Total expenses	497,220	-	-	497,220
CHANGE IN NET ASSETS (decrease)	255,330	604,202	-	859,532
OTHER CHANGES IN NET ASSETS	6,380	-	-	6,380
NET ASSETS				
Beginning of year	51,802	81,961	-	133,763
End of year	\$ 313,512	\$ 686,163	\$ -	\$ 999,675

See accompanying Notes to Financial Statements.

WATER TO THRIVE

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2013

EXPENSES	2013			
	Program Services	Supporting Services		Total
	Water Projects	Management & General	Fund Raising	
Salaries	\$ 79,419	\$ 28,880	\$ 36,099	\$ 144,398
Payroll taxes	6,937	2,522	3,153	12,612
Total personnel costs	86,356	31,402	39,252	157,010
Water projects expense	789,982	-	-	789,982
Mission travel fund expense	105,090	-	-	105,090
Professional fees	25,584	4,345	6,571	36,500
Special events	-	-	38,676	38,676
Advertising	-	7,051	5,703	12,754
Printing and publication	791	989	2,177	3,957
Travel and entertainment	266	810	5,206	6,282
Occupancy	4,520	1,440	2,879	8,839
Postage and shipping	947	1,894	1,893	4,734
Bank service charges	3,948	-	3,036	6,984
Supplies	3,089	1,391	1,407	5,887
Miscellaneous expenses	5,304	845	708	6,857
Conferences and meetings	-	-	3,555	3,555
Property taxes	-	54	-	54
Insurance	-	846	-	846
Telephone	398	410	398	1,206
Depreciation	3,549	253	1,268	5,070
Office expense	920	312	624	1,856
Dues and subscriptions	-	362	-	362
Total expenses	\$ 1,030,744	\$ 52,404	\$ 113,353	\$ 1,196,501

See accompanying Notes to Financial Statements.

WATER TO THRIVE

STATEMENTS OF FUNCTIONAL EXPENSES - continued

Years Ended December 31, 2013 and 2012

	2012			Total
	Program Services	Supporting Services		
	Training, Technical	Management & General	Fund Raising	
EXPENSES				
Salaries	\$ 56,238	\$ 8,034	\$ 16,068	\$ 80,340
Payroll taxes	4,291	613	1,226	6,130
Total personnel costs	60,529	8,647	17,294	86,470
Water projects expense	242,860	-	-	242,860
Mission travel fund expense	40,753	-	-	40,753
Professional fees	15,015	4,869	8,376	28,260
Special events	-	10	29,784	29,794
Advertising	-	5,475	8,212	13,687
Printing and publication	-	1,737	5,211	6,948
Travel and entertainment	6,156	-	8,873	15,029
Occupancy	4,302	614	1,229	6,145
Postage and shipping	-	2,191	2,190	4,381
Bank service charges	180	-	4,499	4,679
Supplies	4,663	666	1,332	6,661
Miscellaneous expenses	1,352	55	1,706	3,113
Conferences and meetings	-	-	2,970	2,970
Property taxes	-	39	-	39
Insurance	-	846	-	846
Telephone	-	488	-	488
Depreciation	1,109	350	1,109	2,568
Office expense	986	141	282	1,409
Dues and subscriptions	-	120	-	120
Total expenses	\$ 377,905	\$ 26,248	\$ 93,067	\$ 497,220

See accompanying Notes to Financial Statements.

WATER TO THRIVE

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES		
Change in net assets (decrease)	\$ (366,579)	\$ 859,532
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,070	2,568
Cost of goods sold		
(Increase) decrease in operating assets		
Receivables	63,261	(537,335)
Inventory	(3,531)	(1,362)
Prepaid expenses	(1,154)	-
Increase (decrease) in restricted cash	272,301	(304,550)
Increase (decrease) in operating liabilities		
Accounts payable	81,336	4,906
Accrued Liabilities	3,755	346
Accrued vacation payable	909	211
	55,368	24,316
 Net cash provided by (used by) operating activities	55,368	24,316
 CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES		
Purchase of investments	(2,160)	-
Proceeds from investments	2,160	-
Purchase of fixed assets	(5,478)	(7,563)
Disposal of fixed assets	1,749	-
	(3,729)	(7,563)
 Net cash provided by (used by) investing activities	(3,729)	(7,563)
 CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES	-	-
 NET INCREASE (DECREASE) IN CASH	51,639	16,753
 CASH AND CASH EQUIVALENTS		
Beginning of year	49,454	32,701
 End of year	\$ 101,093	\$ 49,454
 Supplemental Information		
Interest paid	\$ -	\$ -
 Taxes paid	\$ -	\$ -

See accompanying Notes to Financial Statements.

WATER TO THRIVE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Water to Thrive (the "Organization"), was established in 2008. The Organization is a non-profit organization whose mission is to provide fresh water wells to impoverished areas in developing countries through non-governmental organizations and partners. The Organization is dedicated to spreading awareness of the global water crisis while raising funds needed to construct water wells for those who need them in rural Africa.

The mission is accomplished by:

- In the US, the Organization works with individuals, churches, corporate offices, and schools to raise funds.
- The Organization then partners with African Non-governmental organizations to implement water work.

The Organization's revenue is primarily generated from special events and individual contributions.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization believes it is no longer subject to examination by the IRS for years prior to 2010.

Summary of Significant Accounting Policies

Accounting Estimates: The preparation of financial statements in conformity with U. S. 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.

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

Method of Accounting: The Organization uses the accrual basis method of accounting. Using this method of accounting, revenue and support and receivables are reported when funds are considered earned, regardless of when cash is received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or for specific purposes are considered temporarily restricted or permanently restricted and increases those net asset classes. Conditional promises to give are not reported until the condition is met. Expenses and accounts payable are reported when an obligation is incurred, regardless of when cash is disbursed. All expenses are reported as reductions in unrestricted net assets.

Net Assets Classes: The Organization reports the following net assets classes.

Permanently restricted net assets The part of the net assets of a not-for-profit organization resulting from contributions whose use by an organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of an organization are considered permanently restricted net assets. An example of a permanently restricted net asset would be the donation of funds (or other assets) to an organization in which the donor imposed a restriction that the funds not be expended, but that the organization would be permitted to use or expend part or all of the income (or other economic benefit) derived from the donation.

Temporarily restricted net assets Not-for-profit organizations receive contributions and other resources whose use is limited by stipulations that are more specific than the broad limits resulting from the nature and purpose of the organization and its programs. Resources (net assets) with such stipulations that either expire by passage of time or can be fulfilled by actions of an organization are reported as temporarily restricted net assets.

Unrestricted net assets Resources not included in the above categories are considered unrestricted net assets. While these resources are reported as unrestricted, an organization manages them in compliance with its exempt purposes, Board of Director designations, legal requirements, and contractual obligations.

WATER TO THRIVE
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2013 and 2012

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Allocation of Costs: The Organization allocates common costs between program services, management and general, and fund raising expenses based on management’s estimate of the costs related to each of the Organization’s activities. The estimates are reviewed and adjusted periodically to reflect changes in the activities of the Organization. The allocation of costs reported in the financial statements is considered a significant accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Fixed Assets: Purchased fixed assets are capitalized at cost if the value of the item is more than \$1,000 and the estimated useful service life of the item is more than one year. Donated fixed assets are capitalized at fair value. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation expense is computed over the estimated useful service life of the asset (3 to 7 years) using the straight line method of computation. Depreciation expense reported is considered a significant accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant. Routine repairs and maintenance are expensed as incurred.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. During the year, the Organization did not adjust the carrying amount of any fixed assets.

Receivables: Receivables consist of grants and promises to give. Receivables are considered past due based on how recently payments have been received. Past due accounts are reviewed by management periodically and if considered uncollectible, the accounts are charged off as bad debts. At year end, no accounts are considered past due. The receivables are valued using an allowance for uncollectible accounts. At year end for 2013 and 2012, the allowance for uncollectible accounts is \$-0-. The allowance for uncollectible accounts is considered an accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Inventory: Inventories consist of coffee, clothing and jewelry and are valued at the lower of cost or market on a first-in, first-out basis.

Subsequent Events: Management has evaluated subsequent events through August 25, 2014 which is the date the financial statements were available to be issued and no events have occurred from the statement of financial position date through that date that would require disclosure in the financial statements.

NOTE 2: TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions imposed by funding sources and donors due to the Organization’s actions, such as grant or contract compliance or with the expiration of time restrictions during 2013 and 2012 were **\$226,792** and **\$227,506**, respectively. These funds are considered net assets released from donor imposed restrictions and are reported as transfers from temporarily restricted net assets to unrestricted net assets in the statement of activities.

At year end, Water to Thrive had the following temporarily restricted net assets in the form of cash or receivables.

Funding Source	2013	2012	Restrictions Imposed by Funding Sources
Contributions	\$ 34,476	\$138,957	Water Projects
Contributions	6,583	3,748	Mission Travel
Wheat Ridge Ministries	30,000	35,000	Human Care Initiatives
Annuity trust	464,996	463,458	Time Restriction
Palm Valley Lutheran Church	20,000	45,000	Water Projects
Total	<u><u>\$ 556,055</u></u>	<u><u>\$ 686,163</u></u>	

WATER TO THRIVE
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2013 and 2012

NOTE 3: RELATED PARTY TRANSACTION

Water to Thrive receives administrative and executive services and office space from a company for which a board member of the Organization serves as an executive officer. The services and office space provided essentially constitute an employee leasing arrangement. Water to Thrive is charged \$36,000 per year, \$6,300 for office space and \$29,700 for services. During 2013, Water to Thrive paid the related party \$37,196 for services provided. While in 2012, under a previous leasing agreement, Water to Thrive paid the related party \$24,000 for services provided.

NOTE 4: RESTRICTED CASH

The Organization holds self-designated "restricted" cash. This account is increased by any funds stipulated by donors to be designated to water projects, and cash is released as water project expense is incurred. The ending balance of restricted cash at December 31, 2013 and 2012 was \$104,284 and \$376,585.

NOTE 5: OTHER CHANGES IN NET ASSETS

At December 31, 2012, the Organization adjusted the ending balance of the vacation accrual for accrued vacation pay. An adjustment was made to Net Assets for a portion of vacation accrued at the end of 2011. Accrued vacation for an employee who terminated in 2011 was recorded in error. Accordingly, an adjustment to remove the vacation accrual for 2011 was recorded as Other Changes in Net Assets for \$6,380.

Note 6: RECEIVABLES

The Organization received promises to give and other receivables with a duration of one year or less in the amount of \$29,023 and \$14,269 in 2013 and 2012, respectively. The Organization had grants receivable at year end that will be received in the next two years. Management believes the present value discount on grants receivable is insignificant therefore no discount is recorded. Additionally, the Organization received a contribution from a trust whereby it would receive \$40,000 annually for 15 years beginning in 2013. The trust receivable is discounted at a rate of 4%. Detail of the contributions and trust receivables are as follows:

	Grants	Trust	Total	
			2013	2012
Receivables current	\$ 40,000	\$ 40,000	\$ 80,000	\$ 80,000
Receivables non-current	10,000	384,996	394,996	473,458
Net receivables	\$ 50,000	\$ 424,996	\$ 474,996	\$ 553,458
Amount due in:				
Less than one year	\$ 40,000	\$ 40,000	\$ 80,000	\$ 80,000
One to five years	10,000	200,000	210,000	250,000
Thereafter	-	320,000	320,000	360,000
Total	50,000	560,000	610,000	690,000
Less present value adjustment	-	(135,004)	(135,004)	(136,542)
Net contributions and trust receivable	\$ 50,000	\$ 424,996	\$ 474,996	\$ 553,458