

**WATER TO THRIVE**

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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  
October 19, 2015

FINANCIAL STATEMENTS

# WATER TO THRIVE

## STATEMENTS OF FINANCIAL POSITION

Years Ended December 31, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 69,934	\$ 101,093
Grants receivable - current	10,000	40,000
Trust receivable - current	38,831	40,000
Contributions and other receivables	22,362	29,023
Inventory	13,807	7,641
Prepaid expenses	-	1,154
Total current assets	154,934	218,911
Cash - restricted	286,338	104,284
Non-current assets		
Grants receivable - non-current	-	10,000
Trust receivable - non-current	363,590	384,996
Total non-current assets	363,590	394,996
Fixed assets		
Furniture and equipment	1,877	1,877
Computer equipment	5,027	5,027
Website costs	10,563	10,563
Less accumulated depreciation	(13,494)	(8,715)
Net fixed assets	3,973	8,752
<b>Total assets</b>	\$ 808,835	\$ 726,943
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 4,252	\$ 87,381
Accrued expenses	2,550	5,346
Accrued vacation payable	924	1,120
Total current liabilities	7,726	93,847
Total liabilities	7,726	93,847
Net assets		
Unrestricted net assets		
Available for current operations	144,446	68,289
Investment in fixed assets	3,973	8,752
Total unrestricted net assets	148,419	77,041
Temporarily restricted net assets	652,690	556,055
Permanently restricted net assets	-	-
Total net assets	801,109	633,096
<b>Total liabilities and net assets</b>	\$ 808,835	\$ 726,943

See accompanying Notes to Financial Statements.

# WATER TO THRIVE

## STATEMENTS OF ACTIVITIES

Years Ended December 31, 2014 and 2013

	2014			Total
	Current Operating Funds		Permanently Restricted	
	Unrestricted	Temporarily Restricted		
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 195,902	\$ 547,922	\$ -	\$ 743,824
Fund raising	63,080	-	-	63,080
Change in value of split-interest agreement	-	17,425	-	17,425
Merchandise sales				
Gross sales	14,496	-	-	14,496
Cost of goods sold	(11,369)	-	-	(11,369)
Net merchandise sales	3,127	-	-	3,127
Net assets released from donor imposed restrictions	468,712	(468,712)	-	-
<b>Total revenues and other support</b>	<b>730,821</b>	<b>96,635</b>	<b>-</b>	<b>827,456</b>
<b>EXPENSES</b>				
Program services				
Providing fresh water wells to impoverished areas	473,988	-	-	473,988
Supporting services				
Management and general	77,946	-	-	77,946
Fund raising	107,509	-	-	107,509
<b>Total expenses</b>	<b>659,443</b>	<b>-</b>	<b>-</b>	<b>659,443</b>
<b>CHANGE IN NET ASSETS (decrease)</b>	<b>71,378</b>	<b>96,635</b>	<b>-</b>	<b>168,013</b>
<b>NET ASSETS</b>				
Beginning of year	77,041	556,055	-	633,096
End of year	\$ 148,419	\$ 652,690	\$ -	\$ 801,109

See accompanying Notes to Financial Statements.

# WATER TO THRIVE

## STATEMENTS OF ACTIVITIES - continued

Years Ended December 31, 2014 and 2013

	2013			
	Current Operating Funds			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 652,864	\$ 95,146	\$ -	\$ 748,010
Fund raising	74,267	-	-	74,267
Change in value of split-interest agreement	-	1,538	-	1,538
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
<b>EXPENSES</b>				
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)
<b>NET ASSETS</b>				
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 FUNCTIONAL EXPENSES

Years Ended December 31, 2014 and 2013

	2014			
	Program Services	Supporting Services		Total
	Water Projects	Management & General	Fund Raising	
<b>EXPENSES</b>				
Salaries	\$ 61,787	\$ 46,260	\$ 15,577	\$ 123,624
Payroll taxes	5,036	3,770	1,270	10,076
Benefits	1,661	1,243	419	3,323
Total personnel costs	68,484	51,273	17,266	137,023
Water projects expense	296,997	-	-	296,997
Water project management	19,252	-	-	19,252
Mission travel fund expense	50,716	-	-	50,716
Professional fees	11,781	12,138	11,781	35,700
Special events	-	-	51,577	51,577
Advertising	-	5,062	7,593	12,655
Printing and publication	1,153	1,441	3,171	5,765
Travel and entertainment	1,019	510	3,568	5,097
Occupancy	5,716	817	1,632	8,165
Postage and shipping	993	1,986	1,986	4,965
Bank service charges	5,169	-	2,216	7,385
Supplies	5,503	786	1,572	7,861
Miscellaneous expenses	399	792	399	1,590
Conferences and meetings	-	-	2,564	2,564
Property taxes	-	62	-	62
Insurance	-	800	-	800
Depreciation	3,345	239	1,195	4,779
Office expense	3,461	495	989	4,945
Dues and subscriptions	-	1,545	-	1,545
<b>Total expenses</b>	\$ 473,988	\$ 77,946	\$ 107,509	\$ 659,443

See accompanying Notes to Financial Statements.



# WATER TO THRIVE

## STATEMENTS OF FUNCTIONAL EXPENSES - continued

Years Ended December 31, 2014 and 2013

	2013			Total
	Program Services	Supporting Services		
	Water Projects	Management & General	Fund Raising	
<b>EXPENSES</b>				
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
<b>Total expenses</b>	<b>\$ 1,030,744</b>	<b>\$ 52,404</b>	<b>\$ 113,353</b>	<b>\$ 1,196,501</b>

See accompanying Notes to Financial Statements.

# WATER TO THRIVE

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

	2014	2013
<b>CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES</b>		
Change in net assets (decrease)	\$ 168,013	\$ (366,579)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,779	5,070
Amortization of discount on split-interest agreement	(17,425)	(1,538)
Cost of goods sold		
(Increase) decrease in operating assets		
Grants receivable	40,000	40,000
Trust receivable	40,000	40,000
Contributions and other receivables	6,661	(15,201)
Inventory	(6,166)	(3,531)
Prepaid expenses	1,154	(1,154)
Increase (decrease) in restricted cash	(182,054)	272,301
Increase (decrease) in operating liabilities		
Accounts payable	(83,129)	81,336
Accrued liabilities	(2,796)	3,755
Accrued vacation payable	(196)	909
	<b>(31,159)</b>	<b>55,368</b>
 <b>CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES</b>		
Purchase of investments	(7,018)	(2,160)
Proceeds from investments	7,018	2,160
Purchase of fixed assets	-	(5,478)
Disposal of fixed assets	-	1,749
	<b>-</b>	<b>(3,729)</b>
 <b>CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
 <b>NET INCREASE (DECREASE) IN CASH</b>	<b>(31,159)</b>	<b>51,639</b>
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	101,093	49,454
End of year	<b>\$ 69,934</b>	<b>\$ 101,093</b>
 Supplemental Information		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

See accompanying Notes to Financial Statements.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2014 and 2013**

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**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 2011.

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.

**Fair Value Measurements:** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Church measures and discloses fair value measurements in accordance with the following general valuation techniques.

1. Market approach (Level 1) - uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
2. Cost approach (Level 2) - based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
3. Income approach (Level 3) - uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Changes in fair value of financial instruments and unrealized gains or losses on financial instruments are reported in the statement of activities. Investment income is reported as an increase in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**Years Ended December 31, 2014 and 2013**

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

**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.

**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 stated net of an allowance for doubtful accounts. The Organization estimates the allowance based on an analysis of the donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. At December 31, 2014 and 2013, management determined that the receivables were fully collectible; therefore, no allowance for uncollectible accounts was considered necessary. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

**Charitable Lead Trust:** The Organization's beneficial interest in a charitable lead unitrust was recorded as temporarily restricted net assets when the Organization was notified of the trust's existence. The assets for the contribution receivable from the trust consist of investments that are held and managed by a trustee. The Organization has no control over those assets. The contribution receivable is reported at fair value, which is estimated using an income approach based on assumptions developed by the Organization about the future distributions it will receive from the trust. Changes in the fair value of the contribution receivable are reflected in the temporarily restricted class of net assets. Distributions from the trust are reflected as reductions in the contribution receivable and reclassifications from temporarily restricted to unrestricted net assets.

**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.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**Years Ended December 31, 2014 and 2013**

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

**Subsequent Events:** Management has evaluated subsequent events through October 19, 2015 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.

**Reclassifications:** Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current year’s format. Net assets and changes in net assets are unchanged due to these reclassifications.

**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 2014 and 2013 were **\$468,712** and **\$226,792**, 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.

<u>Funding Source</u>	<u>2014</u>	<u>2013</u>	<u>Restrictions Imposed by Funding Source</u>
Contributions	\$ 227,139	\$ 34,476	Water Projects
Contributions	13,130	6,583	Mission Travel
Wheat Ridge Ministries	10,000	30,000	Human Care Initiatives
Annuity trust	402,421	464,996	Time Restriction
Palm Valley Lutheran Church	-	20,000	Water Projects
Total	<u>\$ 652,690</u>	<u>\$ 556,055</u>	

**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 2014 and 2013, Water to Thrive paid the related party \$36,000 per year for services provided.

Water to Thrive recognized revenue for coffee purchased from an affiliate, Ziggy’s Cafe and Bakery, for which a board member of the Organization serves as an executive officer. During 2014 and 2013, Water to Thrive received revenue from the related party of \$5,164 and \$1,684, respectively.

**NOTE 4: RESTRICTED CASH**

The Organization holds donor-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, 2014 and 2013 was **\$286,338** and **\$104,284**.

**NOTE 5: OFF BALANCE SHEET CREDIT RISK**

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and money market account balances. The Organization maintains cash balances that generally exceed the federally insured limits of the institution. The Organization does not require collateral against any excess deposits. At year end, cash balances in excess of federally insured deposits for The Organization were approximately \$24,569 for 2014 and \$-0- for 2013. The Organization places its cash with high quality financial institutions and continuously monitors their financial instruments for any indication of nonperformance and do not expect any institutions to fail to meet their obligations.

**Note 6: RECEIVABLES**

The Organization received promises to give and other receivables with a duration of one year or less in the amount of **\$22,362** and **\$29,023** in 2014 and 2013, respectively. The Organization had grants receivable at year end that will be received in the next year. Management believes the present value discount on grants receivable is insignificant therefore no discount is recorded.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**Years Ended December 31, 2014 and 2013**

**Note 7: CHARITABLE LEAD TRUST SPLIT-INTEREST AGREEMENT**

During 2012, a donor established a trust with a bank naming the Organization as the lead beneficiary of a charitable lead unitrust. Under terms of the split-interest agreement, the Organization is to receive an annual distribution equal to \$40,000 annually for 15 years beginning in 2013. On an annual basis, the Organization remeasures the estimated fair value of the contribution receivable based on applicable discount rate of 4%. The Organization received \$40,000 per year from the trust in 2014 and 2013, which was recorded as a reduction in the receivable and a corresponding reclassification from temporarily restricted to unrestricted net assets. Detail of the trust receivable is as follows:

	Total	
	2014	2013
Trust receivable current	\$ 38,831	\$ 40,000
Trust receivable non-current	363,590	384,996
Net trust receivable	\$ 402,421	\$ 424,996
Amount due in:		
Less than one year	\$ 40,000	\$ 40,000
One to five years	200,000	200,000
Thereafter	280,000	320,000
Total	520,000	560,000
Less present value adjustment	(117,579)	(135,004)
Net trust receivable	\$ 402,421	\$ 424,996

**Note 8: FAIR VALUE MEASUREMENT**

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2014, are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2014</u>				
Charitable lead trust receivable	\$ 402,421	\$ -	\$ -	\$ 402,421
<u>December 31, 2013</u>				
Charitable lead trust receivable	\$ 424,996	\$ -	\$ -	\$ 424,996

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2014 and 2013.

