WATER TO THRIVE

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR’S REPORT

YEARS ENDED DECEMBER 31, 2011

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Gindler, Chappell, Morrison & Co. P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Water to Thrive (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Water to Thrive at December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gindler, Chappell, Morrison & Co., P.C.
Austin, Texas
September 24, 2012

FINANCIAL STATEMENTS

WATER TO THRIVE

STATEMENT OF FINANCIAL POSITION

December 31, 2011

		2011
ASSETS		
Current assets		
Cash and cash equivalents	**$**	**32,701**
Contributions receivable		**30,392**
Inventory		**2,748**
Total current assets		**65,841**
Cash - restricted		**72,035**
Fixed assets		
Computer equipment		**3,176**
Website costs		**3,000**
Less accumulated depreciation		**(1,524)**
Net fixed assets		**4,652**
Total assets	**$**	**142,528**
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	**$**	**1,140**
Accrued expenses		**1,245**
Accrued vacation payable		**6,380**
Total current liabilities		**8,765**
Total liabilities		**8,765**
Net assets		
Unrestricted net assets		
Available for current operations		**47,150**
Investment in fixed assets		**4,652**
Total unrestricted net assets		**51,802**
Temporarily restricted net assets (note 2)		**81,961**
Permanently restricted net assets		**-**
Total net assets		**133,763**
Total liabilities and net assets	**$**	**142,528**

See accompanying Notes to Financial Statements.

WATER TO THRIVE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

	2011			
	Current Operating Funds			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	**$ 283,862**	**$ 177,041**	**$ -**	**$ 460,903**
Fund raising	**34,257**	**-**	**-**	**34,257**
Other income	**10,709**	**-**	**-**	**10,709**
Net assets released from donor imposed restrictions (note 2)	**112,789**	**(112,789)**	**-**	**-**
Total revenues and other support	**441,617**	**64,252**	**-**	**505,869**
EXPENSES				
Program services				
Providing fresh water wells to	**344,594**	**-**	**-**	**344,594**
Supporting services				
Management and general	**21,878**	**-**	**-**	**21,878**
Fund raising	**72,426**	**-**	**-**	**72,426**
Total expenses	**438,898**	**-**	**-**	**438,898**
CHANGE IN NET ASSETS (decrease)	**2,719**	**64,252**	**-**	**66,971**
NET ASSETS				
Beginning of year	**49,083**	**17,709**	**-**	**66,792**
End of year	**$ 51,802**	**$ 81,961**	**$ -**	**$ 133,763**

See accompanying Notes to Financial Statements.

WATER TO THRIVE

STATEMENT OF FUNCTIONAL EXPENSES

Years Ended December 31, 2011

	2011			
	Program Services	Supporting Services		
	Water Projects	Management & General	Fund Raising	Total
EXPENSES				
Salaries	$ 31,615	$ 5,269	$ 15,808	$ 52,692
Payroll taxes	2,305	384	1,152	3,841
Total personnel costs	33,920	5,653	16,960	56,533
Water Projects Expense	241,413	-	-	241,413
Mission Travel Fund Expense	54,861	-	-	54,861
Professional Fees	11,880	1,980	5,940	19,800
Special Events	-	-	14,267	14,267
Advertising	-	4,421	6,631	11,052
Cost of Goods Sold	-	-	8,963	8,963
Printing and Publication	-	1,909	5,726	7,635
Travel and Entertainment	-	-	5,774	5,774
Occupancy	2,520	420	1,260	4,200
Postage and Shipping	-	1,518	1,518	3,036
Bank Service Charges	-	-	2,764	2,764
Supplies	-	1,731	577	2,308
Miscellaneous Expenses	-	1,115	1,115	2,230
Conferences and Meetings	-	1,043	931	1,974
Reimbursements	-	800	-	800
Telephone	-	607	-	607
Depreciation	-	256	-	256
Office Expense	-	245	-	245
Dues and Subscriptions	-	180	-	180
Total expenses	$ 344,594	$ 21,878	$ 72,426	$ 438,898

See accompanying Notes to Financial Statements.

WATER TO THRIVE

STATEMENT OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES	
Change in net assets (decrease)	$ 66,971
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	256
Cost of goods sold	
(Increase) decrease in operating assets	
Receivables	(25,897)
Inventory	3,707
Increase (decrease) in restricted cash	(71,166)
Increase (decrease) in operating liabilities	
Accounts payable	1,140
Accrued Liabilites	63
Accrued vacation payable	2,480
Net cash provided by (used by) operating activities	(22,446)
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES	
Purchase of fixed assets	(4,567)
CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES	-
NET INCREASE (DECREASE) IN CASH	(27,013)
CASH AND CASH EQUIVALENTS	
Beginning of year	59,714
End of year	$ 32,701
Supplemental Information	
Interest paid	$ -
Taxes paid	$ -

See accompanying Notes to Financial Statements.

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 2008.

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.

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

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 Organization measures and discloses fair value in accordance with the following hierarchy or techniques.

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.

Cost approach (level 2) - based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

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.

Eligible financial assets and financial liabilities such as cash, certificates of deposit, receivables and accounts payable are valued using an alternative fair value option as management believes the use of the fair value option for eligible items or group of similar eligible items provides more relevant and understandable information for financial statement users because the fair value option reflects the current cash equivalent of the financial instruments rather than another measure. The fair value of such assets and liabilities are deemed to be the face value of the instrument due to either the short term nature of the instrument or to an interest rate that is considered to be a market 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 and gains and losses on investments are reported as an increase or decrease in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

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: 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. 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.

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.

Subsequent Events: Management has evaluated subsequent events through September 24, 2012 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

For 2011, net assets of $112,789 were released from restrictions imposed by donors due to the Organization's actions, such as grant or contract compliance or with the expiration of time restrictions. 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	Amount	Restrictions Imposed by Funding Sources
Contributions	$ 75,244	Water Projects
Contributions	6,717	Mission Travel
Total	**$ 81,961**	

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, and Water to Thrive is charged $24,000 per year, $4,200 for office space and $19,800 for services. During the year, 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, 2011 was $72,035.