

**WATER TO THRIVE**

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2012 and 2011

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT . . . . .	1
FINANCIAL STATEMENTS	
Statements of Financial Position . . . . .	2
Statements of Activities . . . . .	3-4
Statements of Functional Expenses . . . . .	5-6
Statements of Cash Flows . . . . .	7
Notes to Financial Statements . . . . .	8-10

## **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, 2012 and 2011, 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 audit. We conducted our audit 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, 2012 and 2011, 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 31, 2013

FINANCIAL STATEMENTS

# WATER TO THRIVE

## STATEMENT OF FINANCIAL POSITION

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 49,009	\$ 32,701
Grants and trust receivables - current	80,000	-
Contributions and other receivables	14,714	30,392
Inventory	4,110	2,748
Total current assets	<u>147,833</u>	<u>65,841</u>
Cash - restricted	<u>376,585</u>	<u>72,035</u>
Grants and trust receivables - non-current	<u>473,458</u>	<u>-</u>
Fixed assets		
Computer equipment	3,176	3,176
Website costs	10,563	3,000
Less accumulated depreciation	(4,092)	(1,524)
Net fixed assets	<u>9,646</u>	<u>4,652</u>
<b>Total assets</b>	<u><u>\$ 1,007,522</u></u>	<u><u>\$ 142,528</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 6,045	\$ 1,140
Accrued expenses	1,591	1,245
Accrued vacation payable	211	6,380
Total current liabilities	<u>7,847</u>	<u>8,765</u>
Total liabilities	<u>7,847</u>	<u>8,765</u>
Net assets		
Unrestricted net assets		
Available for current operations	303,866	47,150
Investment in fixed assets	9,646	4,652
Total unrestricted net assets	<u>313,512</u>	<u>51,802</u>
Temporarily restricted net assets	686,163	81,961
Permanently restricted net assets	-	-
Total net assets	<u>999,675</u>	<u>133,763</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,007,522</u></u>	<u><u>\$ 142,528</u></u>

See accompanying Notes to Financial Statements.

# WATER TO THRIVE

## STATEMENT OF ACTIVITIES

Years Ended December 31, 2012 and 2011

	2012			
	Current Operating Funds			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 453,399	\$ 736,708	\$ -	\$1,190,107
Grants and contracts	15,000	95,000	-	110,000
Fund raising	55,024	-	-	55,024
Other income	5,992	-	-	5,992
Net assets released from donor imposed restrictions	227,506	(227,506)	-	-
<b>Total revenues and other support</b>	<b>756,921</b>	<b>604,202</b>	<b>-</b>	<b>1,361,123</b>
<b>EXPENSES</b>				
Program services				
Providing fresh water wells to impoveryished areas	377,905	-	-	377,905
Supporting services				
Management and general	26,248	-	-	26,248
Fund raising	97,438	-	-	97,438
<b>Total expenses</b>	<b>501,591</b>	<b>-</b>	<b>-</b>	<b>501,591</b>
<b>CHANGE IN NET ASSETS (decrease)</b>	<b>255,330</b>	<b>604,202</b>	<b>-</b>	<b>859,532</b>
<b>Other changes in Net Assets</b>	6,380	-	-	6,380
<b>NET ASSETS</b>				
Beginning of year	51,802	81,961	-	133,763
<b>End of year</b>	<b>\$ 313,512</b>	<b>\$ 686,163</b>	<b>\$ -</b>	<b>\$ 999,675</b>

See accompanying Notes to Financial Statements.

# WATER TO THRIVE

## STATEMENTS OF ACTIVITIES - continued

Years Ended December 31, 2012 and 2011

	2011			
	Current Operating Funds			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
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	112,789	(112,789)	-	-
Total revenues and other support	441,617	64,252	-	505,869
<b>EXPENSES</b>				
Program services				
Providing fresh water wells to impoverished areas	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
<b>NET ASSETS</b>				
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

## STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2012

	2012			Total
	Program Services	Supporting Services		
	Water Projects	Management & General	Fund Raising	
<b>EXPENSES</b>				
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
Cost of Goods Sold	-	-	4,371	4,371
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
<b>Total expenses</b>	<b>\$ 377,905</b>	<b>\$ 26,248</b>	<b>\$ 97,438</b>	<b>\$ 501,591</b>

See accompanying Notes to Financial Statements.



# WATER TO THRIVE

## STATEMENTS OF FUNCTIONAL EXPENSES - continued

Years Ended December 31, 2012 and 2011

2011

EXPENSES	2011			Total
	Program Services	Supporting Services		
	Training, Technical	Management & General	Fund Raising	
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
<b>Total expenses</b>	<b>\$ 344,594</b>	<b>\$ 21,878</b>	<b>\$ 72,426</b>	<b>\$ 438,898</b>

See accompanying Notes to Financial Statements.

# WATER TO THRIVE

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES</b>		
Change in net assets (decrease)	\$ 859,532	\$ 66,971
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,568	256
Cost of goods sold		
(Increase) decrease in operating assets		
Receivables	(537,780)	(25,897)
Inventory	(1,362)	3,707
Increase (decrease) in restricted cash	(304,550)	(71,166)
Increase (decrease) in operating liabilities		
Accounts payable	4,906	1,140
Accrued Liabilites	346	63
Accrued vacation payable	211	2,480
	<u>23,871</u>	<u>(22,446)</u>
Net cash provided by (used by) operating activities		
	<u>23,871</u>	<u>(22,446)</u>
<b>CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(7,563)</u>	<u>(4,567)</u>
<b>CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>16,308</b>	<b>(27,013)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>32,701</u>	<u>59,714</u>
End of year	<u>\$ 49,009</u>	<u>\$ 32,701</u>
Supplemental Information		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2012 and 2011**

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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 2009.

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, 2012 and 2011**

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**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:** 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 2012 and 2011, 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 October 31, 2013 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.

**WATER TO THRIVE**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**Years Ended December 31, 2012 and 2011**

**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 2012 and 2011 were \$227,506 and \$112,789, 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	2012	2011	Restrictions Imposed by Funding Sources
Contributions	\$ 138,957	\$ 75,244	Water Projects
Contributions	3,748	6,717	Mission Travel
Wheat Ridge Ministries	35,000	-	Human Care Initiatives
Annuity trust	463,458	-	Time Restriction
Palm Valley Lutheran Church	45,000	-	Water Projects
<b>Total</b>	<b>\$ 686,163</b>	<b>\$ 81,961</b>	

**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 2012 and 2011, 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, 2012 and 2011 was \$376,585 and \$72,035.

**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 \$14,714 and \$30,392 in 2012 and 2011, respectively. The Organization had grants receivable at year end that will be received in the next three 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	
			2012	2011
Receivables current	\$ 40,000	\$ 40,000	\$ 80,000	\$ -
Receivables non-current	50,000	423,458	473,458	-
Net receivables	<u>\$ 90,000</u>	<u>\$ 463,458</u>	<u>\$ 553,458</u>	<u>\$ -</u>
Amount due in:				
Less than one year	\$ 40,000	\$ 40,000	\$ 80,000	\$ -
One to five years	50,000	200,000	250,000	-
Thereafter	-	360,000	360,000	-
Total	90,000	600,000	690,000	-
Less present value adjustment	-	(136,542)	(136,542)	-
Net contributions and trust receivable	<u>\$ 90,000</u>	<u>\$ 463,458</u>	<u>\$ 553,458</u>	<u>\$ -</u>