

**Blood:Water Mission, Inc.**  
**Financial Statements**  
**December 31, 2010**

## Table of Contents

Independent Auditors' Report.....	1
Statement of Financial Position .....	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Cash Flows.....	4
Statement of Functional Expenses .....	5
Notes to Financial Statements.....	6

**Independent Auditors' Report**

To the Board of Directors of  
Blood:Water Mission, Inc.  
Nashville, TN

We have audited the accompanying statement of financial position of Blood:Water Mission, Inc. (a nonprofit organization) as of December 31, 2010 and the related statements of activities and changes in net assets 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 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 misstatements. 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 audit provides 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 Blood:Water Mission, Inc. as of December 31, 2010, 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.

*McKerley & Noonan*

McKerley & Noonan, P.C.  
May 4, 2011

**Blood:Water Mission, Inc.**  
**Statement of Financial Position**  
**December 31, 2010**

**Assets**

**Current Assets:**

Cash in Bank	\$ 1,475,333
Miscellaneous Receivable	166
Prepays	41,175
<b>Total Current Assets</b>	<u>1,516,674</u>

**Fixed Assets:**

Office Furniture and Equipment	63,773
Leasehold Improvements	34,627
Less: Accumulated Depreciation	<u>(38,952)</u>
<b>Net Fixed Assets</b>	59,448

**Other Assets**

Deposits	<u>3,782</u>
<b>Total Other Assets</b>	<u>3,782</u>

<b>Total Assets</b>	<u><u>\$ 1,579,904</u></u>
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**Liabilities and Net Assets**

**Current Liabilities:**

Accounts Payable and Accrued Expenses	\$ 45,026
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**Net Assets:**

Unrestricted Net Assets	1,081,535
Temporarily Restricted Net Assets	453,343
<b>Total Net Assets</b>	<u>1,534,878</u>

<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,579,904</u></u>
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**Blood:Water Mission, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Support:</b>			
Contributions	\$ 1,351,206	\$ 1,775,797	\$ 3,127,003
Interest Income	397	-	397
Merchandise - Net	6,457	-	6,457
Net Assets Released from Restriction	1,322,454	(1,322,454)	-
<b>Total Revenues and Support</b>	<u>2,680,514</u>	<u>453,343</u>	<u>3,133,857</u>
<b>Expenses:</b>			
Program Services	1,805,866	-	1,805,866
Supporting Services:			
General and Administrative	282,852	-	282,852
Fundraising	287,947	-	287,947
<b>Total Supporting Services</b>	<u>570,799</u>	<u>-</u>	<u>570,799</u>
<b>Total Expenses</b>	<u>2,376,665</u>	<u>-</u>	<u>2,376,665</u>
<b>Change in Net Assets</b>	303,849	453,343	757,192
<b>Net Assets, Beginning of the Year</b>	<u>777,686</u>	<u>-</u>	<u>777,686</u>
<b>Net Assets - End of the Year</b>	<u>\$ 1,081,535</u>	<u>\$ 453,343</u>	<u>\$ 1,534,878</u>

**Blood:Water Mission, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2010**

**Cash Flows from Operating Activities:**

Change in Net Assets	\$ 757,192
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>	
Depreciation	16,466
Decrease in Other Receivable	3,684
Increase in Prepaids	(35,839)
Increase in Accounts Payable and Other Liabilities	31,256
<b>Total Adjustments</b>	<u>15,567</u>
<b>Net Cash Provided by Operating Activities</b>	<u>772,759</u>

**Cash Used for Investing Activities**

Purchase of Fixed Assets	<u>(12,771)</u>
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**Net Increase in Cash** 759,988

**Cash, Beginning of the Year** 715,345

**Cash, End of Year** \$ 1,475,333

**Blood:Water Mission, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2010**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>General and Administrative</b>	<b>Fundraising</b>	
Human Resources	\$ 461,532	\$ 141,144	\$ 107,686	\$ 710,362
Well Projects & Construction	1,013,223	-	-	1,013,223
HIV/AIDS Projects	183,000	-	-	183,000
Education & Storytelling	48,128	1,429	35,751	85,308
Bank and Credit Card Fees	-	4,970	59,126	64,096
Professional Fees and Contract Services	8,677	18,420	22,710	49,807
Printing and Photography	608	2,477	11,664	14,749
Supplies and Postage	6,450	13,286	10,965	30,701
Strategic Development	7,540	14,208	14,104	35,852
Occupancy	22,224	23,702	5,232	51,158
Travel	40,759	313	-	41,072
Other Expenses	13,725	46,437	20,709	80,871
Depreciation	-	16,466	-	16,466
<b>Total Functional Expenses</b>	<b>\$ 1,805,866</b>	<b>\$ 282,852</b>	<b>\$ 287,947</b>	<b>\$ 2,376,665</b>

**Blood:Water Mission, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**Note 1 - Description and Purpose of Organization**

Blood:Water Mission, Inc. (the Organization) is a non-profit grassroots organization that empowers communities to work together against the HIV/AIDS and water crises in Africa. 100% of the Organization's income comes from donations from individuals, churches, companies, and foundations.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.



**Blood:Water Mission, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**Note 2 - Summary of Significant Accounting Policies (continued)**

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2010, there was \$453,343 of temporarily restricted net assets earmarked for future water projects.

Permanently Restricted Net Assets

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2010, there were no permanently restricted net assets.

Donated Services

Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the fair value of the services received.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Classification of Expenses

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses applicable to more than one function are allocated on the basis of objectively summarized information or management estimates.

**Blood:Water Mission, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**Note 2 - Summary of Significant Accounting Policies (continued)**

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

Effective January 1, 2009, the Organization adopted the guidance in ASC 740 on accounting for uncertainty in income taxes (formerly FIN 48). For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. With few exceptions, the Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2007. The Organization incurred no interest or penalties during the year ended December 31, 2010.

**Note 3 – Credit Risk**

During 2010, the Organization maintained at various times cash balances in excess of \$250,000 in high credit quality banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization has also entered into a banking relationship with First Tennessee Bank (the Bank) in which excess funds are swept each night into a Repurchase account to earn additional interest. Funds transferred to the Repurchase Account are invested immediately in a Repurchase Agreement maturing the following day. Each Daily Repurchase Agreement represents the direct obligation of the Bank to repay, at maturity, the purchase price thereof, secured by the transfer to the Organization an undivided interest in obligations owned by the Bank and issued, or guaranteed by, the U.S. Government (namely U.S. Treasuries). The Repurchase Account and the Daily Repurchase Agreements are not deposits and are not insured by the FDIC. While the Bank intends its obligation to repay the purchase price of the Daily Repurchase Agreements be deemed secured by an interest in the underlying U.S. Treasuries, the Bank cannot give the Organization assurances that the Organization will be treated as other than a general creditor of the bank in the event of insolvency. The Organization's Repurchase account balance at December 31, 2010 totaled \$833,530.

**Blood:Water Mission, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**Note 4 – Operating Lease**

On December 15, 2007, the Organization entered into a lease for office space for a term of three years and four months. The scheduled payments for this lease are as follows:

Months 1 – 4	\$ 1,800 per month
Months 5 – 16	3,782 per month
Months 17 – 28	3,971 per month
Months 29 – 40	4,170 per month

A total expense of \$49,342 was incurred by the Organization for leased office space in 2010.

**Note 5 – Commitments**

The Organization has entered into non-binding memorandums of understanding (MOU) with several strategic partners for the purpose of accomplishing the Organization's goal to support 1000 water projects in Africa. These MOU's document the expected costs of each project, the time frames involved, and the desired results.

**Note 6 – Retirement Plan**

The Organization has a Simple IRA retirement plan in which all employees who have received at least \$5,000 in compensation during the previous two years are eligible. Employees may contribute pre-tax deferrals up to \$11,500 for the year. The Organization matches those deferrals up to 3% of compensation. The Organization made \$14,908 of matching contributions during 2010.

**Note 7 – Subsequent Events**

Subsequent events have been evaluated through the financial statement date of May 4, 2011.