

Blood:Water Mission, Inc.

Financial Statements
September 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Blood:Water Mission, Inc. (the Organization) which comprise the statements of financial position as of September 30, 2013, and the related statements of activities, cash flows and functional expenses for the year 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.

(Auditor's report continued on next page)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "McKerley & Noonan". The signature is written in a cursive, flowing style.

McKerley & Noonan, P.C.
January 15, 2014

Blood:Water Mission, Inc.
Statement of Financial Position
September 30, 2013

Assets

Current Assets:

Cash in Bank	\$ 261,959
Grants Receivable	30,000
Miscellaneous Receivable	484
Merchandise Inventory	7,398
Total Current Assets	299,841

Fixed Assets:

Office Furniture and Equipment	95,575
Leasehold Improvements	16,445
Software	20,000
Less: Accumulated Depreciation	(63,401)
Net Fixed Assets	68,619

Other Assets

Deposits	10,960
	10,960

Total Assets	\$ 379,420
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 66,188
Total Current Liabilities	66,188

Net Assets:

Unrestricted Net Assets	237,627
Temporarily Restricted Net Assets	75,605
Total Net Assets	313,232

Total Liabilities and Net Assets	\$ 379,420
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Blood:Water Mission, Inc.
Statement of Activities and Changes in Net Assets
For the Year ended September 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 2,835,556	\$ 726,109	\$ 3,561,665
Interest Income	549	-	549
Merchandise - Net	7,191	-	7,191
Net Assets Released from Restriction	675,504	(675,504)	-
Total Revenues and Support	<u>3,518,800</u>	<u>50,605</u>	<u>3,569,405</u>
Expenses:			
Program Services	2,083,903	-	2,083,903
Supporting Services:			
General and Administrative	439,231	-	439,231
Fundraising	1,295,485	-	1,295,485
Total Expenses	<u>3,818,618</u>	<u>-</u>	<u>3,818,618</u>
Change in Net Assets	(299,818)	50,605	(249,213)
Net Assets, Beginning of the Year	<u>537,445</u>	<u>25,000</u>	<u>562,445</u>
Net Assets - End of the Year	<u><u>\$ 237,627</u></u>	<u><u>\$ 75,605</u></u>	<u><u>\$ 313,232</u></u>

Blood:Water Mission, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2013

Cash Flows from Operating Activities:

Change in Net Assets	\$	(249,213)
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**Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by Operating Activities:**

Depreciation		12,552
Loss on Disposal of Assets		26,136
Increase in Grant Receivable		(30,000)
Decrease in Miscellaneous Receivable		53
Increase in Merchandise Inventory		(7,398)
Increase in Deposits		(7,178)
Increase in Accounts Payable and Accrued Expenses		3,660

Total Adjustments		<u>(2,175)</u>
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Net Cash Used for Operating Activities		<u>(251,388)</u>
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Cash Flows from Investing Activities

Proceeds from sale of Fixed Assets		13,305
Purchase of Fixed Assets		<u>(57,009)</u>

Net Cash Used for Investing Activities		<u>(43,704)</u>
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Net Decrease in Cash		(295,092)
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Cash, Beginning of the Year		<u>557,051</u>
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Cash, End of Year	\$	<u><u>261,959</u></u>
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Supplemental Cash Flow Information:

Interest Paid	\$	-
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Blood:Water Mission, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2013

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Human Resources	\$ 694,892	\$ 209,779	\$ 406,446	\$ 1,311,117
Program Support	1,172,855	-	-	1,172,855
Advertising & Promotion	-	1,274	251,511	252,785
House Concerts & Artist Fees	-	2,213	196,267	198,480
Travel	59,702	23,865	81,470	165,037
Vision Trips	-	10,552	94,965	105,517
Other Expenses	39,825	30,374	21,647	91,847
Technology	3,518	56,063	17,755	77,336
Professional Fees	22,913	46,324	-	69,237
Banquets & Celebrations	-	-	58,810	58,810
Bank & Credit Card Fees	-	6,196	50,131	56,327
Occupancy	24,508	12,254	12,254	49,015
Printing & Reproduction	-	3,691	37,316	41,007
Meals & Entertainment	15,222	7,126	14,961	37,309
Creative	24,212	-	10,376	34,588
Postage & Delivery	15,395	6,842	11,974	34,211
Contract Services	-	-	23,203	23,203
Insurance	3,743	13,270	-	17,013
Depreciation Expense	6,778	1,506	4,268	12,552
Office Supplies	339	7,902	2,131	10,372
Total Functional Expenses	\$2,083,903	\$ 439,231	\$ 1,295,485	\$ 3,818,618

Blood:Water Mission, Inc.

Notes to Financial Statements September 30, 2013

NOTE 1 - DESCRIPTION AND PURPOSE OF THE 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. All of the Organization's income is derived 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 for additional funding for programs in Africa and to finance the normal day-to-day operations of the Organization.

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 September 30, 2013, there was \$75,605 of temporarily restricted assets related to a grant and contributions for programs in Africa.

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 September 30, 2013, 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. From time to time the Organization receives donated services from professional musicians for which the value is difficult to estimate; the value of those services are not reflected in the financial statements nor are the numerous volunteer hours contributed by the organization's grass roots supporters.

Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash consists of cash and other highly liquid resources with an original maturity of three months or less when purchased.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method based on the following estimated useful lives of the assets.

Leasehold Improvements	15 years
Furniture & Equipment	5 – 7 years
Intangibles (Software)	3 years

Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation expense for the year ended September 30, 2013 amounted to \$12,552.

Merchandise Inventory

Merchandise inventory consists of item purchased for resale and are stated at lower of cost or market determined by the first-in-first-out (FIFO) method.

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.

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.

The Organization has adopted the guidance in ASC 740 on accounting for uncertainty in income taxes. 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 2010. The Organization incurred no interest or penalties during the year ended September 30, 2013.

NOTE 3 – CREDIT RISK

During 2013, 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.

NOTE 4 – OPERATING LEASE

In May of 2013 the Organization entered into a lease for office space for a term of sixty-two months. The Organization also has other minor leases for small equipment. Total expense of \$48,829 was incurred by the Organization for operating leases during the year ended September 30, 2013.

Future commitments for operating leases for each year ended September 30 are as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Lease Commitment	\$67,800	\$68,018	\$68,818	\$68,608	\$58,090

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 goals 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 any one prior years and reasonably expected to receive at

least \$5,000 in compensation in the current year 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 \$13,824 of matching contributions during the year ended September 30, 2013.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 15, 2014, the date that the financial statements were available to be issued.