

Blood:Water Mission, Inc.

Financial Statements

December 31, 2015

Table of Contents

Independent Auditor's Report	1
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7
Note 1 - Description and Purpose of the Organization	8
Note 2 - Summary of Significant Accounting Policies.....	8
Note 3 – Credit Risk	10
Note 4 – Operating Lease	10
Note 5 – Commitments	10
Note 6 – Retirement Plan	10
Note 7 – Notes Payable	11
Note 8 – Related Party Transactions	11
Note 9 – Subsequent Events	11
Statement of Financial Position as of December 31, 2014	12
Statement of Activities and Changes in Net Assets for the three months ended December 31, 2014.....	13

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 statement of financial position as of December 31, 2015, 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 December 31, 2015, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of financial position as of December 31, 2014 on page 12 and the statement of activities for the three months ended December 31, 2014 on page 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

McKerley & Noonan, P.C.

June 17, 2016

Blood:Water Mission, Inc.
Statement of Financial Position
December 31, 2015

Assets

Current Assets

Cash in Bank	\$ 287,585
Miscellaneous Receivable	182
Merchandise Inventory	12,358
Total Current Assets	300,125

Fixed Assets

Office Furniture and Equipment	128,143
Leasehold Improvements	36,030
Software	64,002
Less: Accumulated Depreciation	(138,109)
Net Fixed Assets	90,066

Other Assets

Deposits	10,960
	10,960

Total Assets

\$ 401,151

Liabilities and Net Assets

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 95,244
Total Current Liabilities	95,244

Long-Term Liabilities

Notes Payable	55,000
---------------	--------

Total Liabilities

150,244

Net Assets

Unrestricted Net Assets	136,007
Temporarily Restricted Net Assets	114,900
Total Net Assets	250,907

Total Liabilities and Net Assets

\$ 401,151

Blood:Water Mission, Inc.
Statement of Activities and Changes in Net Assets
For the Year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Contributions	\$ 2,169,092	\$ 1,087,572	\$ 3,256,664
Interest Income	88	-	88
Merchandise - Net	3,833	-	3,833
Net Assets Released from Restriction	1,121,385	(1,121,385)	-
Total Revenues and Support	<u>3,294,398</u>	<u>(33,813)</u>	<u>3,260,585</u>
Expenses			
Program Services	1,677,426	-	1,677,426
Supporting Services:			
General and Administrative	493,322	-	493,322
Fundraising	1,154,620	-	1,154,620
Total Expenses	<u>3,325,368</u>	<u>-</u>	<u>3,325,368</u>
Change in Net Assets	(30,970)	(33,813)	(64,783)
Net Assets - Beginning of the Year	<u>166,977</u>	<u>148,713</u>	<u>315,690</u>
Net Assets - End of the Year	<u><u>\$ 136,007</u></u>	<u><u>\$ 114,900</u></u>	<u><u>\$ 250,907</u></u>

Blood:Water Mission, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2015

Cash Flows from Operating Activities	
Change in Net Assets	\$ (64,783)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	35,437
Decrease in Grant Receivable	25,000
Decrease in Miscellaneous Receivable	5,844
Increase in Merchandise Inventory	(3,110)
Decrease in Accounts Payable and Accrued Expenses	(52,568)
Total Adjustments	<u>10,603</u>
Net Cash Used for Operating Activities	<u>(54,180)</u>
 Cash Flows from Investing Activities	
Purchase of Fixed Assets	<u>(1,508)</u>
Net Cash Used for Investing Activities	<u>(1,508)</u>
 Cash Flows from Financing Activities	
Proceeds from Issuance of Long-Term Debt	<u>55,000</u>
Net Cash Used for Investing Activities	<u>55,000</u>
 Net Decrease in Cash	(688)
 Cash, Beginning of the Year	<u>288,273</u>
 Cash, End of Year	<u><u>\$ 287,585</u></u>
 Supplemental Cash Flow Information	
Interest Paid	\$ -

Blood:Water Mission, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Human Resources	\$ 404,336	\$ 258,018	\$ 270,802	\$ 933,156
Program Support	1,140,838	-	-	1,140,838
Advertising & Promotion	5,043	6,611	272,361	284,015
Banquets & Celebrations	-	1,682	129,931	131,613
Technology	6,300	55,654	48,966	110,921
Travel	35,195	4,494	63,079	102,768
Occupancy	8,158	49,019	24,630	81,808
Vision Trips	25,471	14,555	32,748	72,773
Bank & Credit Card Fees	-	40	62,435	62,475
Printing & Reproduction	530	2,658	57,942	61,129
Postage & Delivery	280	4,380	52,476	57,137
Professional Fees	12,394	36,094	1,800	50,288
House Concerts & Artist Fees	-	1,065	47,246	48,311
Other Expenses	4,631	40,170	2,863	47,664
Contract Services	-	-	42,222	42,222
Depreciation Expense	17,719	5,316	12,403	35,437
Creative	6,681	-	15,709	22,390
Meals & Entertainment	4,722	1,946	14,619	21,287
Office Supplies	409	6,902	2,387	9,698
Insurance	4,719	4,719	-	9,438
Total Functional Expenses	<u><u>\$1,677,426</u></u>	<u><u>\$ 493,322</u></u>	<u><u>\$ 1,154,620</u></u>	<u><u>\$ 3,325,368</u></u>

Blood:Water Mission, Inc.

Notes to Financial Statements December 31, 2015

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 December 31, 2015, there were \$114,900 of temporarily restricted assets.

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, 2015, 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 & Website)	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 December 31, 2015 amounted to \$35,437.

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. The Organization incurred no interest or penalties during the year ended December 31, 2015.

NOTE 3 – CREDIT RISK

During 2015, 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 \$70,344 was incurred by the Organization for operating leases during the year ended September 30, 2015.

Future commitments for operating leases for each year ended December 31 are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Lease Commitment	\$73,085	\$73,895	\$42,091

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 year 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 adjusted their matching program to be on a calendar year basis. The Organization matched those deferrals up to 3% and 2% during calendar years 2014 and 2015, respectively. The Organization made \$8,073 of matching contributions during the year ended December 31, 2015.

NOTE 7 – NOTES PAYABLE

Notes Payable consisted of the following at December 31, 2015:

	<u>Balance</u>
A promissory note to a board member bearing interest at 2% annually. This note matures on December 31, 2019. Also, see Note 9.	\$ 5,000
A promissory note to a board member bearing interest at 2% annually. This note matures on December 31, 2019.	25,000
A promissory note to a major donor bearing interest at 2% annually. This note matures on December 31, 2019.	25,000
Subtotal	<u>55,000</u>
Less: Current Portion	0
Total Long-Term Notes Payable	<u>\$ 55,000</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

The Organization contributed \$148,250 to Lwala Community Alliance (Lwala) during the year ended December 31, 2015 and \$31,250 during the three months ended December 31, 2014. The person who was the Executive Director of Lwala until August of 2015 is married to a Co-Founder of the Organization. The Organization followed its Conflict of Interest policy in handling this transaction. Both Organizations' missions are co-aligned in Africa.

The Organization has notes payable to two board members as noted in Note 7. The Organization followed its Conflict of Interest policy in handling the these transactions.

NOTE 9 – SUBSEQUENT EVENTS

On June 2, 2016 a board member elected to convert a \$5,000 promissory note and the associated accrued interest to a donation.

Management has evaluated subsequent events through June 17, 2016, the date that the financial statements were available to be issued.

Blood:Water Mission, Inc.
Statement of Financial Position
December 31, 2014

Assets

Current Assets

Cash in Bank	\$ 288,273
Grants Receivable	25,000
Miscellaneous Receivable	6,026
Merchandise Inventory	9,248
Total Current Assets	<u>328,547</u>

Fixed Assets

Office Furniture and Equipment	126,635
Leasehold Improvements	36,030
Software	64,002
Less: Accumulated Depreciation	<u>(102,672)</u>
Net Fixed Assets	123,995

Other Assets

Deposits	<u>10,960</u>
	<u>10,960</u>

Total Assets	<u><u>\$ 463,502</u></u>
---------------------	--------------------------

Liabilities and Net Assets

Current Liabilities

Accounts Payable and Accrued Expenses	<u>\$ 147,812</u>
Total Current Liabilities	147,812

Net Assets

Unrestricted Net Assets	166,977
Temporarily Restricted Net Assets	<u>148,713</u>
Total Net Assets	<u>315,690</u>

Total Liabilities and Net Assets	<u><u>\$ 463,502</u></u>
---	--------------------------

Blood:Water Mission, Inc.
Statement of Activities and Changes in Net Assets
For the Three Months ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Contributions	\$ 619,427	\$ 403,743	\$ 1,023,170
Interest Income	12	-	12
Merchandise - Net	5,179	-	5,179
Net Assets Released from Restriction	255,030	(255,030)	-
Total Revenues and Support	<u>879,648</u>	<u>148,713</u>	<u>1,028,361</u>
Expenses			
Program Services	376,719	-	376,719
Supporting Services:			
General and Administrative	133,731	-	133,731
Fundraising	375,338	-	375,338
Total Expenses	<u>885,788</u>	<u>-</u>	<u>885,788</u>
Change in Net Assets	(6,140)	148,713	142,573
Net Assets - Beginning of the Year	<u>173,117</u>	<u>-</u>	<u>173,117</u>
Net Assets - End of the Year	<u><u>\$ 166,977</u></u>	<u><u>\$ 148,713</u></u>	<u><u>\$ 315,690</u></u>