

Blood:Water Mission, Inc.
Financial Statements
December 31, 2008

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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, 2008 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, 2008, 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 13, 2008

Blood:Water Mission, Inc.
Statement of Financial Position
December 31, 2008

Assets

Current Assets:

Cash in Bank	\$ 1,360,207
Employee Receivable	697
Prepays	12,362
Total Current Assets	<u>1,373,266</u>

Fixed Assets:

Office Furniture and Equipment	34,129
Leasehold Improvements	34,627
Less: Accumulated Depreciation	<u>(15,721)</u>
Net Fixed Assets	53,035

Other Assets

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

Total Assets	<u><u>\$ 1,430,083</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 16,626
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Net Assets:

Unrestricted Net Assets	278,582
Temporarily Restricted Net Assets	<u>1,134,875</u>
Total Net Assets	<u>1,413,457</u>

Total Liabilities and Net Assets	<u><u>\$ 1,430,083</u></u>
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Blood:Water Mission, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 648,190	\$ 1,684,004	\$ 2,332,194
Interest Income	17,174	-	17,174
Merchandise	13,962	-	13,962
Net Assets Released from Restriction	2,010,892	(2,010,892)	-
	<hr/>	<hr/>	<hr/>
Total Revenues and Support	2,690,218	(326,888)	2,363,330
	<hr/>	<hr/>	<hr/>
Expenses:			
Program Services	2,071,735	-	2,071,735
Supporting Services:			
General and Administrative	298,178	-	298,178
Fundraising	298,490	-	298,490
	<hr/>	<hr/>	<hr/>
Total Supporting Services	596,668	-	596,668
	<hr/>	<hr/>	<hr/>
Total Expenses	2,668,403	-	2,668,403
	<hr/>	<hr/>	<hr/>
Change in Net Assets	21,815	(326,888)	(305,073)
	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of the Year	256,767	1,461,763	1,718,530
	<hr/>	<hr/>	<hr/>
Net Assets - End of the Year	<u>\$ 278,582</u>	<u>\$ 1,134,875</u>	<u>\$ 1,413,457</u>

Blood:Water Mission, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2008

Cash Flows from Operating Activities:

Change in Net Assets \$ (305,073)

**Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by Operating Activities:**

Depreciation 7,507

Increase in Other Receivable (697)

Increase in Prepaids (11,462)

Increase in Accounts Payable and Other Liabilities 8,797

Total Adjustments 4,145

Net Cash Used by Operating Activities (300,928)

Cash Used for Investing Activities

Purchase of Fixed Assets (38,312)

Net Decrease in Cash (339,240)

Cash, Beginning of the Year 1,699,447

Cash, End of Year \$ 1,360,207

Blood:Water Mission, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2008

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and Payroll Taxes	\$ 174,278	\$ 131,761	\$ 89,752	\$ 395,791
Staff Development	4,667	11,486	-	16,153
Contract Labor	-	-	7,464	7,464
Well Projects & Construction	1,665,927	-	-	1,665,927
HIV/AIDS Projects	113,475	-	-	113,475
Education	43,481	-	-	43,481
Bank and Credit Card Fees	-	3,937	22,836	26,773
Professional Fees	2,864	14,186	-	17,050
Printing and Photography	-	7,021	17,281	24,302
Supplies and Postage	3,328	18,705	7,271	29,304
Advertising, Marketing and Web	-	-	21,863	21,863
Rent	8,768	22,252	8,768	39,788
Travel	49,773	19,903	46,937	116,613
Other Expenses	5,174	61,420	76,318	142,912
Depreciation	-	7,507	-	7,507
Total Functional Expenses	\$ 2,071,735	\$ 298,178	\$ 298,490	\$ 2,668,403

Blood:Water Mission, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2008

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, 2008

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, 2008 temporarily restricted net assets of \$1,134,875 represent funds subject to donor-imposed restrictions to be used toward the Organization's goal to support 1000 water projects 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 December 31, 2008, 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.

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.

Blood:Water Mission, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2008

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Note 3 – Credit Risk

During 2008, 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, 2008 totaled \$1,209,912.

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 \$39,788 was incurred by the Organization for leased office space in 2008.

Blood:Water Mission, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2008

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.