

Blood:Water Mission, Inc.

Financial Statements
September 30, 2014

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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, 2014, 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.

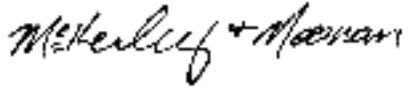
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2014, 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 cursive script, reading "McKerley & Noonan".

McKerley & Noonan, P.C.
April 30, 2015

Blood:Water Mission, Inc.
Statement of Financial Position
September 30, 2014

Assets

Current Assets:

Cash in Bank	\$ 118,000
Grants Receivable	54,380
Miscellaneous Receivable	11,006
Prepaid Expenses	5,096
Merchandise Inventory	9,429
Total Current Assets	<u>197,911</u>

Fixed Assets:

Office Furniture and Equipment	128,185
Leasehold Improvements	36,030
Software	64,002
Less: Accumulated Depreciation	<u>(94,675)</u>
Net Fixed Assets	133,542

Other Assets

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

Total Assets	<u><u>\$ 342,413</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 169,296
Total Current Liabilities	<u>169,296</u>

Net Assets:

Unrestricted Net Assets	173,117
Temporarily Restricted Net Assets	<u>-</u>
Total Net Assets	<u>173,117</u>

Total Liabilities and Net Assets	<u><u>\$ 342,413</u></u>
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Blood:Water Mission, Inc.
Statement of Activities and Changes in Net Assets
For the Year ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 2,692,372	\$ 1,173,126	\$ 3,865,498
Interest Income	38	-	38
Merchandise - Net	9,741	-	9,741
Net Assets Released from Restriction	<u>1,248,731</u>	<u>(1,248,731)</u>	<u>-</u>
Total Revenues and Support	<u>3,950,882</u>	<u>(75,605)</u>	<u>3,875,277</u>
Expenses:			
Program Services	1,852,520	-	1,852,520
Supporting Services:			
General and Administrative	500,081	-	500,081
Fundraising	<u>1,662,791</u>	<u>-</u>	<u>1,662,791</u>
Total Expenses	<u>4,015,392</u>	<u>-</u>	<u>4,015,392</u>
Change in Net Assets	(64,510)	(75,605)	(140,115)
Net Assets, Beginning of the Year	<u>237,627</u>	<u>75,605</u>	<u>313,232</u>
Net Assets - End of the Year	<u><u>\$ 173,117</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 173,117</u></u>

Blood:Water Mission, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2014

Cash Flows from Operating Activities:

Change in Net Assets	\$	(140,115)
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**Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by Operating Activities:**

Depreciation		31,274
Increase in Grant Receivable		(24,380)
Increase in Miscellaneous Receivable		(10,522)
Increase in Merchandise Inventory		(2,031)
Increase in Prepaids		(5,096)
Increase in Accounts Payable and Accrued Expenses		103,108

Total Adjustments		<u>92,353</u>
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Net Cash Used for Operating Activities		<u>(47,762)</u>
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Cash Flows from Investing Activities

Purchase of Fixed Assets		<u>(96,197)</u>
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Net Cash Used for Investing Activities		<u>(96,197)</u>
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Net Decrease in Cash		(143,959)
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Cash, Beginning of the Year		<u>261,959</u>
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Cash, End of Year	\$	<u><u>118,000</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, 2014

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Human Resources	\$ 611,004	\$ 269,979	\$ 539,957	\$ 1,420,940
Program Support	1,095,131	-	-	1,095,131
Advertising & Promotion	5,375	160	360,236	365,770
House Concerts & Artist Fees	-	-	196,526	196,526
Travel	43,919	6,256	66,422	116,596
Vision Trips	9,701	5,821	23,282	38,804
Other Expenses	753	35,699	2,534	38,987
Technology	5,915	100,062	13,350	119,327
Professional Fees	15,353	16,658	-	32,011
Banquets & Celebrations	-	-	193,029	193,029
Bank & Credit Card Fees	3,389	1,355	63,026	67,770
Occupancy	16,009	33,028	33,028	82,066
Printing & Reproduction	7,309	6,645	52,494	66,448
Meals & Entertainment	8,062	1,748	11,923	21,733
Creative	11,916	-	29,480	41,396
Postage & Delivery	433	6,498	36,387	43,318
Contract Services	-	1,664	22,111	23,775
Insurance	4,159	3,199	3,306	10,663
Depreciation Expense	13,778	3,916	13,580	31,274
Office Supplies	315	7,393	2,120	9,828
Total Functional Expenses	<u>\$1,852,520</u>	<u>\$ 500,081</u>	<u>\$ 1,662,791</u>	<u>\$ 4,015,392</u>

Blood:Water Mission, Inc.

Notes to Financial Statements September 30, 2014

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, 2014, there were no 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 September 30, 2014, 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, 2014 amounted to \$31,274.

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 2011. The Organization incurred no interest or penalties during the year ended September 30, 2014.

NOTE 3 – CREDIT RISK

During 2014, 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 \$65,760 was incurred by the Organization for operating leases during the year ended September 30, 2014.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Lease Commitment	\$65,978	\$67,288	\$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 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 2% and 3% during calendar years 2013 and 2014, respectively. The Organization made \$20,237 of matching contributions during the year ended September 30, 2014.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Organization contributed \$129,948 to Lwala Community Alliance (Lwala) during the period ending September 31, 2014. The Executive Director of Lwala 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.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2015, the date that the financial statements were available to be issued.