

Blood:Water Mission, Inc.

Financial Statements

December 31, 2016

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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 statement of financial position as of December 31, 2016, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of as of December 31, 2016, 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.



McKerley & Noonan, P.C.
May 10, 2017

Blood:Water Mission, Inc.
Statement of Financial Position
December 31, 2016

Assets

Current Assets

Cash in Bank	\$ 210,563
Grant Receivable	30,415
Miscellaneous Receivable	555
Merchandise Inventory	12,105
Total Current Assets	253,638

Fixed Assets

Office Furniture and Equipment	130,693
Leasehold Improvements	36,030
Software	44,002
Less: Accumulated Depreciation	(152,702)
Net Fixed Assets	58,023

Other Assets

Deposits	10,960
	10,960

Total Assets	\$ 322,621
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Liabilities and Net Assets

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 36,505
Total Current Liabilities	36,505

Long-Term Liabilities

Notes Payable	25,000
Total Liabilities	61,505

Net Assets

Unrestricted Net Assets	175,286
Temporarily Restricted Net Assets	85,830
Total Net Assets	261,116

Total Liabilities and Net Assets	\$ 322,621
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Blood:Water Mission, Inc.
Statement of Activities and Changes in Net Assets
For the Year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Contributions	\$ 2,071,712	\$ 563,211	\$ 2,634,923
In-Kind Contributions	6,316	-	6,316
Interest Income	36	-	36
Merchandise - Net	3,426	-	3,426
Net Assets Released from Restriction	<u>653,111</u>	<u>(653,111)</u>	<u>-</u>
Total Revenues and Support	<u>2,734,601</u>	<u>(89,900)</u>	<u>2,644,701</u>
Expenses			
Program Services	2,104,160	-	2,104,160
Supporting Services:			
General and Administrative	198,246	-	198,246
Fundraising	<u>392,916</u>	<u>-</u>	<u>392,916</u>
Total Expenses	<u>2,695,322</u>	<u>-</u>	<u>2,695,322</u>
Change in Net Assets	39,279	(89,900)	(50,621)
Net Assets - Beginning of the Year as Originally Stated	136,007	114,900	250,907
Prior Period Adjustment	<u>-</u>	<u>60,830</u>	<u>60,830</u>
Net Assets, Beginning of Year as Restated	<u>136,007</u>	<u>175,730</u>	<u>311,737</u>
Net Assets - End of the Year	<u><u>\$ 175,286</u></u>	<u><u>\$ 85,830</u></u>	<u><u>\$ 261,116</u></u>

Blood:Water Mission, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows from Operating Activities	
Change in Net Assets	\$ (50,621)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	34,593
Decrease in Grant Receivable	30,415
Increase in Miscellaneous Receivable	(373)
Decrease in Merchandise Inventory	253
Decrease in Accounts Payable and Accrued Expenses	(58,739)
Total Adjustments	<u>6,149</u>
Net Cash Used for Operating Activities	<u>(44,472)</u>
 Cash Flows from Investing Activities	
Purchase of Fixed Assets	<u>(2,550)</u>
Net Cash Used for Investing Activities	<u>(2,550)</u>
 Cash Flows from Financing Activities	
Conversion of Notes Payable	<u>(30,000)</u>
Net Cash Used for Investing Activities	<u>(30,000)</u>
 Net Decrease in Cash	(77,022)
 Cash, Beginning of the Year	<u>287,585</u>
 Cash, End of Year	<u><u>\$ 210,563</u></u>
 Supplemental Cash Flow Information	
Interest Paid	\$ 900

Blood:Water Mission, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

		Supporting Services		
	Program	General and	Fundraising	Total
	Services	Administrative		
Human Resources	\$ 505,247	\$ 66,486	\$ 158,077	\$ 729,810
Advertising & Promotion	147,747	1,009	53,179	201,935
Bank & Credit Card Fees	36,212	12,030	19,382	67,624
Banquets & Celebrations	-	-	9,872	9,872
Contract Services	-	2,933	21,182	24,115
Creative	13,124	-	3,410	16,534
Depreciation Expense	24,907	3,113	6,573	34,593
House Concerts & Artist Fees	-	-	16,077	16,077
Insurance	6,777	3,389	1,130	11,296
Meals & Entertainment	8,021	980	5,130	14,131
Occupancy	49,655	16,771	16,551	82,977
Office Supplies	51	4,175	1,258	5,484
Other Expenses	9,137	28,754	666	38,557
Postage & Delivery	15,537	3,785	7,862	27,184
Printing & Reproduction	22,229	540	10,414	33,183
Professional Fees	7,184	15,545	-	22,729
Program Support	1,169,150	-	-	1,169,150
Technology	29,486	32,826	31,175	93,487
Travel	31,734	5,910	29,506	67,150
Vision Trips	27,962	-	1,472	29,434
Total Functional Expenses	\$ 2,104,160	\$ 198,246	\$ 392,916	\$ 2,695,322

Blood:Water Mission, Inc.

Notes to Financial Statements December 31, 2016

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, 2016, there were \$85,830 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, 2016, 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, 2016 amounted to \$34,593.

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.

In-Kind Contributions

The Organization received in-kind contributions during 2016 from several donors. The in-kind contributions consisted of donations of food and drinks for fundraising events as well as lodging for Organization staff attending a convention. In-kind donations for 2016 totaled \$6,316.

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, 2016.

NOTE 3 – CREDIT RISK

During 2016, 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 \$72,971 was incurred by the Organization for operating leases during the year ended December 31, 2016.

On January 21, 2017 the office space lease was amended so that an unrelated organization could lease one half of the space and be responsible for one half of the lease agreement. The future lease commitment is stated according to the terms of the amended agreement.

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Lease Commitment	\$37,319	\$20,332	\$906

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% during the year ended December 31, 2016. The Organization made \$7,936 of matching contributions during the year ended December 31, 2016.

NOTE 7 – NOTES PAYABLE

During 2016, two separate Notes Payable from board members totaling \$30,000 were converted to donations to the Organization. The remaining Notes Payable consisted of the following at December 31, 2016:

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

Future principal payments are as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Principal Payments	\$ -	\$12,500	\$12,500

NOTE 8 – RELATED PARTY TRANSACTIONS

The Organization has a note payable to a board member as noted in Note 7. The Organization followed its Conflict of Interest policy in handling this transaction.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made to properly reflect a foundation grant receivable of \$60,830 that existed as of December of 2015. Beginning temporarily restricted net assets have been adjusted from the originally reported amount of \$114,900 to a restated amount of \$175,730.

NOTE 10 – SUBSEQUENT EVENTS

The Organization amended their office space agreement subsequent to December 31, 2016 (see note 4). Management has evaluated subsequent events through May 10, 2017, the date that the financial statements were available to be issued.