

**BLOOD: WATER MISSION, INC.
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

DECEMBER 31, 2018

BLOOD: WATER MISSION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Blood: Water Mission, Inc.
521 8th Avenue South
Nashville, TN 37203

We have audited the accompanying financial statements of Blood:Water Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, statement of functional expenses and cash flows 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 audits. We conducted our audits 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 from 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 Blood: Water Mission, Inc. as of December 31, 2018, 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 blue ink that reads "Hoskins & Company". The signature is written in a cursive, flowing style.

Hoskins & Company
Nashville, TN
April 29, 2019

BLOOD:WATER MISSION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 40,953
Grant receivable	20,500
Miscellaneous receivable	112,929
Inventory	7,131
Total Current Assets	<u>181,513</u>

NONCURRENT ASSETS

Property & equipment, net of accumulated depreciation (Note 2)	29,184
Security deposits	10,960
Total Noncurrent Assets	<u>40,144</u>
TOTAL ASSETS	<u><u>\$ 221,657</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 45,320
Line of credit (Note 4)	142,543
Total Liabilities	<u>187,863</u>

NET ASSETS

Net assets without donor restrictions	14,432
Net assets with donor restrictions	19,362
Total Net Assets	<u>33,794</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 221,657</u></u>

The accompanying notes are an integral part of these financial statements.

BLOOD:WATER MISSION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Net Assets Without Donor Restriction	Donor Restricted Net Assets	Total
Revenue and support			
Contributions	\$ 1,378,766	\$ 19,362	\$ 1,398,128
Events-In-Kind contributions	8,201	-	8,201
Events income	160,932	-	160,932
Merchandise net	1,461	-	1,461
Other income	2,355	-	2,355
Net assets released from restriction	66,894	(66,894)	-
Total revenue and support	1,618,609	(47,532)	1,571,077
Expenses			
Program	1,405,099	-	1,405,099
Administrative	140,382	-	140,382
Fundraising	186,213	-	186,213
Total expenses	1,731,694	-	1,731,694
			-
Decrease in net assets	(113,085)	(47,532)	(160,617)
Net assets, beginning of year	127,517	66,894	194,411
Net assets, end of year	<u>\$ 14,432</u>	<u>\$ 19,362</u>	<u>\$ 33,794</u>

The accompanying notes are an integral part of these financial statements.

BLOOD:WATER MISSION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities

Decrease in net assets	\$ (160,617)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	14,315
Decrease in inventory	2,220
Decrease in accounts receivable	20,500
Increase in miscellaneous receivable	(63,413)
Decrease in accounts payable	(54,219)
Net cash used in operating activities	<u>(241,214)</u>

Cash flows from investing activities

Purchase of fixed assets	<u>(3,960)</u>
Net cash used in investing activities	(3,960)

Cash flows from financing activities

Proceeds from line of credit	<u>142,543</u>
Net cash provided by investing activities	142,543

Net decrease in cash and cash equivalents	(102,631)
Cash and cash equivalents, beginning of year	<u>143,584</u>
Cash and cash equivalents, end of year	<u><u>\$ 40,953</u></u>

Interest paid	<u><u>\$ 8,539</u></u>
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The accompanying notes are an integral part of these financial statements.

BLOOD: WATER MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Programming	General and Administrative	Fundraising	Total
Accounting	\$ 2,620	\$ 10,480	\$ -	\$ 13,100
Advertising and promotion	28,668	-	12,286	40,954
Creative	-	-	1,773	1,773
Cultivation events	29,020	-	12,030	41,050
Depreciation expense	11,452	716	2,147	14,315
Employee benefits	45,131	5,077	6,206	56,414
Grants and other assistance	620,307	-	-	620,307
Insurance	8,460	498	995	9,953
Interest expense	-	8,539	-	8,539
Legal	19,278	-	-	19,278
Occupancy	40,427	2,775	7,331	50,533
Office expenses	41,363	7,424	4,242	53,029
Officers compensation	73,637	8,284	10,125	92,046
Other professional fees and services	36,152	16,242	-	52,394
Payroll taxes	47,150	5,403	6,639	59,192
Pension expense	1,990	224	274	2,488
Professional fundraising	-	-	18,076	18,076
Salaries	344,878	38,799	47,421	431,098
State registration fees	1,101	18,921	3,125	23,147
Technology	2,870	12,200	20,811	35,881
Travel	50,595	4,800	32,732	88,127
Total Expenses	<u>\$ 1,405,099</u>	<u>\$ 140,382</u>	<u>\$ 186,213</u>	<u>\$ 1,731,694</u>

The accompanying notes are an integral part of these financial statements.

BLOOD: WATER MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1---NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Blood: Water Mission, Inc. (the Organization) is a not-for-profit organization located in Nashville, Tennessee that operates as an equipping agency that partners with African grassroots organizations to address the HIV/AIDS and water crisis. They do this by identifying Africa's hidden heroes and coming alongside their vision for change. The Organization provides technical, financial and organizational support so that African civil society organizations have expanded reach and effectiveness in the communities they serve. All of the Organization's income is derived from donations from individuals, churches, companies, and foundations.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, revenue is recognized when earned, support and promises to give are recognized when received, and expenses are recorded when incurred.

The financial statement presentation follows the recommendations of the Financial Accounting Standard Board's Accounting Standard Codification 958 (FASB ASC 958). Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Net Assets without donor restrictions — Net assets that are not restricted by purpose or time either temporarily or perpetually by explicit donor stipulations or by law. Board designation does not constitute a donor restriction.

Net Assets with donor restrictions — Net assets that are restricted by purpose or time either temporarily or perpetually by explicit donor stipulations or by law.

At December 31, 2018, the Organization had \$19,362 in Net assets with donor restrictions respectively.

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. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition under the Financial Accounting Standard Board's Accounting Standard Codification 958 (FASB ASC 958).

BLOOD: WATER MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1---NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and 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

Use of Estimates

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash and all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Advertising & Promotion

Advertising and promotional costs are expensed as incurred. For the year ended December 31, 2018, advertising and promotional expenses totaled \$40,954.

Compensated Absences

Employees of the Organization are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. It is practicable for the Organization to estimate the amount of compensation for future absences; accordingly, the liability for compensated absences has been recorded in the accompanying financial statements under accrued liabilities. The Organization's policy is to recognize the costs of compensated absences when paid to employees.

Income Taxes

The Organization is a tax-exempt entity under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is considered necessary. 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 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, 2018.

BLOOD: WATER MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1---NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Fixed assets, consisting of office equipment and furniture and fixtures over \$700, are reflected in the statement of financial position at cost if purchased or fair value if contributed. Donated assets with donor stipulations as to specific purpose(s) are reported as restricted contributions until it is placed in the service for which it is restricted. Depreciation, which is reflected as an expense in the statement of activities, is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	15
Furniture and equipment	5—7
Intangibles (Software & Website)	3

Functional Expenses

Management allocates expenses on a functional basis among its various programs, including support services and fundraising activities. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Merchandise Inventory

Merchandise inventory consists of items 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 2018 from several donors. The in-kind donations consisted of food and drinks for fundraising events as professional sound equipment and stage lighting. In-kind donations for 2018 totaled \$8,201.

NOTE 2---PROPERTY AND EQUIPMENT

A summary of property and equipment was as follows as of December 31, 2018:

Computer equipment	\$ 36,030
Furniture and fixtures	129,408
Intangibles	4,002
Less: accumulated depreciation	<u>(140,256)</u>
Property and equipment, net	<u>\$ 29,184</u>

Depreciation expense as of December 31, 2018 was \$14,315.

BLOOD: WATER MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 3---NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31, 2018:

MJ Murdock Foundation	\$ 19,362
Total	<u>\$ 19,362</u>

NOTE 4---LINE OF CREDIT

The Organization has a line of credit that allows for maximum borrowings of \$250,000 and bears a variable interest rate that is subject to change based on changes in an index which is the Prime Rate of the Lender. The index is currently at 4.75% per annum. The Organization owed \$142,543 on the line of credit as of December 31, 2018.

NOTE 5---LEASE AGREEMENT

The organization entered into a renewable lease agreement for its office space on May 1, 2013 for a term of sixty-two months. On February 10, 2017 the office space lease was amended so that an unrelated organization could lease half of the space and be responsible for one half of the lease agreement. The lease matures in May of 2019. The Organization also has minor leases for small equipment. Total rent expense was \$40,041 for the year ended December 31, 2018.

Future commitments for operating leases for the year ended December 31, 2018 was as follows:

	<u>2019</u>
Lease commitment	\$14,520

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 1% during the year ended December 31, 2018. The Organization made \$2,488 of matching contributions during the year ended December 31, 2018.

NOTE 7---SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure as of April 29, 2019, the date management evaluated such events. The financial statements were available to be issued on April 29, 2019.