Lifewater International, Inc.

Financial Statements

Year Ended March 31, 2012

Lifewater International, Inc.
Financial Statements
Year Ended March 31, 2012

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GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Lifewater International, Inc.
San Luis Obispo, California

We have audited the accompanying statement of financial position of Lifewater International, Inc. (a non-profit organization) as of March 31, 2012, and the related statements of activities, functional expenses, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 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 Lifewater International, Inc. as of March 31, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2012, on our consideration of Lifewater International, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

July 10, 2012

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Lifewater International, Inc.

Statement of Financial Position

March 31, 2012

Assets		
Current assets:		
Cash and cash equivalents	$	432,488
Grants receivable		50,610
Total current assets		483,098
Fixed assets, net of accumulated depreciation		10,810
Other assets:		
Unconditional promises to give, net		294,482
Deposit		7,500
Total assets	$	795,890
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$	114,678
Payroll liabilities		9,104
Accrued vacation		26,196
Total current liabilities		149,978
Net assets:		
Unrestricted		193,724
Temporarily restricted		452,188
Total net assets		645,912
Total liabilities and net assets	$	795,890

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

Lifewater International, Inc.
Statement of Activities
Year Ended March 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contributions	$ 1,532,305	$ 565,410	$ 2,097,715
Government grants		235,628	235,628
Contributed services	168,332		168,332
Contributed materials	12,377		12,377
Program fees	68,543		68,543
Merchandise sales	2,186		2,186
Proceeds from sale of fixed assets	3,500		3,500
Interest	579		579
Total revenues and other support	1,787,822	801,038	2,588,860
Net assets released from restrictions	882,410	(882,410)	-
Expenses:			
Program Services:			
Water projects	1,372,522		1,372,522
Conferences and training	59,127		59,127
Support Services:			
General and administration	736,795		736,795
Fundraising	304,331		304,331
Total expenses	2,472,775		2,472,775
Change in net assets	$ 197,457	$ (81,372)	$ 116,085

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

Lifewater International, Inc.

Statement of Functional Expenses

Year Ended March 31, 2012

	Program Services		Support Services		
	Water Projects	Conference and Training	General and Administration	Fund-Raising	Total
Advertising	$	$	$	$ 3,755	$ 3,755
Bank fees	1,535		3,724		5,259
Board of directors			701		701
Campaigns			88	26,219	26,307
Cost of contributed services	119,285	29,798	4,849	14,400	168,332
Cost of contributed materials	2,153		10,224		12,377
Credit card fees			8,181		8,181
Depreciation			10,400		10,400
Dues and subscriptions	1,049		19,185	7,932	28,166
Employee benefits	7,525		40,348	18,811	66,684
Insurance	2,060		5,568		7,628
Licenses and fees	411		4,836		5,247
Disposal of fixed assets			21,405		21,405
Miscellaneous expense			1,440		1,440
Office and other supplies			3,956		3,956
Payroll taxes			40,926	14,663	55,589
Postage and delivery	421		5,684	540	6,645
Printing and publications	944	460	6,891	3,162	11,457
Professional fees	3,609	733	36,113	35,090	75,545
Projects: outside personnel, water wells, equipment and other	1,041,282				1,041,282
Recruiting			185		185
Rent	57,399	317	53,924		111,640
Repairs and maintenance	4,121	784	3,494		8,399
Salaries, wages and related expenses	103,057	25,972	367,438	157,231	653,698
Staff development		300	4,414	368	5,082
Telephone and internet	7,646	408	3,400	911	12,365
Travel and conferences	20,025	355	32,781	8,155	61,316
Vacation			31,317	12,727	44,044
Website				367	367
Workers' compensation			15,323		15,323
	$ 1,372,522	$ 59,127	$ 736,795	$ 304,331	$ 2,472,775

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

Lifewater International, Inc.

Statement of Changes in Net Assets

Year Ended March 31, 2012

	Unrestricted	Temporarily Restricted	Total
Net assets - beginning of year	$ (3,733)	$ 533,560	$ 529,827
Change in net assets	197,457	(81,372)	116,085
Net assets - end of year	$ 193,724	$ 452,188	$ 645,912

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

Lifewater International, Inc.

Statement of Cash Flows

Year Ended March 31, 2012

Cash flows from operating activities:		
Change in net assets	$	116,085
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense		10,400
Loss on sale of fixed assets		17,905
Change in operating assets and liabilities:		
Accounts receivable		(49,480)
Prepaid expenses		6,500
Unconditional promises to give, net		38,350
Accounts payable		54,473
Payroll liabilities		(73,952)
Credit card liabilities		(7,135)
Accrued vacation		(7,159)
Other accrued liabilities		(13,567)
Refundable advance		(74,650)
Net cash provided by operating activities		17,770
Cash flows from investing activities:		
Redemption of certificate of deposit		11,736
Proceeds from sale of fixed assets		3,500
Net cash provided by investing activities		15,236
Net increase in cash and cash equivalents		33,006
Cash and cash equivalents - beginning of year		399,482
Cash and cash equivalents - end of year	$	432,488

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

Lifewater International, Inc.
Notes to Financial Statements
March 31, 2012

Note 1: Nature of Business

Lifewater International, Inc. (the Organization), a California non-profit organization, was established and incorporated on April 26, 1984. The Organization's purpose is to transfer water resource management information, design, technology, and equipment from the more affluent, technologically developed countries to the poor people of disadvantaged countries around the world. The Organization is a Christian organization of water resource management specialists who will carry out this objective as a technical resource group primarily serving relief and development mission agencies, local and national churches, and other requesting groups. Funding is primarily received through individual contributions and various government and other non-profit grants.

Note 2: Summary of Significant Accounting Policies

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting, which requires that revenues be recorded when earned and expenses be recorded when incurred. Revenues from grants are recorded as the costs related to performance of the grant requirements are incurred. Revenues from other sources are recognized when earned. Net unreimbursed grant expenses are recorded as grants receivable and net cash advances in excess of grant expenses are recorded as refundable advances in the accompanying financial statements.

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 – Not for Profit Entities, the Organization is required to classify its financial position and activities for accounting and reporting purposes into three classes of net assets according to externally (donor) imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets.

In accordance with FASB ASC 958 – Not for Profit Entities, contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires, (that is, when a purpose restriction is accomplished or a donor stipulated time restriction ends), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as "net assets released from restrictions". All gifts granted to the Organization are recorded at fair market value at the time of receipt. Donor-restricted contributions and grants whose restrictions are met in the same period are reported as unrestricted support.

Note 2: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Included in cash and cash equivalents at March 31, 2012 was $157,566 of cash with donor imposed restrictions that is to be used for specific projects as well as $140 maintained in a separate bank account, in accordance with United States Agency for International Development (USAID) grant requirements. Management expects these monies to be spent within one year.

Grants Receivable

The Organization has not recorded an allowance for doubtful accounts since management believes that grants receivable are collectible. Any bad debts in the future would be charged off as incurred.

Fixed Assets

Fixed assets purchased are recorded at cost. Donated property is recorded at fair market value on the date received. Such donations are recorded as unrestricted support unless the donor stipulates how the assets must be used. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years. The Organization capitalizes assets greater than $3,500 that have a useful life in excess of one year.

Unconditional Promises to Give

The fair value of unconditional promises to give is estimated based on the net realizable value of the promise as well as a current discount factor applied to the estimated future cash flows initially recorded. The net realizable value of unconditional promises to give consists of an initial reduction of $105,000 for estimated uncollectible promises.

Use of Estimates

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Effective April 1, 2010, the Organization records its financial assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of FASB Accounting Standards Codification (the “Topic”). This Topic provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding

Note 2: Summary of Significant Accounting Policies (Continued)

fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The Topic also establishes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

This hierarchy requires the Organization to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. As of March 31, 2012, the Organization did not have any financial assets or liabilities that required measurement at fair value.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes. However, the Organization remains subject to taxes on any net income that is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose. No income taxes have been recorded in the accompanying financial statements since management believes the Organization has no taxable unrelated business income.

Income Taxes Topic of FASB Accounting Standards Codification requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of March 31, 2012, the Organization did not maintain any tax positions that did not meet the "more likely than not" threshold. The Organization has not provided for income tax provision in financial statements since unrelated

Note 2: Summary of Significant Accounting Policies (Continued)

business income tax is expected to be immaterial. Although the Organization does not maintain any uncertain tax positions, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after March 31, 2009 and by the California Franchise Tax Board for fiscal years ending on or after March 31, 2008.

Advertising Costs

Advertising costs are expensed as incurred. For the year ended March 31, 2012, advertising costs totaled $3,755.

Concentrations

Credit Risk:
At March 31, 2012, the Organization's checking and related deposit accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 with temporary unlimited coverage for non-interest-bearing accounts held by participating financial institutions. At March 31, 2012, the Organization had no deposits in excess of the FDIC's insured limit.

Major Funding:
At March 31, 2012, two foundations accounted for approximately 24% of the Organization's total revenues and one foundation accounted for 100% of the grants receivable balance.

Functional Allocations

The cost of providing the various program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Subsequent Events

Events subsequent to March 31, 2012, have been evaluated through July 10, 2012, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that required disclosure.

Note 3: Unconditional Promises to Give

At March 31, 2012, unconditional promises to give were as follows:

Unconditional promises to give	$	315,000
Less unamortized discount		(20,518)
Net unconditional promises to give	$	294,482
Amounts due in:		
Less than one year	$	60,000
One to five years		300,000
More than five years		60,000
Subtotal		420,000
Less reduction for estimated uncollectible promises		(105,000)
Total	$	315,000

Amounts receivable after one year are discounted using a rate of 3.25% (prime rate at March 31, 2012). Under accounting principles generally accepted in the United States of America, the original estimate of future cash flows is not increased for anticipated increases in estimated collections between the time the promises are recorded and collected. Amounts collected in excess of the net unconditional promises to give will be recorded as contributions revenue when received. Decreases in the estimate of future collections are recorded as expenses and a reduction in unconditional promises to give in the Organization’s financial statements.

Note 4: Fixed Assets

At March 31, 2012, fixed assets were comprised of the following:

Furniture and fixtures	$	16,451
Office machinery and equipment		47,421
Computer database and software		74,653
		138,525
Less accumulated depreciation		(127,715)
Fixed assets, net of accumulated depreciation	$	10,810

Note 5: Donated Services and Materials

The Organization receives donated professional services which are recorded in the financial statements if the services received (a) create or enhance long-lived assets or (b) require specialized skills or training, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind services consist primarily of professionals and engineers with water management expertise. The amounts reflected in the financial statements as in-kind services are offset by like amounts as cost of in-kind services. The donated services are valued at rates of $25-125 per hour, which are the standard fees for the specific types of professional services. The contributed services are also used to meet matching requirements on a federal grant. The value of donated services included in the financial statements was $168,332 for the year ended March 31, 2012.

The Organization also received donated software and materials during the year ended March 31, 2012. The amounts reflected in the financial statements as contributed use of facilities are offset by like amounts as cost of contributed materials of $12,377.

Additionally, the Organization received significant amounts of skilled, contributed time from a variety of volunteers assisting the Organization in specific programs to support the mission of the Organization, which do not meet the two recognition criteria described above and have not been recognized in the accompanying statement of activities. However, these donated services are used by the Organization to satisfy matching requirements on a federal grant and have been valued by management at approximately $79,000 for the year ended March 31, 2012.

Note 6: Retirement Plan

The Organization has a qualified 403(b) retirement plan. Employees who have completed one month of service are eligible to participate in the plan and are immediately 100% vested in employee contributions. The Organization, at its discretion, can make employer contributions at a pre-determined rate. For the year ended March 31, 2012, there were no employer contributions.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Lifewater International, Inc.
San Luis Obispo, California

We have audited the financial statements of Lifewater International, Inc. (a nonprofit organization) as of and for the year ended March 31, 2012, and have issued our report thereon dated July 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Lifewater International, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lifewater International, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lifewater International, Inc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as finding 12.1 in the accompanying schedule of findings and responses to be a material weakness.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as finding 12.2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lifewater International Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and board of directors of Lifewater International, Inc. and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation
San Luis Obispo, California

July 10, 2012

Lifewater International, Inc.
Schedule of Findings and Responses
Year Ended March 31, 2012

Section I: Summary of Auditors' Results

Financial Statements

(a) Type of auditors' report issued on financial statements: **Unqualified.**

(b) Internal control over financial reporting:

- Material weaknesses identified: **Yes. See finding 12.1.**
- Significant deficiencies identified not considered to be material weaknesses: **Yes. See finding 12.2.**

(c) Noncompliance material to financial statements noted: **No.**

Section II: Financial Statement Findings

Finding 12.1 - Controls over Financial Reporting (Material Weakness)

Criteria:
A system of internal control over financial reporting includes controls over financial statements preparation, including footnote disclosures.

Condition:
At March 31, 2012, we assisted the Organization in the preparation of financial statements by identifying adjustments related to grant receivables, unconditional promises to give, fixed assets, payroll, net assets, and other accounts. Additionally, we prepared the financial statements and footnote disclosures.

Cause and Effect:
The Organization does not have a person with the skills and knowledge to prepare full accrual financial statements that include all the disclosures required by accounting principles generally accepted in the United States of America. Management has advised us that they do not believe that the benefit of employing this level of expertise warrants the associated costs and the Organization chooses to have the financial statements with all required disclosures prepared in conjunction with the audit. However, management reviews the financial statements and accepts responsibility for the financial statements and adjusting journal entries.

Recommendation:
We understand that this is a conscious decision by the Organization using a cost/benefit analysis and that the Organization has determined that it is more effective to have some key accounting calculations and financial reporting performed during the audit. Management is responsible for making decisions concerning costs to be incurred and related benefits, so there is no obligation to change this process. However, under professional standards, we are required to report this each year as a material weakness in internal controls. We recommend that the Organization evaluate the process periodically and work toward including some of the required adjustments as part of the process to close their accounting records at the end of the year.

Section II: Financial Statement Findings (Continued)

Organization's Response:
The Organization will continue to review the process and work to provide required adjusting entries for the closing of the fiscal year.

Finding 12.2 - Inadequate Segregation of Duties (Significant Deficiency)

Criteria:
There are generally four phases for an accounting process or operation: authorization, custody, record keeping and reconciliation. A well-designed system of internal control contemplates the allocation of duties among personnel such that each of these four functions would be performed by a different person.

Condition:
During our documentation of internal controls, we noted that the same employee has position control authorization (i.e. ability to create fictitious employee), posts transactions (record keeping), prepares the bank reconciliations (reconciliation), and has access to checks (custody).

Cause and Effect:
By not properly segregating internal control duties, the risk of fraud and misappropriation of assets is greater.

Recommendation:
We recommend that the Organization review their procedures and segregate internal control responsibilities, if practical, to help mitigate the risk of misappropriation of assets. We recognize that with limited staff and resources, the Organization may not believe that the benefit of segregating these duties is cost beneficial to the Organization.

Organization's Response:
To mitigate the risk, the CFO conducts reviews and surprise checks to minimize the opportunity for misappropriation of assets. Reviews are conducted before payroll is released. The CFO, on a random basis, processes payroll, postings to the general ledger and bank reconciliations.

Finding 12.3 - Reconciliation of Advances to Partner Organizations and Travel

Criteria:
Under generally accepted accounting principles, it is necessary to make sure that revenue and expenditures are recorded in the proper accounting period.

Section II: Financial Statement Findings (Continued)

Condition:

During the audit, we identified several expenditure accounts with high-dollar credit balances. Upon discussion with Organization staff it was determined that these credit balances were the result of funds advanced to partner organizations or to employees for travel in prior periods and then reclassified to specific expenditures line items in the current year, resulting in a credit balance in the partner advance and travel advance expenditure accounts. This was largely the result of inadequate tracking of expenditures from partner organizations and employees, and inadequate controls in prior years regarding these expenditures.

Cause and Effect:

In prior years, the Organization did not have the proper accounting procedures in place to properly track advances and expenditures from partner organizations and employee travel. Current accounting staff has reconciled the accounts and are currently tracking these expenditures more closely. While this did not result in overall improper recording of expenditures, the improper tracking of costs could result in partner organizations and employees not supplying proper documentation of costs.

Recommendation:

We recommend that the Organization track their partner advances and travel advances by recording them on the balance sheet and not expensing them until proper documentation is received from the partner organization or employee. We recognize that this documentation is not always received in a timely manner and that for a variety of management reasons it may be necessary to record these expenditures before supporting documentation is received. If this is the case, we recommend that the Organization carefully track and reconcile the partner advance and travel advance accounts and that specific attention is paid to ensure that expenditures are recorded in the proper period.

Organization's Response:

The Organization will continue to track and reconcile partner advances and travel advances through the income statement to support project balance totals. A schedule will be developed to track advances throughout the fiscal year and receipts received to ensure accuracy of balances and expenditures.

Lifewater International, Inc.
Status of Prior Year Findings – March 31, 2011
Year Ended March 31, 2012

Section IV: Status of Prior Year Findings and Questioned Costs

Finding 11.1 - Inadequate Segregation of Duties (Material Weakness)

Recommendation:
We recommend that the Organization segregate internal control responsibilities to help mitigate the risk of misappropriation of assets.

Management Status:
Management has conducted unannounced checks for processing payroll, bank reconciliation, and postings to mitigate risk of misappropriation of assets.

Finding 11.2 - Controls over Financial Reporting (Material Weakness)

Recommendation:
We recommend that the Organization either hire an accountant with the ability and knowledge to prepare full disclosure financial statements, or more adequately train existing employees. We also recommend that schedules be prepared for all balance sheet accounts so that activity can be properly tracked and recorded.

Management Status:
Management continues to review the processes and balance sheet schedules were prepared to track and record account activity. Management will continue to work toward training to further develop the skills for current staff to prepare full disclosure financial statements.

Finding 11.3 - Bank Reconciliations (Material Weakness)

Recommendation:
We recommend that bank reconciliations be performed after all closing cash entries have been posted and that stale reconciling items be promptly investigated and resolved.

Management Status:
This process was improved to ensure all journal entries were completed and the bank reconciliation as the final step in the month-end process to ensure the cash balance on the bank reconciliation agrees with the general.