



**FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**LIFEWATER INTERNATIONAL, INC.**

**March 31, 2014**

# LIFEWATER INTERNATIONAL, INC.

March 31, 2014

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

### **The Board of Directors of Lifewater International, Inc.**

We have audited the accompanying financial statements of Lifewater International, Inc. (Lifewater) which comprise the statement of financial position as of March 31, 2014 and the related statements of activities, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

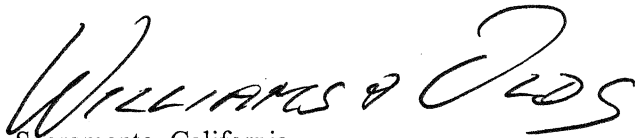
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Lifewater International, Inc. as of March 31, 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.



Sacramento, California  
May 29, 2014

# LIFEWATER INTERNATIONAL, INC.

## STATEMENT OF FINANCIAL POSITION

March 31, 2014

### *ASSETS*

Cash and cash equivalents	\$	539,043
Contributions receivable, net - Note C		304,712
Grants receivable		45,000
Other receivables		1,100
Prepaid expenses and deposits		23,788
Furniture and equipment, less accumulated depreciation of \$23,659		<u>33,365</u>

**TOTAL ASSETS** \$ 947,008

### *LIABILITIES AND NET ASSETS*

Accounts payable	\$	7,095
Accrued expenses		<u>39,786</u>

**TOTAL LIABILITIES** 46,881

### **COMMITMENTS - Note D**

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### **NET ASSETS**

Unrestricted		546,476
Temporarily restricted - Note F		<u>353,651</u>
		<u>900,127</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 947,008

See accompanying notes to the financial statements.

# LIFEWATER INTERNATIONAL, INC.

## STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2014

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 1,401,560	\$ 137,000	\$ 1,538,560
In-kind contributions - Note B	239,046	-	239,046
Government grants	263,522	-	263,522
Program fees	85,572	-	85,572
Special events, net of direct expenses of \$11,176	124,709	-	124,709
Other income	6,590	-	6,590
<i>Net assets released from restrictions</i>	266,373	(266,373)	-
<b>TOTAL SUPPORT AND REVENUE</b>	2,387,372	(129,373)	2,257,999
<b>EXPENSES</b>			
Program services	1,634,014	-	1,634,014
Supporting services			
General and administrative	318,872	-	318,872
Fundraising	301,280	-	301,280
Total supporting services	620,152	-	620,152
<b>TOTAL EXPENSES</b>	2,254,166	-	2,254,166
<b>CHANGE IN NET ASSETS</b>	133,206	(129,373)	3,833
<b>NET ASSETS AT BEGINNING OF YEAR</b>	413,270	483,024	896,294
<b>NET ASSETS AT END OF YEAR</b>	\$ 546,476	\$ 353,651	\$ 900,127

See accompanying notes to the financial statements.

# LIFEWATER INTERNATIONAL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended March 31, 2014

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ 250,661	\$ 106,814	\$ 156,582	\$ 263,396	\$ 514,057
Payroll taxes and benefits	48,629	20,720	30,377	51,097	99,726
Total salaries and related costs	299,290	127,534	186,959	314,493	613,783
Project costs	985,040	234	85	319	985,359
Professional services - Note B	138,914	89,797	13,775	103,572	242,486
Donated goods and services - Note B	95,276	30,557	543	31,100	126,376
Postage, shipping and delivery	23,358	7,636	13,925	21,561	44,919
Occupancy	21,050	6,882	12,549	19,431	40,481
Printing and copying	19,668	6,430	11,725	18,155	37,823
Campaigns	55	12,701	24,988	37,689	37,744
Supplies	14,208	4,645	8,470	13,115	27,323
Travel and conferences	7,735	10,447	2,388	12,835	20,570
Licenses and fees	2,860	5,919	10,991	16,910	19,770
Computer services	7,158	2,365	4,591	6,956	14,114
Depreciation	5,119	1,674	3,051	4,725	9,844
Telephone	4,468	1,461	2,664	4,125	8,593
Dues and subscriptions	577	3,650	1,276	4,926	5,503
Insurance	2,700	883	1,610	2,493	5,193
Meetings	3,525	58	291	349	3,874
Staff development	866	2,661	-	2,661	3,527
Repairs and maintenance	792	259	472	731	1,523
Miscellaneous	1,355	3,079	927	4,006	5,361
	<u>\$ 1,634,014</u>	<u>\$ 318,872</u>	<u>\$ 301,280</u>	<u>\$ 620,152</u>	<u>\$ 2,254,166</u>

See accompanying notes to the financial statements.

# LIFEWATER INTERNATIONAL

## STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2014

### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	3,833
<i>Adjustments to reconcile the change in net assets to net cash used in operating activities:</i>		
Depreciation		9,844
<i>(Increase) decrease in operating assets:</i>		
Receivables, net		(121,400)
Prepaid expenses and deposits		(20,123)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable		(38,318)
Accrued expenses		(2,394)
		<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(168,558)</b>

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of furniture and equipment		(1,584)
Website development costs		(16,500)
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**NET CASH USED IN INVESTING ACTIVITIES** 

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 (18,084)

**NET DECREASE IN CASH** (186,642)

**CASH AT BEGINNING OF YEAR** 

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 725,685

**CASH AT END OF YEAR** \$ 

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 539,043

### SUPPLEMENTAL INFORMATION:

During the year ended March 31, 2014, no cash was paid for interest or income taxes.

See accompanying notes to the financial statements.



# LIFEWATER INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2014

### NOTE A - ORGANIZATION

Lifewater International, Inc. (Lifewater), a California non-profit organization, was established and incorporated on April 26, 1984. Lifewater'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. Lifewater 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.

Lifewater is funded primarily by individual and organizational donors as well as government grants.

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At March 31, 2014, Lifewater's net assets consisted of temporarily restricted and unrestricted net assets.

Fair Value: Lifewater follows FASB ASC 820-10, *Fair Value Measurements*. ASC 820-10 introduces a framework for measuring fair value and expands required disclosure about fair value measurements of certain assets and liabilities. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value, whereby level 1 uses quoted prices and active markets for identical assets or liabilities when determining fair market value; level 2 uses non active quoted prices for similar assets and liabilities that can be corroborated with market data; and level 3 uses unobservable information with little or no market data. Lifewater utilizes the active market approach (level 1) to measure fair value for its financial assets, which consist of cash in checking and savings accounts. The carrying value of Lifewater's nonfinancial assets and liabilities approximates fair value.

Cash and Cash Equivalents: Lifewater considers all short term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable: Lifewater considers grants and other receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment: Lifewater capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are recorded at cost or, if donated, at the fair market value at the time of donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

# LIFEWATER INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

March 31, 2014

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

In-Kind Contributions: Lifewater records the value of donated goods and services when there is an objective basis available to measure their fair market value. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with these skills, and would otherwise be purchased by Lifewater. During the year ended March 31, 2014, Lifewater recorded the following in-kind contributions –

Services	\$ 188,846
Equipment	35,000
Travel	<u>15,200</u>
	\$ <u>239,046</u>

In-kind services consist primarily of professionals and engineers with water management expertise. Contributed services are also used to meet Federal grant matching requirements.

Contributions: Lifewater accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions and grants whose restrictions are met in the same period are reported as unrestricted support.

Functional Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of employees' time incurred and usage of resources.

Income Taxes: Lifewater is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue of Taxation Code. Lifewater may be subject to federal and state taxes on its non-exempt function income under federal and state regulations governing unrelated business income.

# LIFEWATER INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

March 31, 2014

### NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

Uncertainty in Income Taxes: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Lifewater to report information regarding its exposure to various tax positions taken. Lifewater has determined whether any tax positions have met the recognition threshold and have measured the exposure to those tax positions. Management believes that Lifewater has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to Lifewater are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at March 31, 2014:

Gross contributions receivable	\$ 324,061
Less: unamortized discount	<u>(19,349)</u>
Net contributions receivable	\$ <u>304,712</u>

Gross contributions receivable are collectible as follows at March 31, 2014:

Within one year	\$ 129,061
One to five years	195,000
More than five years	<u>-</u>
	\$ <u>324,061</u>

Lifewater recognizes contributions receivable at their estimated fair value. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rate used in determining the net present value of the contributions receivable was the 5-year US Treasury rate at March 31, 2014 (2%).

### NOTE D - COMMITMENTS

Lifewater leases its office premises and certain office equipment under the terms of non-cancellable operating leases that expire on various dates through 2018. Future minimum lease payments for all leases at March 31, 2014 are as follows: 2015 - \$32,628; 2016 - \$14,148, 2017 - \$948, and 2018 - \$948. Rent expense under these leases amounted to \$37,033 during the year ended March 31, 2014.

# LIFEWATER INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

March 31, 2014

### **NOTE E - CONCENTRATION OF RISK**

Lifewater maintains its cash in bank accounts which, at times, may exceed the FDIC insured limits. Lifewater has not experienced losses in any of these accounts and management believes Lifewater is not exposed to any significant credit risk related to these accounts.

### **NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets represent unexpended grants and contributions restricted for the following purposes at March 31, 2014:

Contribution receivable – time restricted	\$ 235,651
Capacity Building	33,000
WASH program – Ethiopia	31,000
WASH program – Kenya	30,000
WASH program – Malawi	<u>24,000</u>
	\$ <u>353,651</u>

### **NOTE G - EMPLOYEE RETIREMENT PLAN**

Lifewater has a salary deferral plan under Internal Revenue Code Section 403(b). Employees who have completed one month of service are eligible to participate in the plan and are immediately vested in employee contributions. Lifewater, at its discretion, can make employer contributions at a pre-determined rate. For the year ended March 31, 2014, there were no employer contributions.

### **NOTE H - SUBSEQUENT EVENTS**

In preparing the financial statements, Lifewater has evaluated events and transactions for potential recognition or disclosure through May 29, 2014, the date that the financial statements were available to be issued.