

PURE WATER FOR THE WORLD, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2018

PURE WATER FOR THE WORLD, INC.
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MC CORMACK, GUYETTE & ASSOCIATES

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Pure Water for the World, Inc.
Rutland, Vermont

We have audited the accompanying financial statements of Pure Water for the World, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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 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 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 Pure Water for the World, Inc. as of June 30, 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.

Emphasis of Matter

As described in Note 7 to the financial statements, the Organization has changed from the cash basis of accounting to accrual basis of accounting. Our opinion is not modified with respect to that matter.

McCormack, Guyette & Associates, PC

License #113

February 28, 2019

PURE WATER FOR THE WORLD, INC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	363,211
Inventory		86,850
Prepaid expenses		6,305
		6,305

Total current assets		456,366
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PROPERTY AND EQUIPMENT

Auto and trucks		213,091
Furniture and equipment		5,476
		5,476

Less - accumulated depreciation		218,567
		179,803

38,764

OTHER ASSETS

Investments		371,933
		371,933

TOTAL ASSETS	\$	867,063
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Deferred revenue	\$	101,185
Accrued expenses		6,529
		6,529

Total current liabilities		107,714
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NET ASSETS

Unrestricted:		
Undesignated		384,349
Designated		375,000
		375,000

Total unrestricted		759,349
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Temporarily restricted		-
		-

Total net assets		759,349
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TOTAL LIABILITIES AND NET ASSETS	\$	867,063
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The accompanying notes are an integral part of these financial statements

PURE WATER FOR THE WORLD, INC
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 294,908	\$ 173,305	\$ 468,213
Rotary grants	232,066	-	232,066
Partner receipts	87,939	-	87,939
Program income	122,829	-	122,829
Trip income	24,265	-	24,265
Investments	2,608	-	2,608
Other income	31,805	-	31,805
Net assets released from restrictions	268,484	(268,484)	-
	<u>1,064,904</u>	<u>(95,179)</u>	<u>969,725</u>
Total revenues			
EXPENSES			
Personnel expense	516,148	-	516,148
Implementation	274,557	-	274,557
Office	105,882	-	105,882
Vehicle expense	63,787	-	63,787
Payroll taxes	24,023	-	24,023
Travel	29,063	-	29,063
Housing and related expense	34,040	-	34,040
Depreciation	12,900	-	12,900
Marketing	29,784	-	29,784
Professional fees	30,602	-	30,602
Miscellaneous	5,503	-	5,503
Personnel expense - insurance	2,100	-	2,100
	<u>1,128,389</u>	<u>-</u>	<u>1,128,389</u>
Total expenses			
CHANGE IN NET ASSETS	<u>(63,485)</u>	<u>(95,179)</u>	<u>(158,664)</u>
NET ASSETS , beginning of year, as previously reported	778,228	95,179	873,407
Cumulative effect of change in accounting method	44,606	-	44,606
NET ASSETS , Beginning of year, as restated	<u>822,834</u>	<u>95,179</u>	<u>918,013</u>
NET ASSETS , end of year	<u>\$ 759,349</u>	<u>\$ -</u>	<u>\$ 759,349</u>

The accompanying notes are an integral part of these financial statements

PURE WATER FOR THE WORLD, INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expense	\$ 435,986	\$ 39,021	\$ 41,141	\$ 516,148
Implementation	274,557	-	-	274,557
Office	85,033	15,917	4,932	105,882
Vehicle expense	63,787	-	-	63,787
Payroll taxes	18,693	2,681	2,649	24,023
Travel	21,747	2,205	5,111	29,063
Housing and related expense	34,040	-	-	34,040
Depreciation	12,900	-	-	12,900
Marketing	-	-	29,784	29,784
Professional fees	7,108	23,494	-	30,602
Miscellaneous	5,503	-	-	5,503
Personnel expense - insurance	2,100	-	-	2,100
TOTAL EXPENSES	<u>\$ 961,454</u>	<u>\$ 83,318</u>	<u>\$ 83,617</u>	<u>\$ 1,128,389</u>

The accompanying notes are an integral part of these financial statements

PURE WATER FOR THE WORLD, INC
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (158,664)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized loss on investments	6,027
Depreciation expense	12,900
Changes in operating assets and liabilities:	
Increase (decrease) in:	
Bank guarantee	42,275
Prepaid expenses	(1,337)
Inventory	(84,676)
Deferred revenue	81,569
Accrued expenses	854
	<hr/>
NET CASH USED FOR OPERATING ACTIVITIES	(101,052)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(27,000)
Proceeds from investments	1,260
	<hr/>
NET CASH USED FOR INVESTING ACTIVITIES	(25,740)
NET DECREASE IN CASH	(126,792)
CASH, beginning of year	490,003
	<hr/>
CASH, end of year	\$ 363,211
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The accompanying notes are an integral part of these financial statements

PURE WATER FOR THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization

Pure Water for the World, Inc. (the Organization) is a non-profit organization based in Rutland, Vermont with operations in Haiti and Honduras. The Organization's mission is to improve the health of children, families and communities in the developing world by providing them with sustainable water solutions, sanitation and hygiene education.

Financial statement presentation

The financial statements have been prepared on the modified cash basis of accounting. That basis differs from accounting principles generally accepted in the United States of America, primarily because the Organization has not recognized balances or the related effects on earnings of accounts and contributions receivable from third parties and donors or accounts payable to vendors.

Cash and cash equivalents

The Organization's cash and cash equivalents include cash on hand, demand deposits, and investments with original maturities of three months or less.

Property and equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis using the following useful lives. The Organization's policy is to capitalize purchases in excess of \$2,000 for furniture and equipment.

Auto and trucks	5 years
Furniture and equipment	5 years

Investments

Realized gains or losses are measured by the difference between the net proceeds for the repayment or sale and the cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period.

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

PURE WATER FOR THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

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.

Advertising

The Organization follows the policy of charging the cost of advertising to expense as incurred.

Public support and revenue recognition

Grant and other contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations, are recorded at their fair values in the period received.

Date of Management's review

Subsequent events were evaluated through February 28, 2019, which is the date the financial statements were available to be issued.

PURE WATER FOR THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – INVESTMENTS

Investments are presented in the financial statements at fair value. The Organization's investments consist of certificates of deposit, money market accounts, stocks, corporate bonds and fixed-rate capital securities. The historical cost and market value were as follows as of June 30, 2018:

	<u>Costs</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>
Certificates of deposit	\$ 325,000	\$ 320,483	\$ (4,517)
Preferred stocks	25,557	26,180	623
Fixed-rate capital securities	<u>25,771</u>	<u>25,270</u>	<u>(501)</u>
Total investments	<u>\$ 376,328</u>	<u>\$ 371,933</u>	<u>\$ (4,395)</u>

Investment return for the year ended June 30, 2018:

Interest and dividends	\$ 8,635
Realized loss on sale of investments	-
Net unrealized loss	<u>(6,027)</u>
Total investment return	<u>\$ 2,608</u>

NOTE 3 – DEFERRED REVENUE

Deferred revenue as of June 30, 2018 consists of advance payments for the following purposes:

Grants	\$ 95,000
Honduras travel deposits	6,185
Haiti travel deposits	<u>-</u>
Total deferred revenue	<u>\$ 101,185</u>

PURE WATER FOR THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – NET ASSETS

The Organization's endowment consists of one fund established by the board of directors to reserve \$375,000 for future needs. The Organization has adopted an investment and spending policy for endowment assets that attempt to subject the fund to low investment risk and reserve funds for future needs. The investment policy includes a general prudence standard within the written policy as required by Vermont Uniform Management of Institutional Funds Act, as well as a policy to review at least annually any decision not to diversify the assets, and assess the independence of external agents selected to manage and invest funds, including any conflicts of interest of the agent.

NOTE 5 – RETIREMENT PLAN

The Organization maintains a SIMPLE individual retirement plan. Employees can contribute through regular payroll deductions and the Organization matches 100% of the employee's deferral up to a limit of 3% of the employee's annual compensation. Contributions made by the Organization were \$4,724 during the year ended June 30, 2018.

NOTE 6 – RELATED PARTY TRANSACTION

The Organization rents office space in Rutland, Vermont from a related party under a twelve month lease. The owner of the rental property is the executive director of the Organization. Rent expense includes \$2,500 paid to the related party for the year ended June 30, 2018.

NOTE 7 – CHANGE IN ACCOUNTING METHOD

The Organization has changed its accounting method from cash to accrual. This accounting method is preferred as it allows the Organization to recognize revenue and expenses as they are incurred.

The cumulative effect of the change in accounting method has been presented as of July 1, 2017 in the Statement of Activities and Net Assets.