

Financial Statements

H2O for Life
(a Nonprofit Corporation)
White Bear Lake, Minnesota

For the Years Ended
June 30, 2017 and 2016

H2O FOR LIFE
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JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
H2O for Life
White Bear Lake, Minnesota

We have audited the accompanying financial statements of H2O for Life (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expense and cash flows for the years 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 H2O for Life as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
September 27, 2017

FINANCIAL STATEMENTS

H2O FOR LIFE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 671,284	\$ 611,298
Agency funds held in trust	17,973	-
Conditional promises to give	47,655	106,436
Inventory - promotional items	5,048	2,560
Prepaid expenses	13,229	24,850
TOTAL CURRENT ASSETS	755,189	745,144
PROPERTY AND EQUIPMENT		
Computer equipment	113,136	14,136
Furniture and fixtures	11,928	11,928
Leasehold improvements	1,208	1,208
TOTAL PROPERTY AND EQUIPMENT, COST LESS ACCUMULATED DEPRECIATION	126,272 (44,507)	27,272 (23,747)
TOTAL PROPERTY AND EQUIPMENT, NET	81,765	3,525
OTHER ASSETS		
Federal trademark, net of accumulated amortization of \$2,145 and \$1,588 in 2017 and 2016, respectively	6,123	3,780
TOTAL ASSETS	\$ 843,077	\$ 752,449
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 6,635	\$ 6,476
Accrued expenses	5,525	3,715
Conditional promises payable	96,198	149,436
Agency funds	17,973	-
TOTAL CURRENT LIABILITIES	126,331	159,627
LONG-TERM LIABILITIES		
Grants to be refunded	100,000	100,000
TOTAL LIABILITIES	226,331	259,627
NET ASSETS		
Unrestricted	616,746	377,822
Temporarily restricted	-	115,000
TOTAL NET ASSETS	616,746	492,822
TOTAL LIABILITIES AND NET ASSETS	\$ 843,077	\$ 752,449

See Independent Auditor's Report and Notes to Financial Statements.

H2O FOR LIFE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions and grants	\$ 703,035	\$ -	\$ 703,035
In-kind donations	62,400	-	62,400
Special events, net of costs of direct benefits to donors of \$38,512 in 2017	95,798	-	95,798
Interest income	12	-	12
Net assets released from restrictions	115,000	(115,000)	-
TOTAL REVENUE AND OTHER SUPPORT	976,245	(115,000)	861,245
EXPENSES			
Program services	519,149	-	519,149
Supporting services			
Management and general	84,077	-	84,077
Fundraising	134,095	-	134,095
TOTAL EXPENSES	737,321	-	737,321
CHANGE IN NET ASSETS	238,924	(115,000)	123,924
BEGINNING NET ASSETS	377,822	115,000	492,822
ENDING NET ASSETS	\$ 616,746	\$ -	\$ 616,746

See Independent Auditor's Report and Notes to Financial Statements.

H2O FOR LIFE
STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions and grants	\$ 653,431	\$ 115,000	\$ 768,431
In-kind donations	62,400	-	62,400
Special events, net of costs of direct benefits to donors of \$30,302 in 2016	92,270	-	92,270
Interest income	17	-	17
Net assets released from restrictions	165,000	(165,000)	-
TOTAL REVENUE AND OTHER SUPPORT	973,118	(50,000)	923,118
EXPENSES			
Program services	698,353	-	698,353
Supporting services			
Management and general	80,691	-	80,691
Fundraising	47,063	-	47,063
TOTAL EXPENSES	826,107	-	826,107
CHANGE IN NET ASSETS	147,011	(50,000)	97,011
BEGINNING NET ASSETS	230,811	165,000	395,811
ENDING NET ASSETS	\$ 377,822	\$ 115,000	\$ 492,822

See Independent Auditor's Report and Notes to Financial Statements.

H2O FOR LIFE
 STATEMENTS OF FUNCTIONAL EXPENSE
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			Total Expenses
	Program Services	Supporting Services Management and General	Fundraising	
EXPENSES				
Salaries and wages	\$ 141,121	\$ 42,840	\$ 68,041	\$ 252,002
Payroll taxes and benefits	17,889	5,430	8,625	31,944
Non-governmental organization projects	191,227	-	-	191,227
Bank service charges	2,579	-	-	2,579
Office expenses	12,562	3,814	6,057	22,433
Postage and shipping	1,565	-	-	1,565
School materials	3,042	-	-	3,042
Rent	12,750	3,870	6,147	22,767
Contracted services	77,714	23,592	40,390	141,696
Conferences, conventions and meetings	13,919	-	-	13,919
Travel	15,054	-	-	15,054
Marketing	8,676	2,634	4,183	15,493
Depreciation and amortization	19,800	1,517	-	21,317
Miscellaneous	1,251	380	652	2,283
TOTAL EXPENSES	\$ 519,149	\$ 84,077	\$ 134,095	\$ 737,321

See Independent Auditor's Report and Notes to Financial Statements.

H2O FOR LIFE
STATEMENTS OF FUNCTIONAL EXPENSE - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2016			
	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
EXPENSES				
Salaries and wages	\$ 178,011	\$ 9,612	\$ 15,223	\$ 202,846
Payroll taxes and benefits	20,762	770	1,223	22,755
Non-governmental organization projects	299,827	-	-	299,827
Bank service charges	4,005	-	-	4,005
Office expenses	15,326	11,505	199	27,030
Postage and shipping	166	-	-	166
School materials	3,346	-	-	3,346
Rent	19,550	1,504	429	21,483
Contracted services	112,035	55,383	29,555	196,973
Conferences, conventions and meetings	11,426	38	-	11,464
Travel	15,070	-	-	15,070
Marketing	18,829	434	434	19,697
Depreciation and amortization	-	1,418	-	1,418
Miscellaneous	-	27	-	27
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 698,353</u>	<u>\$ 80,691</u>	<u>\$ 47,063</u>	<u>\$ 826,107</u>

See Independent Auditor's Report and Notes to Financial Statements.

H2O FOR LIFE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 123,924	\$ 97,011
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,317	1,418
(Increase) decrease in assets:		
Agency funds held in trust	(17,973)	25,000
Conditional promises to give	58,781	8,766
Inventory - promotional items	(2,488)	1,156
Prepaid expenses	11,621	(19,864)
Increase (decrease) in liabilities:		
Accounts payable	159	831
Accrued expenses	1,810	3,715
Conditional promises payable	(53,238)	10,628
Grants to be refunded	-	31,355
Agency funds	17,973	(25,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	161,886	135,016
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash outlay for property and equipment	(99,000)	(4,485)
Cash outlay for federal trademark	(2,900)	-
NET CASH USED BY INVESTING ACTIVITIES	(101,900)	(4,485)
INCREASE IN CASH AND CASH EQUIVALENTS	59,986	130,531
BEGINNING CASH AND CASH EQUIVALENTS	611,298	480,767
ENDING CASH AND CASH EQUIVALENTS	\$ 671,284	\$ 611,298
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES		
Receipt of in-kind goods and services	\$ 62,400	\$ 62,400

See Independent Auditor's Report and Notes to Financial Statements.

H2O FOR LIFE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

H2O for Life (the Organization) was organized as a Minnesota nonprofit corporation in 2007. The Organization educates, engages, and inspires youth to learn about the global and local water crisis and take action through fundraising. The Organization provides schools with unique global partnerships and transformational service learning opportunities focused on sustainable social change.

B. Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting with revenue being recorded when earned and expenditures recorded when the obligation is incurred or the benefits are received in accordance with Generally Accepted Accounting Principles (GAAP). Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same period are recorded as unrestricted contributions.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents. Certain cash accounts are insured by the FDIC.

E. Conditional Promises to Give

Conditional promises to give are recognized when a donor makes a conditional promise to give to the Organization. Conditional promises to give consist of gross promises which management believes to be equivalent to the net present value of such promises. These receivables have been adjusted for all known uncollectible accounts. Management considers historical write-off and recovery information in determining the estimated bad debt provision. No allowance for doubtful accounts has been provided as of June 30, 2017 and 2016, since management expects all promises to be collectible.

At June 30, 2017 and 2016, all conditional promises to give were considered due in less than one year.

H2O FOR LIFE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Contributions Receivable

Contributions receivable generally consists of donations made by individuals or organizations. These receivables have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts has been provided as of June 30, 2017 and 2016, since management expects all receivables to be collectible.

G. Grants Receivable

Grants receivable consists of donations that the Organization has been notified that it will receive as of June 30, 2017 and 2016, but have not yet been received. No allowance for doubtful accounts has been provided as of June 30, 2017 and 2016, since management expects all receivables to be collectible.

H. Inventory - Promotional Items

Inventory consists of clothing, jewelry, and novelty items used to promote and support the Organization's programs, and are stated at average cost.

I. Property and Equipment

Property and equipment is recorded at cost or estimated fair value at the date of contribution. The Organization capitalizes all property and equipment acquisitions in excess of \$1,000. Depreciation is recognized using the straight-line method based on estimated useful lives as follows:

Assets	Useful Lives in Years
Computer equipment	3
Website	5
Furniture and fixtures	5 - 10
Leasehold improvements	2

For the years ended June 30, 2017 and 2016, depreciation expense was \$20,760 and \$1,151, respectively.

J. Intangible Assets

Costs incurred in connection with obtaining a federal trademark for the Organization's logo with the U.S. Patent Office are being amortized over a period of 10 years using the straight-line method. Renewal costs, which extend the life of the federal trademark for an additional 10 years, are capitalized and amortized over future periods. The next renewal date is June 28, 2027. Amortization expense for the years ended June 30, 2017 and 2016 was \$557 and \$267, respectively. Annual amortization expense over the next five years through June 30, 2020, is estimated to be \$557 per year.

K. Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

H2O FOR LIFE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. Conditional Promises Payable

Conditional promises payable consist of amounts awarded to recipient organizations outside the United States not yet distributed. Distribution of approved amounts will take place within one fiscal year.

M. In-Kind Contributions

Contributions of gifts in-kind that can be used or sold by the Organization are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

N. Functional Allocation of Expenses

The costs of providing the Organization's various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

O. Income Taxes

The Organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. Contributions to the Organization are tax deductible as the Organization qualifies under Section 170(c) of the Internal Revenue Code.

The Organization has evaluated for uncertain tax positions. Management has expressed that there are no uncertain tax positions as of June 30, 2017. The Organization's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes the tax returns essentially remain open for possible examination for a period of three years after the date on which those returns are filed.

During the years ended June 30, 2017 and 2016, the Organization has not incurred any interest or penalties on its tax returns.

P. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 27, 2017, the date the financial statements were available to be issued.

Note 2: GRANTS TO BE REFUNDED

H2O for Life receives temporary refundable grants from another organization to assist in the timing of its projects. H2O for Life intends to repay these temporary refundable grants through contributions. H2O for Life and the other organization have agreed that H2O for Life has no legal obligation to repay these temporary refundable grants. In the event H2O for Life doesn't repay the refundable temporary grants they become contributions. These temporary refundable grants are interest free and unsecured. The balance on the conditional temporary refundable grants was \$100,000 at June 30, 2017 and 2016.

H2O FOR LIFE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 3: AGENCY FUNDS

On December 31, 2016, the H2O for Life entered into an agreement to act as a fiscal agent for a separate organization. The agreement was to be in effect until the Organization had expended the funds or until either party determined to terminate the agreement. As of June 30, 2017 and 2016, the funds held on behalf of the other organization were \$17,973 and \$0, respectively.

Note 4: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	2017	2016
Race 2 Reduce	\$ -	\$ 15,000
Time restrictions	-	100,000
Temporarily restricted net assets, June 30	\$ -	\$ 115,000

Note 5: LEASES - OPERATING

On October 12, 2015, the Organization entered into a lease agreement for office space in White Bear Lake, Minnesota. The lease commenced on November 1, 2015 and was set to expire on October 31, 2018. Terms of the lease agreement extension were monthly payments of base rent of \$1,897.

Future minimum lease payments are as follows:

For the Year Ended June 30,	Amount
2018	\$ 22,767
2019	7,589
Total	\$ 30,356

The Organization's total rent expense for the years ended June 30, 2017 and 2016 was \$22,767 and \$21,483, respectively.

H2O FOR LIFE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 6: IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions during the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Management services	<u>\$ 62,400</u>	<u>\$ 62,400</u>

Note 7: CONCENTRATIONS - UNINSURED CASH BALANCE

At times during the year the Organization's bank deposit balance exceeded the Federal Deposit Insurance Company insured limit of \$250,000. At June 30, 2017 and 2016, the Organization's uninsured cash balances totaled approximately \$383,691 and \$364,100, respectively.

Note 8: RELATED PARTY TRANSACTIONS

The Organization rents office space in a building that is partially-owned by a family member of the Organization's President. See Note 5 for details of the lease.