

PURE WATER FOR THE WORLD, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015

PURE WATER FOR THE WORLD, INC.
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JUNE 30, 2016 AND 2015

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McCORMACK, 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 assets, liabilities, and net assets—modified cash basis as of June 30, 2016 and 2015, and the related statement of support, revenue, and expenses—modified cash basis, statement of functional expenses – modified cash basis and statement of cash flows—modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' 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 organization'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 organization'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.

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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 assets, liabilities, and net assets of Pure Water for the World, Inc. as of June 30, 2016 and 2015, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

McCormack, Guyette & Associates, PC

License #113

September 5, 2017

PURE WATER FOR THE WORLD, INC
STATEMENTS OF ASSETS, LIABILITIES, AND
NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 521,513	\$ 526,285
Total current assets	<u>521,513</u>	<u>526,285</u>
PROPERTY AND EQUIPMENT		
Auto and trucks	183,440	169,991
Furniture and equipment	<u>5,476</u>	<u>-</u>
	188,916	169,991.00
Less - accumulated depreciation	<u>144,741</u>	<u>133,184</u>
	<u>44,175</u>	<u>36,807</u>
OTHER ASSETS		
Investments	<u>384,513</u>	<u>541,285</u>
TOTAL ASSETS	<u><u>\$ 950,201</u></u>	<u><u>\$ 1,104,377</u></u>

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Deferred revenue	\$ 28,746	\$ 19,048
Accrued expenses	<u>4,117</u>	<u>4,445</u>
Total current liabilities	<u>32,863</u>	<u>23,493</u>
NET ASSETS		
Unrestricted:		
Undesignated	402,611	436,468
Designated	<u>375,000</u>	<u>375,000</u>
Total unrestricted	777,611	811,468
Temporarily restricted	<u>139,727</u>	<u>269,416</u>
Total net assets	<u>917,338</u>	<u>1,080,884</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 950,201</u></u>	<u><u>\$ 1,104,377</u></u>

The accompanying notes are an integral part of these financial statements

PURE WATER FOR THE WORLD, INC
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 394,376	\$ 164,950	\$ 559,326
Rotary grants	275,512	-	275,512
Partner receipts	144,031	-	144,031
Program income	19,038	-	19,038
Trip income	26,504	-	26,504
Investments	12,164	-	12,164
Other income	66,999	-	66,999
Net assets released from restrictions	294,639	(294,639)	-
	<u>1,233,263</u>	<u>(129,689)</u>	<u>1,103,574</u>
Total revenues			
	<u>1,233,263</u>	<u>(129,689)</u>	<u>1,103,574</u>
EXPENSES			
Personnel expense	588,038	-	588,038
Implementation	256,715	-	256,715
Office	150,956	-	150,956
Vehicle expense	55,101	-	55,101
Payroll taxes	34,938	-	34,938
Travel	35,888	-	35,888
Housing and related expense	20,602	-	20,602
Depreciation	25,608	-	25,608
Marketing	22,895	-	22,895
Professional fees	25,186	-	25,186
Miscellaneous	46,713	-	46,713
Personnel expense - insurance	4,480	-	4,480
	<u>1,267,120</u>	<u>-</u>	<u>1,267,120</u>
Total expenses			
	<u>1,267,120</u>	<u>-</u>	<u>1,267,120</u>
CHANGE IN NET ASSETS	<u>(33,857)</u>	<u>(129,689)</u>	<u>(163,546)</u>
NET ASSETS, beginning	<u>811,468</u>	<u>269,416</u>	<u>1,080,884</u>
NET ASSETS, ending	<u>\$ 777,611</u>	<u>\$ 139,727</u>	<u>\$ 917,338</u>

The accompanying notes are an integral part of these financial statements

PURE WATER FOR THE WORLD, INC
STATEMENTS OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 495,188	\$ 269,416	\$ 764,604
Rotary grants	116,789		116,789
Partner receipts	198,071		198,071
Program income	39,347		39,347
Trip income	17,026		17,026
Investments	7,044		7,044
Other income	8,993		8,993
Net assets released from restrictions	88,050	(88,050)	-
	<u>970,508</u>	<u>181,366</u>	<u>1,151,874</u>
Total revenues			
	<u>970,508</u>	<u>181,366</u>	<u>1,151,874</u>
EXPENSES			
Personnel expense	512,721		512,721
Implementation	294,340		294,340
Office	117,819		117,819
Vehicle expense	55,328		55,328
Payroll taxes	33,357		33,357
Travel	37,934		37,934
Housing and related expense	29,196		29,196
Depreciation	24,115		24,115
Marketing	87,452		87,452
Professional fees	25,769		25,769
Miscellaneous	11,360		11,360
Personnel expense - insurance	4,456		4,456
	<u>1,233,847</u>	<u>-</u>	<u>1,233,847</u>
Total expenses			
	<u>1,233,847</u>	<u>-</u>	<u>1,233,847</u>
CHANGE IN NET ASSETS	<u>(263,339)</u>	<u>181,366</u>	<u>(81,973)</u>
NET ASSETS, beginning	<u>1,074,807</u>	<u>88,050</u>	<u>1,162,857</u>
NET ASSETS, ending	<u>\$ 811,468</u>	<u>\$ 269,416</u>	<u>\$ 1,080,884</u>

The accompanying notes are an integral part of these financial statements

PURE WATER FOR THE WORLD, INC
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expense	\$ 449,234	\$ 69,516	\$ 69,288	\$ 588,038
Implementation	256,715	-	-	256,715
Office	111,441	12,018	27,497	150,956
Vehicle expense	55,101	-	-	55,101
Payroll taxes	22,834	6,052	6,052	34,938
Travel	27,086	4,318	4,484	35,888
Housing and related expense	20,602	-	-	20,602
Depreciation	25,608	-	-	25,608
Marketing	6,227	-	16,668	22,895
Professional fees	12,084	13,102	-	25,186
Miscellaneous	46,713	-	-	46,713
Personnel expense - insurance	4,480	-	-	4,480
TOTAL EXPENSES	<u><u>\$ 1,038,125</u></u>	<u><u>\$ 105,006</u></u>	<u><u>\$ 123,989</u></u>	<u><u>\$ 1,267,120</u></u>

The accompanying notes are an integral part of these financial statements

PURE WATER FOR THE WORLD, INC
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2015

	Program Services	Management and General	Fundraising	Total
Personnel expense	\$ 414,530	\$ 47,097	\$ 51,094	\$ 512,721
Implementation	294,340	-	-	294,340
Office	94,293	7,925	15,601	117,819
Vehicle expense	55,328	-	-	55,328
Payroll taxes	22,283	5,537	5,537	33,357
Travel	26,669	2,633	8,632	37,934
Housing and related expense	23,529	-	5,667	29,196
Depreciation	24,115	-	-	24,115
Marketing	31,842	-	55,610	87,452
Professional fees	13,719	12,050	-	25,769
Miscellaneous	11,360	-	-	11,360
Personnel expense - insurance	4,456	-	-	4,456
TOTAL EXPENSES	\$ 1,016,464	\$ 75,242	\$ 142,141	\$ 1,233,847

The accompanying notes are an integral part of these financial statements

PURE WATER FOR THE WORLD, INC
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (163,546)	\$ (81,973)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributed securities	(11,268)	(68,152)
Realized loss on sale of investments	(1,411)	1,029
Unrealized loss on investments	4,153	1,783
Depreciation expense	25,608	24,115
Changes in operating assets and liabilities:		
Increase (decrease) in:		
Deferred revenue	9,698	(6,897)
Accrued expenses	(328)	4,445
NET CASH USED FOR OPERATING ACTIVITIES	<u>(137,094)</u>	<u>(125,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(32,976)	-
Proceeds from sale of investments	223,917	252,953
Purchase of investments	(58,619)	(1,866)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>132,322</u>	<u>251,087</u>
NET INCREASE (DECREASE) IN CASH	(4,772)	125,437
CASH, beginning of year	<u>526,285</u>	<u>400,848</u>
CASH, end of year	<u>\$ 521,513</u>	<u>\$ 526,285</u>

The accompanying notes are an integral part of these financial statements

PURE WATER FOR THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 AND 2015

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 September 5, 2017, which is the date the financial statements were available to be issued.

PURE WATER FOR THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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:

	<u>2016</u>		
	<u>Costs</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>
Certificates of deposit	\$ 275,000	\$ 277,476	\$ 2,476
Money market account	53,577	53,577	-
Preferred stocks	25,557	26,800	1,243
Fixed-rate capital securities	25,771	26,660	889
	<u> </u>	<u> </u>	<u> </u>
Total investments	<u>\$ 379,905</u>	<u>\$ 384,513</u>	<u>\$ 4,608</u>

	<u>2015</u>		
	<u>Costs</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>
Certificates of deposit	\$ 425,000	\$ 426,076	\$ 1,076
Money market account	455	455	-
Common stock	13,995	13,750	(245)
Preferred stocks	25,557	24,910	(647)
Corporate bonds	50,178	51,184	1,006
Fixed-rate capital securities	25,771	24,910	(861)
	<u> </u>	<u> </u>	<u> </u>
Total investments	<u>\$ 540,956</u>	<u>\$ 541,285</u>	<u>\$ 329</u>

Investment return for the years ended June 30 was:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 9,422	\$ 9,856
Realized loss on sale of investments	(1,411)	(1,029)
Net unrealized loss	<u>4,153</u>	<u>(1,783)</u>
	<u> </u>	<u> </u>
Total investment return	<u>\$ 12,164</u>	<u>\$ 7,044</u>

PURE WATER FOR THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 – DEFERRED REVENUE

Deferred revenue consists of advance payments for the following purposes:

	<u>2016</u>	<u>2015</u>
Grants	\$ 7,846	\$ 6,250
Honduras travel deposits	20,900	11,798
Haiti travel deposits	<u>-</u>	<u>1,000</u>
Total deferred revenue	<u>\$ 28,746</u>	<u>\$ 19,048</u>

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.

The Organization also has temporarily restricted net assets for the following purposes:

	<u>2016</u>	<u>2015</u>
Temporarily restricted:		
Haiti	\$ 105,950	\$ 224,741
Honduras	15,600	44,675
Special event	<u>18,177</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 139,727</u>	<u>\$ 269,416</u>

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 was \$5,155 during the year ended June 30, 2016.

NOTE 5 – 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 and \$5,000 paid to the related party for the year ended June 30, 2016 and 2015, respectively.