

**PURE WATER FOR THE WORLD, INC.**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**PURE WATER FOR THE WORLD, INC.**  
**TABLE OF CONTENTS**  
**JUNE 30, 2017 AND 2016**

	<u>Page</u>
Independent auditors' report	1-2
Financial statements:	
Statements of assets, liabilities, and net assets – modified cash basis	3
Statements of support, revenue, and expenses – modified cash basis	4-5
Statements of functional expenses – modified cash basis	6-7
Statements of cash flows – modified cash basis	8
Notes to financial statements	9-12

---

# **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, 2017 and 2016, 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.

## **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, 2017 and 2016, 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

February 28, 2018



**PURE WATER FOR THE WORLD, INC**  
**STATEMENTS OF ASSETS, LIABILITIES, AND**  
**NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 490,003	\$ 521,513
Total current assets	<u>490,003</u>	<u>521,513</u>
<b>PROPERTY AND EQUIPMENT</b>		
Auto and trucks	186,091	183,440
Furniture and equipment	<u>5,476</u>	<u>5,476</u>
	191,567	188,916
Less - accumulated depreciation	<u>166,903</u>	<u>144,741</u>
	<u>24,664</u>	<u>44,175</u>
<b>OTHER ASSETS</b>		
Investments	<u>379,220</u>	<u>384,513</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 893,887</u></u>	<u><u>\$ 950,201</u></u>

**LIABILITIES AND NET ASSETS**

	<u>2017</u>	<u>2016</u>
<b>CURRENT LIABILITIES</b>		
Deferred revenue	\$ 14,807	\$ 28,746
Accrued expenses	<u>5,675</u>	<u>4,117</u>
Total current liabilities	<u>20,482</u>	<u>32,863</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	403,226	402,611
Designated	<u>375,000</u>	<u>375,000</u>
Total unrestricted	778,226	777,611
Temporarily restricted	<u>95,179</u>	<u>139,727</u>
Total net assets	<u>873,405</u>	<u>917,338</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 893,887</u></u>	<u><u>\$ 950,201</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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Contributions	\$ 505,473	\$ 135,692	\$ 641,165
Rotary grants	384,971	-	384,971
Partner receipts	70,449	-	70,449
Program income	122,590	-	122,590
Trip income	26,548	-	26,548
Investments	7,201	-	7,201
Other income	37,383	-	37,383
Net assets released from restrictions	180,240	(180,240)	-
	<u>1,334,855</u>	<u>(44,548)</u>	<u>1,290,307</u>
Total revenues			
<b>EXPENSES</b>			
Personnel expense	559,723	-	559,723
Implementation	360,058	-	360,058
Office	123,430	-	123,430
Vehicle expense	70,212	-	70,212
Payroll taxes	30,787	-	30,787
Travel	35,793	-	35,793
Housing and related expense	34,385	-	34,385
Depreciation	22,162	-	22,162
Marketing	29,911	-	29,911
Professional fees	13,861	-	13,861
Miscellaneous	51,934	-	51,934
Personnel expense - insurance	1,984	-	1,984
	<u>1,334,240</u>	<u>-</u>	<u>1,334,240</u>
Total expenses			
<b>CHANGE IN NET ASSETS</b>	<u>615</u>	<u>(44,548)</u>	<u>(43,933)</u>
<b>NET ASSETS, beginning</b>	<u>777,611</u>	<u>139,727</u>	<u>917,338</u>
<b>NET ASSETS, ending</b>	<u><u>\$ 778,226</u></u>	<u><u>\$ 95,179</u></u>	<u><u>\$ 873,405</u></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, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
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>
<b>EXPENSES</b>			
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>
<b>CHANGE IN NET ASSETS</b>	<u>(33,857)</u>	<u>(129,689)</u>	<u>(163,546)</u>
<b>NET ASSETS, beginning</b>	<u>811,468</u>	<u>269,416</u>	<u>1,080,884</u>
<b>NET ASSETS, ending</b>	<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**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**YEAR ENDED JUNE 30, 2017**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Personnel expense	\$ 428,084	\$ 85,210	\$ 46,429	\$ 559,723
Implementation	360,058	-	-	360,058
Office	98,795	19,190	5,445	123,430
Vehicle expense	70,212	-	-	70,212
Payroll taxes	23,923	4,000	2,864	30,787
Travel	16,605	11,914	7,274	35,793
Housing and related expense	34,385	-	-	34,385
Depreciation	22,162	-	-	22,162
Marketing	-	-	29,911	29,911
Professional fees	13,051	810	-	13,861
Miscellaneous	51,934	-	-	51,934
Personnel expense - insurance	1,984	-	-	1,984
<b>TOTAL EXPENSES</b>	<b>\$ 1,121,193</b>	<b>\$ 121,124</b>	<b>\$ 91,923</b>	<b>\$ 1,334,240</b>

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
<b>TOTAL EXPENSES</b>	<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>

**PURE WATER FOR THE WORLD, INC**  
**STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (43,933)	\$ (163,546)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributed securitites	(1,849)	(11,268)
Realized loss on sale of investments	(113)	(1,411)
Unrealized loss on investments	(2,423)	4,153
Depreciation expense	22,162	25,608
Changes in operating assets and liabilities:		
Increase (decrease) in:		
Deferred revenue	(13,939)	9,698
Accrued expenses	1,558	(328)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<u>(38,537)</u>	<u>(137,094)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,651)	(32,976)
Proceeds from sale of investments	200,591	223,917
Purchase of investments	<u>(190,913)</u>	<u>(58,619)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>7,027</u>	<u>132,322</u>
<b>NET DECREASE IN CASH</b>	(31,510)	(4,772)
<b>CASH, beginning of year</b>	<u>521,513</u>	<u>526,285</u>
<b>CASH, end of year</b>	<u><u>\$ 490,003</u></u>	<u><u>\$ 521,513</u></u>

The accompanying notes are an integral part of these financial statements

**PURE WATER FOR THE WORLD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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, 2017 AND 2016**

**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, 2018, which is the date the financial statements were available to be issued.



**PURE WATER FOR THE WORLD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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:

	<u>2017</u>		
	<u>Costs</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>
Certificates of deposit	\$ 325,000	\$ 325,003	\$ 3
Money market account	1,297	1,297	-
Preferred stocks	25,557	26,950	1,393
Fixed-rate capital securities	<u>25,771</u>	<u>25,970</u>	<u>199</u>
Total investments	<u>\$ 377,625</u>	<u>\$ 379,220</u>	<u>\$ 1,595</u>

	<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	<u>25,771</u>	<u>26,660</u>	<u>889</u>
Total investments	<u>\$ 379,905</u>	<u>\$ 384,513</u>	<u>\$ 4,608</u>

Investment return for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 9,737	\$ 9,422
Realized loss on sale of investments	(113)	(1,411)
Net unrealized loss	<u>(2,423)</u>	<u>4,153</u>
Total investment return	<u>\$ 7,201</u>	<u>\$ 12,164</u>



**PURE WATER FOR THE WORLD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 3 – DEFERRED REVENUE**

Deferred revenue consists of advance payments for the following purposes:

	<u>2017</u>	<u>2016</u>
Grants	\$ 1,100	\$ 7,846
Honduras travel deposits	11,970	20,900
Haiti travel deposits	<u>1,737</u>	<u>-</u>
Total deferred revenue	<u>\$ 14,807</u>	<u>\$ 28,746</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>2017</u>	<u>2016</u>
Temporarily restricted:		
Haiti	\$ 95,179	\$ 105,950
Honduras	-	15,600
Special event	<u>-</u>	<u>18,177</u>
Total temporarily restricted net assets	<u>\$ 95,179</u>	<u>\$ 139,727</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 \$5,408 and \$5,155 during the year ended June 30, 2017 and 2016 respectively.

**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 \$5,000 and \$2,500 paid to the related party for the year ended June 30, 2017 and 2016, respectively.