

I Am Waters Foundation, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended October 31, 2016 and 2015

I Am Waters Foundation, Inc.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of October 31, 2016 and 2015	3
Statement of Activities for the year ended October 31, 2016	4
Statement of Activities for the year ended October 31, 2015	5
Statements of Functional Expenses for the years ended October 31, 2016 and 2015	6
Statements of Cash Flows for the years ended October 31, 2016 and 2015	7
Notes to Financial Statements for the years ended October 31, 2016 and 2015	8

Independent Auditors' Report

To the Board of Directors of
I Am Waters Foundation, Inc.:

We have audited the accompanying financial statements of I Am Waters Foundation, Inc., which comprise the statements of financial position as of October 31, 2016 and 2015 and the related statements of activities, of functional expenses, and of 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.

Auditors' 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 our audits 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 auditors' 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.

Basis for Qualified Opinion

Accounting principles generally accepted in the United States of America require that an entity with both control and economic interest in another entity shall present consolidated financial statements as its general purpose financial statements. These financial statements do not include the assets, liabilities, shareholder's equity or activities of I Am Brands, Inc., a wholly-owned subsidiary. The effect on the financial statements of not consolidating the affiliated organization is disclosed in Note 3.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of I Am Waters Foundation, Inc. as of October 31, 2016 and 2015 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.

Blazek & Vetterling

March 3, 2017

I Am Waters Foundation, Inc.

Statements of Financial Position as of October 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 120,028	\$ 171,351
Prepaid and other assets <i>(Note 2)</i>	4,807	7,294
Pledges receivable		11,520
Inventory	29,946	31,800
Intangible assets	<u>63,872</u>	<u>63,872</u>
 TOTAL ASSETS	 <u>\$ 218,653</u>	 <u>\$ 285,837</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses <i>(Note 2)</i>	<u>\$ 11,734</u>	<u>\$ 19,888</u>
Net assets:		
Unrestricted	206,919	254,529
Temporarily restricted for future periods	<u> </u>	<u>11,420</u>
Total net assets	<u>206,919</u>	<u>265,949</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 218,653</u>	 <u>\$ 285,837</u>

See accompanying notes to financial statements.

I Am Waters Foundation, Inc.

Statement of Activities for the year ended October 31, 2016

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 56,976	\$ 30,000	\$ 86,976
In-kind contributions (<i>Note 4</i>)	192,381		192,381
Special event revenue	344,298		344,298
Direct donor benefit costs	<u>(69,467)</u>	<u> </u>	<u>(69,467)</u>
Total revenue	524,188	30,000	554,188
Satisfaction of donor restrictions:			
Program expenditures	30,000	(30,000)	
Time restrictions	<u>11,420</u>	<u>(11,420)</u>	<u> </u>
Total	<u>565,608</u>	<u>(11,420)</u>	<u>554,188</u>
EXPENSES:			
Water program	369,110		369,110
Management and general	103,521		103,521
Fundraising	<u>140,587</u>		<u>140,587</u>
Total expenses	<u>613,218</u>		<u>613,218</u>
CHANGES IN NET ASSETS	(47,610)	(11,420)	(59,030)
Net assets, beginning of year	<u>254,529</u>	<u>11,420</u>	<u>265,949</u>
Net assets, end of year	<u>\$ 206,919</u>	<u>\$ 0</u>	<u>\$ 206,919</u>

See accompanying notes to financial statements.

I Am Waters Foundation, Inc.

Statement of Activities for the year ended October 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 67,297	\$ 38,420	\$ 105,717
In-kind contributions (<i>Note 4</i>)	161,884		161,884
Special event revenue	615,463		615,463
Direct donor benefit costs	<u>(91,238)</u>	<u> </u>	<u>(91,238)</u>
Total revenue	753,406	38,420	791,826
Satisfaction of donor restrictions:			
Program expenditures	<u>27,000</u>	<u>(27,000)</u>	<u> </u>
Total	<u>780,406</u>	<u>11,420</u>	<u>791,826</u>
EXPENSES:			
Water program	494,469		494,469
Management and general	117,480		117,480
Fundraising	<u>107,391</u>		<u>107,391</u>
Total expenses	<u>719,340</u>		<u>719,340</u>
CHANGES IN NET ASSETS	61,066	11,420	72,486
Net assets, beginning of year	<u>193,463</u>	<u>0</u>	<u>193,463</u>
Net assets, end of year	<u>\$ 254,529</u>	<u>\$ 11,420</u>	<u>\$ 265,949</u>

See accompanying notes to financial statements.

I Am Waters Foundation, Inc.

Statements of Functional Expenses for the years ended October 31, 2016 and 2015

	<u>WATER PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2016 TOTAL</u>
Salaries and related expenses	\$ 136,860	\$ 47,217	\$ 61,458	\$ 245,535
Direct services – water distribution	164,039			164,039
Professional services	27,489	28,000	32,468	87,957
Printing and publications	3,836	5,601	20,406	29,843
Occupancy	15,682	5,316	2,117	23,115
Travel	8,367	2,200	4,200	14,767
Marketing	2,550	634	10,523	13,707
Fees	2,506	2,216	2,618	7,340
Supplies	2,308	3,033	1,341	6,682
Communication and technology	1,627	2,864	873	5,364
Insurance	1,474	2,931		4,405
Other	<u>2,372</u>	<u>3,509</u>	<u>4,583</u>	<u>10,464</u>
Total expenses	<u>\$ 369,110</u>	<u>\$ 103,521</u>	<u>\$ 140,587</u>	613,218
Direct donor benefit costs				<u>69,467</u>
Total				<u>\$ 682,685</u>

	<u>WATER PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2015 TOTAL</u>
Salaries and related expenses	\$ 187,436	\$ 67,312	\$ 34,186	\$ 288,934
Direct services – water distribution	246,927			246,927
Professional services	28,848	28,421	31,562	88,831
Printing and publications			19,429	19,429
Occupancy	12,764	4,382	1,905	19,051
Travel	5,611	336	815	6,762
Marketing	1,365	812	9,975	12,152
Fees	1,834	5,316	239	7,389
Supplies	2,803	2,058	2,638	7,499
Communication and technology	2,152	2,696	4,606	9,454
Insurance	1,819	2,735		4,554
Other	<u>2,910</u>	<u>3,412</u>	<u>2,036</u>	<u>8,358</u>
Total expenses	<u>\$ 494,469</u>	<u>\$ 117,480</u>	<u>\$ 107,391</u>	719,340
Direct donor benefit costs				<u>91,238</u>
Total				<u>\$ 810,578</u>

See accompanying notes to financial statements.

I Am Waters Foundation, Inc.

Statements of Cash Flows for the years ended October 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (59,030)	\$ 72,486
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Prepaid and other assets	2,487	(1,540)
Pledges receivable	11,520	(11,420)
Inventory	1,854	15,194
Accounts payable and accrued expenses	<u>(8,154)</u>	<u>9,452</u>
Net cash provided (used) by operating activities	<u>(51,323)</u>	<u>84,172</u>
NET CHANGE IN CASH	(51,323)	84,172
Cash, beginning of year	<u>171,351</u>	<u>87,179</u>
Cash, end of year	<u>\$ 120,028</u>	<u>\$ 171,351</u>

See accompanying notes to financial statements.

I Am Waters Foundation, Inc.

Notes to Financial Statements for the years ended October 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – I Am Waters Foundation, Inc. (I Am Waters) was founded in 2009 and incorporated under the Texas Nonprofit Corporation Act to provide fresh, clean water to the homeless. The goal is to enrich the lives of America’s homeless by providing a continuous source of fresh clean bottled water, delivered with a daily, inspirational message of hope, love and a sense of belonging to the greater community. I Am Waters distributes bottled water to the homeless through partnerships and strategic alliances with existing homeless organizations and shelters that already have a distribution network or facilities serving the homeless. I Am Waters currently serves major cities in Texas, New York, Oklahoma, Louisiana, Arkansas, and in Washington, D.C.

I Am Brands, Inc. (I Am Brands) was formed on February 26, 2013 to create, expand, support, and sustain the mission of I Am Waters by selling a highly innovative and uniquely branded bottle of water with the sole purpose of serving the needs of America’s homeless. Net profits from the sale of water sold are to provide support for the mission of I Am Waters. I Am Waters owns 100% of the outstanding shares of I Am Brands. These financial statements do not include the activities or transactions of I Am Brands, as disclosed in Note 3.

Federal income tax status – I Am Waters is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material.

Inventory consists of water bottles and related supplies for distribution to the homeless through community service organizations serving the homeless population. Inventory is stated at the lower of cost (first-in, first-out basis) or market. Inventory consists of materials of \$8,328 and \$11,048 and finished goods of \$21,618 and \$20,752 for the years ended October 31, 2016 and 2015, respectively.

Intangible assets – I Am Waters has developed and licensed trademarks for use by both I Am Waters and I Am Brands. These trademarks were determined to have indefinite lives and are reviewed annually for impairment or more often if impairment indicators arise.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends temporarily restricted net assets are released to unrestricted net assets.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Donated materials, use of facilities and services – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. See additional information regarding in-kind contributions in Note 4.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – RELATED PARTY TRANSACTIONS

I Am Waters and I Am Brands share certain administrative costs, including office space. The President and Founder’s spouse provided in-kind office space with an estimated fair value of \$19,000 during the years ending October 31, 2016 and 2015.

I Am Waters sold water bottle supplies to I am Brands in the amount of \$3,513 during 2016. A total amount of \$3,513 is due from I Am Brands at October 31, 2016 and is included in prepaid and other assets. I Am Waters purchased water bottle supplies from I Am Brands during 2015 for a total amount of \$6,840. A total amount of \$6,840 from I Am Brands is included as accounts payable as of October 31, 2015.

NOTE 3 – FINANCIAL INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

Summarized financial information as of and for the years ended October 31, 2016 and 2015 for I Am Brands is as follows:

	<u>2016</u>	<u>2015</u>
Assets	\$11,770	\$33,336
Liabilities	\$305,635	\$214,965
Equity	\$(293,865)	\$(181,629)
Revenue	\$14,237	\$12,243
Expenses	\$126,473	\$167,197

The President and Founder of I Am Waters and I Am Brands provided unsecured loans at a rate of 2.74% to I Am Brands with a balance of \$282,500 for the year ended October 31, 2016.

NOTE 4 – IN-KIND CONTRIBUTIONS AND EXPENSES

In-kind contributions at October 31, 2016 were recognized as the following expenses:

	<u>WATER PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
President and Founder’s contributed services	\$ 78,000	\$ 12,000	\$ 30,000	\$ 120,000
Office rent and supplies	15,682	5,316	2,117	23,115
Professional services			16,975	16,975
Water supplies	9,814			9,814
Printing and publications			8,887	8,887
Other		698	12,892	13,590
Total in-kind contributions	<u>\$ 103,496</u>	<u>\$ 18,014</u>	<u>\$ 70,871</u>	<u>\$ 192,381</u>

In-kind contributions at October 31, 2015 were recognized as the following expenses:

	<u>WATER PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
President and Founder’s contributed services	\$ 78,000	\$ 12,000	\$ 30,000	\$ 120,000
Office rent and supplies	12,764	4,381	2,289	19,434
Printing and publications			15,600	15,600
Other			6,850	6,850
Total in-kind contributions	<u>\$ 90,764</u>	<u>\$ 16,381</u>	<u>\$ 54,739</u>	<u>\$ 161,884</u>

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 3, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
