

I Am Waters Foundation, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended October 31, 2017 and 2016

I Am Waters Foundation, Inc.

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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, 2017 and 2016 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, 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.

Blazek & Vetterling

February 21, 2018

I Am Waters Foundation, Inc.

Statements of Financial Position as of October 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|--------------------------|--------------------------|
| ASSETS | | |
| Cash | \$ 199,935 | \$ 120,028 |
| Prepaid and other assets (<i>Note 2</i>) | 290 | 4,807 |
| Inventory | 18,291 | 29,946 |
| Intangible assets | <u>63,872</u> | <u>63,872</u> |
| TOTAL ASSETS | <u>\$ 282,388</u> | <u>\$ 218,653</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | <u>\$ 14,923</u> | <u>\$ 11,734</u> |
| Net assets: | | |
| Unrestricted | 240,562 | 206,919 |
| Temporarily restricted for water program | <u>26,903</u> | <u> </u> |
| Total net assets | <u>267,465</u> | <u>206,919</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 282,388</u> | <u>\$ 218,653</u> |

See accompanying notes to financial statements.

I Am Waters Foundation, Inc.

Statement of Activities for the year ended October 31, 2017

| | <u>UNRESTRICTED</u> | TEMPORARILY <u>RESTRICTED</u> | <u>TOTAL</u> |
|---|---------------------|----------------------------------|-------------------|
| REVENUE: | | | |
| Contributions | \$ 377,170 | \$ 77,829 | \$ 454,999 |
| In-kind contributions (<i>Note 4</i>) | 190,994 | | 190,994 |
| Other revenue | <u>7,869</u> | | <u>7,869</u> |
| Total revenue | 576,033 | 77,829 | 653,862 |
| Satisfaction of donor restrictions: | | | |
| Program expenditures | <u>50,926</u> | <u>(50,926)</u> | |
| Total | <u>626,959</u> | <u>26,903</u> | <u>653,862</u> |
| EXPENSES: | | | |
| Water program | 411,556 | | 411,556 |
| Management and general | 103,726 | | 103,726 |
| Fundraising | <u>78,034</u> | | <u>78,034</u> |
| Total expenses | <u>593,316</u> | | <u>593,316</u> |
| CHANGES IN NET ASSETS | 33,643 | 26,903 | 60,546 |
| Net assets, beginning of year | <u>206,919</u> | <u>0</u> | <u>206,919</u> |
| Net assets, end of year | <u>\$ 240,562</u> | <u>\$ 26,903</u> | <u>\$ 267,465</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>(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> | |
| 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.

Statements of Functional Expenses for the years ended October 31, 2017 and 2016

| | <u>WATER PROGRAM</u> | <u>MANAGEMENT AND GENERAL</u> | <u>FUNDRAISING</u> | <u>2017 TOTAL</u> |
|--------------------------------------|--------------------------|-----------------------------------|--------------------|-----------------------|
| Salaries and related expenses | \$ 161,824 | \$ 49,431 | \$ 39,626 | \$ 250,881 |
| Direct services – water distribution | 199,080 | | | 199,080 |
| Marketing | 4,000 | 4,766 | 27,635 | 36,401 |
| Professional services | 7,094 | 27,473 | 300 | 34,867 |
| Occupancy | 16,415 | 5,635 | 2,450 | 24,500 |
| License fees | 3,515 | 3,709 | 2,595 | 9,819 |
| Communication and technology | 2,711 | 4,351 | 1,650 | 8,712 |
| Printing and publications | 4,244 | 2,133 | 1,760 | 8,137 |
| Travel | 6,218 | 111 | 944 | 7,273 |
| Insurance | 3,019 | 1,628 | | 4,647 |
| Supplies | 332 | 2,430 | 1,074 | 3,836 |
| Other | <u>3,104</u> | <u>2,059</u> | | <u>5,163</u> |
| Total expenses | <u>\$ 411,556</u> | <u>\$ 103,726</u> | <u>\$ 78,034</u> | <u>\$ 593,316</u> |

| | <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 |
| Marketing | 2,550 | 634 | 10,523 | 13,707 |
| Professional services | 27,489 | 28,000 | 32,468 | 87,957 |
| Occupancy | 15,682 | 5,316 | 2,117 | 23,115 |
| License fees | 2,506 | 2,216 | 2,618 | 7,340 |
| Communication and technology | 1,627 | 2,864 | 873 | 5,364 |
| Printing and publications | 3,836 | 5,601 | 20,406 | 29,843 |
| Travel | 8,367 | 2,200 | 4,200 | 14,767 |
| Insurance | 1,474 | 2,931 | | 4,405 |
| Supplies | 2,308 | 3,033 | 1,341 | 6,682 |
| 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> |

See accompanying notes to financial statements.

I Am Waters Foundation, Inc.

Statements of Cash Flows for the years ended October 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 60,546 | \$ (59,030) |
| 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 | 4,517 | 14,007 |
| Inventory | 11,655 | 1,854 |
| Accounts payable and accrued expenses | <u>3,189</u> | <u>(8,154)</u> |
| Net cash provided (used) by operating activities | <u>79,907</u> | <u>(51,323)</u> |
| NET CHANGE IN CASH | 79,907 | (51,323) |
| Cash, beginning of year | <u>120,028</u> | <u>171,351</u> |
| Cash, end of year | <u>\$ 199,935</u> | <u>\$ 120,028</u> |

See accompanying notes to financial statements.

I Am Waters Foundation, Inc.

Notes to Financial Statements for the years ended October 31, 2017 and 2016

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).

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 \$4,161 and \$8,328 and finished goods of \$14,130 and \$21,618 for the years ended October 31, 2017 and 2016, 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. In 2017, approximately \$191,000 or 30% of contributions were from two donors. In 2016, approximately \$120,000 or 19% of total contributions were from one donor.

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 ended October 31, 2017 and 2016.

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 was due from I Am Brands at October 31, 2016 and is included in prepaid and other assets. There were no significant sales and purchasing activity between I Am Brands and I Am Waters in fiscal year 2017.

NOTE 3 – FINANCIAL INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

Summarized financial information as of and for the years ended October 31, 2017 and 2016 for I Am Brands is as follows:

| | <u>2017</u> | <u>2016</u> |
|-------------|-------------|-------------|
| Assets | \$38,911 | \$11,770 |
| Liabilities | \$375,768 | \$305,635 |
| Equity | \$(336,857) | \$(293,865) |
| Revenue | \$31,410 | \$14,237 |
| Expenses | \$74,402 | \$126,473 |

The President and Founder of I Am Waters and I Am Brands provided unsecured, interest-bearing loans at a rate of 2.74% to I Am Brands. Balances of \$339,500 and \$282,500 are due for the years ended October 31, 2017 and 2016, respectively.

NOTE 4 – IN-KIND CONTRIBUTIONS AND EXPENSES

In-kind contributions at October 31, 2017 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 | \$ 96,000 | \$ 12,000 | \$ 12,000 | \$ 120,000 |
| Water supplies | 46,294 | | | 46,294 |
| Office rent and supplies | 17,150 | 4,900 | 2,450 | 24,500 |
| Professional services | <u> </u> | <u>200</u> | <u> </u> | <u>200</u> |
| Total in-kind contributions | <u>\$ 159,444</u> | <u>\$ 17,100</u> | <u>\$ 14,450</u> | <u>\$ 190,994</u> |

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 |
| Water supplies | 9,814 | | | 9,814 |
| Office rent and supplies | 15,682 | 5,316 | 2,117 | 23,115 |
| Professional services | | | 16,975 | 16,975 |
| Printing and publications | | | 8,887 | 8,887 |
| Other | <u> </u> | <u>698</u> | <u>12,892</u> | <u>13,590</u> |
| Total in-kind contributions | <u>\$ 103,496</u> | <u>\$ 18,014</u> | <u>\$ 70,871</u> | <u>\$ 192,381</u> |

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 21, 2018, 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.
