

WINE TO WATER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

**WINE TO WATER
TABLE OF CONTENTS
DECEMBER 31, 2012**

	<u>Page Number</u>
Independent Auditor's Report	1
<u>Basic Financial Statements</u>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-8

BRYCE HOLDER, CPA, P.A.

**CERTIFIED PUBLIC ACCOUNTANT
820 STATE FARM ROAD, SUITE F
BOONE, NORTH CAROLINA 28607
TELEPHONE (828) 264-3595
TOLL FREE (800) 456-3595
FAX (828) 264-3586**

BRYCE HOLDER, CPA
KATHLEEN R. MITCHELL, CPA

MAILING ADDRESS:
POST OFFICE BOX 1908
BOONE, NORTH CAROLINA 28607

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wine to Water

We have audited the accompanying financial statements of Wine to Water (a nonprofit organization), which comprises the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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 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 of 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 Wine to Water as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


Boone, NC
September 27, 2013

**WINE TO WATER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012**

ASSETS

CURRENT ASSETS:

Cash - undesignated	\$ 44,985
Cash - designated for specific purposes	19,418
Inventory	4,686
Tax refund receivable	393
Prepaid expenses	110
Accounts receivable	<u>4,967</u>
Total Current Assets	<u>74,559</u>

PROPERTY AND EQUIPMENT:

Machinery and equipment	31,737
Furniture	2,631
Less: accumulated depreciation	<u><22,791></u>
Net Property and Equipment	<u>11,577</u>

Total Assets	\$ <u>86,136</u>
--------------	------------------

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES:

Payroll taxes payable	\$ 4,037
Accounts payable	<u>137</u>
Total Current Liabilities	<u>4,174</u>

LONG-TERM LIABILITIES:

None	<u> --</u>
------	---------------

Total Liabilities	<u>4,174</u>
-------------------	--------------

NET ASSETS:

Unrestricted:

Operating	46,281
Designated for specific purposes	24,104
Invested in property and equipment	<u>11,577</u>
Total Unrestricted	<u>81,962</u>

Total Net Assets	<u>81,962</u>
------------------	---------------

Total Liabilities and Net Assets	\$ <u>86,136</u>
----------------------------------	------------------

See accompanying notes to financial statements.

**WINE TO WATER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Undesignated</u>	<u>Designated for Specific Purposes</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Public Support	\$ 584,506	54,680	638,886
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	<u>62,493</u>	<u><62,493></u>	<u>---</u>
Total Support and Revenue	<u>646,699</u>	<u><7,813></u>	<u>638,886</u>
EXPENSES:			
Program Expenses	444,151	--	444,151
Management and General Expenses	95,794	--	95,794
Fundraising Expenses	<u>113,934</u>	<u>---</u>	<u>113,934</u>
Total Expenses	<u>653,879</u>	<u>---</u>	<u>653,879</u>
CHANGE IN NET ASSETS	<u><7,180></u>	<u><7,813></u>	<u><14,993></u>
NET ASSETS:			
Beginning of Year, January 1, 2012	<u>65,038</u>	<u>31,917</u>	<u>96,955</u>
End of Year, December 31, 2012	\$ <u>57,858</u>	<u>24,104</u>	<u>81,962</u>

See accompanying notes to financial statements.

**WINE TO WATER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

FUNCTIONAL EXPENSES	<u>Program Expenses</u>	<u>Management & General Expenses</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Grants to others	\$ 267,324	-	-	267,324
Wine and book expenses	31,652	-	-	31,652
Salaries	45,399	47,213	53,092	145,704
Payroll taxes and benefits	10,732	9,287	14,451	34,470
Professional fees	725	3,285	2,990	7,000
Office supplies	-	2,028	-	2,028
Postage	-	1,297	971	2,268
Bank charges	327	5,965	-	6,292
Printing	18	1,666	10,987	12,671
Telephone and internet	7,296	1,834	4,335	13,465
Insurance	-	4,369	-	4,369
Advertising	-	13	1,968	1,981
Vehicle expenses	2,152	735	3,331	6,218
Licenses and fees	-	1,229	270	1,499
Depreciation	-	8,278	-	8,278
Meals and entertainment	1,318	1,194	512	3,024
Travel and lodging	14,327	911	5,730	20,968
Education and awareness	32	-	1,100	1,132
Occupancy	7,445	6,187	10,582	24,214
Office expenses	-	229	3,615	3,844
Project supplies and materials	55,404	-	-	55,404
Interest expense	-	74	-	74
TOTAL FUNCTIONAL EXPENSES	\$ 444,151	95,794	113,934	653,879

See accompanying notes to financial statements.

**WINE TO WATER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ <14,993>
Adjustments to reconcile "change in net assets" to net cash provided by operating activities:	
Depreciation expense	8,278
Increase in accounts receivable	<4,195>
Increase in inventory	<2,651>
Decrease in prepaid expenses	399
Increase in tax refund receivable	<393>
Increase in payroll taxes payable	1,021
Decrease in accounts payable	<u><97></u>
Net cash provided by operating activities	< <u>12,631</u> >

CASH FLOWS FOR INVESTING ACTIVITIES:

Purchase of equipment and improvements	<u><6,728></u>
Net cash used for investing activities	<u><6,728></u>

 Net decrease in cash <19,359>

CASH, Beginning of year 83,762

CASH, End of year \$ 64,403

Cash - undesignated \$ 44,985

Cash - designated for specific purposes 19,418

\$ 64,403

Interest expense 74

See accompanying notes to financial statements.

WINE TO WATER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1 - Organization:

Wine to Water (hereinafter referred to as the Organization) was organized in 2007 as a North Carolina nonprofit corporation. Its purpose is to educate and raise awareness about the global water crisis while also providing clean water and sanitation to those in need. The organization's income is primarily from private and public grants, individual contributions, and corporate contributions.

Note 2 - Summary of Significant Accounting Policies:

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting. Under this method, support and revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which a liability is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization uses two of the three classes of net assets. The Organization did not receive any contributions with donor-imposed restrictions that would be classified as permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of 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.

**WINE TO WATER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 2 - Summary of Significant Accounting Policies (continued):

Property and Equipment

Property and equipment are recorded at cost or at estimated value at the date of the gift, if donated. Depreciation is computed over the estimated useful lives of the property using the straight-line method of depreciation.

Donated Services and Materials

It is the policy of Wine to Water to record the value of donated services, materials and facilities usage provided there is an objective basis with which to value such donations. The value of general volunteer services are not recorded, because there is no objective basis with which to value the volunteer time, although the operations of the Organization is supported by a considerable amount of volunteer time. Likewise, goods and materials are donated to the Organization for use in providing clean water and education. The value of such donations has been recorded in the financial statements at their fair market value.

Income Taxes

Wine to Water is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Wine to Water has also been classified by the Internal Revenue Service as being an organization "other than a private foundation."

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Instruments such as accounts receivable, accounts payable, accrued expenses, notes receivable or payable that are currently due, and cash equivalents will typically be received or paid within a short period of time after the balance sheet date. Wine to Water estimates the fair value of these items to be the same as their carrying value.

Functional Allocation of Expenses

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

Cash and Cash Equivalents

For purposes of financial statement presentation, Wine to Water considers all bank accounts, certificates of deposit, interest accrued on certificates of deposits, and petty cash funds to be cash and cash equivalents. The cash reflected on Wine to Water's financial statements as of December 31, 2012, consisted of four checking accounts and a petty cash fund.

**WINE TO WATER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 3 - Net Assets:

The Organization's Board of Directors has designated portions of the net assets to be used for purposes other than general operations as follows:

Program Services - The balances of three checking accounts totaling \$19,418 have been designated as a temporary "cushion" to cover operating expenses associated with the fundraising efforts of the in house wine program.

A portion of the net assets is invested in property and equipment and thus is not intended to represent net assets available to pay operating expenses.

Note 4 - Temporarily Designated Net Assets:

Net assets were released from designations by incurring expenses satisfying the purpose specified as follows:

Wine Program and Book Expenses	\$ 62,493
--------------------------------	-----------

Note 5 - Grants to Others:

The Organization's purpose of providing clean water to those in need is carried out by funding projects in areas of low income and limited resources around the world. The total funds for these projects amounted to \$267,434 for the year ended December 31, 2012.

Note 6 - Related Parties:

The Organization's Board of Directors includes representation from multiple members of three separate families.