

Water Missions International

WATER MISSIONS INTERNATIONAL

Financial Statements
With Independent Auditors' Report

September 30, 2013 and 2012

WATER MISSIONS INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Water Missions International
Charleston, SC

We have audited the accompanying financial statements of Water Missions International, which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, cash flows and statements of functional expenses for the years then ended, and the related notes to the financial

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 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 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.

(continued)

Board of Trustees
Water Missions International
Charleston, South Carolina

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Water Missions Incorporated as of September 30, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 13 to the financial statements, the gift-in-kind portions of donated materials and purchased inventory were not completely recorded on certain items, resulting in an unintended overstatement of expenses and an understatement of inventory and unrestricted net assets as of September 30, 2012. Accordingly, adjustments have been made to the statements of financial position and activities as of September 30, 2012, to correct the error. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Columbia, South Carolina
March 14, 2014

WATER MISSIONS INTERNATIONAL

Statements of Financial Position

	September 30,	
	2013	2012 (as restated)
ASSETS:		
Cash and cash equivalents	\$ 4,176,705	\$ 3,369,273
Contributions receivable–net	769,671	977,735
Prepaid expenses and other assets	943,102	433,725
Inventory–net	1,455,168	1,616,720
Property and equipment–net	671,173	306,082
Total Assets	\$ 8,015,819	\$ 6,703,535
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 141,487	\$ 90,229
Accrued expenses	135,347	64,510
	276,834	154,739
Net assets:		
Unrestricted	4,527,878	3,692,167
Temporarily restricted	3,211,107	2,856,629
Total net assets	7,738,985	6,548,796
Total Liabilities and Net Assets	\$ 8,015,819	\$ 6,703,535

See notes to financial statements

WATER MISSIONS INTERNATIONAL

Statements of Activities

	Year Ended September 30, 2013		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 2,564,189	\$ 4,604,699	\$ 7,168,888
Gifts-in-kind	1,531,937	-	1,531,937
Sales revenue	186,166	-	186,166
Special events revenues	286,073	-	286,073
Special events direct cost	(112,506)	-	(112,506)
Interest income	16,200	-	16,200
Other income	16,208	-	16,208
Total Support and Revenue	4,488,267	4,604,699	9,092,966
RECLASSIFICATIONS:			
Net assets released from restriction	4,250,221	(4,250,221)	-
EXPENSES:			
Program services:			
Community development	6,214,583	-	6,214,583
Disaster response	103,637	-	103,637
Research and development	77,051	-	77,051
Advocacy	17,955	-	17,955
	6,413,226	-	6,413,226
Supporting activities:			
Management and general	503,683	-	503,683
Fund-raising	985,868	-	985,868
	1,489,551	-	1,489,551
Total Expenses	7,902,777	-	7,902,777
Change in Net Assets	835,711	354,478	1,190,189
Net Assets, Beginning of Year	3,692,167	2,856,629	6,548,796
Net Assets, End of Year	\$ 4,527,878	\$ 3,211,107	\$ 7,738,985

See notes to financial statements

WATER MISSIONS INTERNATIONAL

Statements of Activities

	Year Ended September 30, 2012 (as restated)		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 2,305,441	\$ 4,440,664	\$ 6,746,105
Gifts-in-kind	1,214,815	-	1,214,815
Sales revenue	209,149	-	209,149
Special events revenues	204,897	-	204,897
Special events direct cost	(79,543)	-	(79,543)
Interest income	18,793	-	18,793
Other income	15,813	-	15,813
Total Support and Revenue	3,889,365	4,440,664	8,330,029
RECLASSIFICATIONS:			
Net assets released from restriction	3,805,884	(3,805,884)	-
EXPENSES:			
Program services:			
Community development	5,639,231	-	5,639,231
Disaster response	113,565	-	113,565
Research and development	316,574	-	316,574
Advocacy	11,414	-	11,414
	6,080,784	-	6,080,784
Supporting activities:			
Management and general	436,650	-	436,650
Fund-raising	675,793	-	675,793
	1,112,443	-	1,112,443
Total Expenses	7,193,227	-	7,193,227
Change in Net Assets	502,022	634,780	1,136,802
Net Assets, Beginning of Year	3,190,145	2,221,849	5,411,994
Net Assets, End of Year	\$ 3,692,167	\$ 2,856,629	\$ 6,548,796

See notes to financial statements

WATER MISSIONS INTERNATIONAL

Statement of Functional Expenses

Year Ended September 30, 2013

	Program Services				Total Program Services	Supporting Activities			Total Expenses
	Community Development	Disaster Response	Research and Development	Advocacy		Management and General	Fund- raising	Total Supporting Activities	
Salaries and benefits	\$ 1,091,053	\$ 11,381	\$ 3,870	\$ 6,532	\$ 1,112,836	\$ 299,516	\$ 456,446	\$ 755,962	\$ 1,868,798
Professional services	1,159,190	1,637	48,616	7,608	1,217,051	58,006	106,030	164,036	1,381,087
Supplies	133,852	1,195	4,610	3,412	143,069	38,136	281,609	319,745	462,814
Occupancy	393,573	1,852	6,185	-	401,610	13,916	10,223	24,139	425,749
Vehicle	376,905	286	-	-	377,191	880	-	880	378,071
Depreciation	97,739	-	-	-	97,739	26,072	16,990	43,062	140,801
Travel	610,398	2,758	930	403	614,489	33,020	77,265	110,285	724,774
Product and transport	2,027,791	55,611	11,204	-	2,094,606	28	3,435	3,463	2,098,069
Cost of sales	188,269	-	-	-	188,269	-	-	-	188,269
Other expenses	135,813	28,917	1,636	-	166,366	34,109	33,870	67,979	234,345
	<u>\$ 6,214,583</u>	<u>\$ 103,637</u>	<u>\$ 77,051</u>	<u>\$ 17,955</u>	<u>\$ 6,413,226</u>	<u>\$ 503,683</u>	<u>\$ 985,868</u>	<u>\$ 1,489,551</u>	<u>\$ 7,902,777</u>

See notes to financial statements

WATER MISSIONS INTERNATIONAL

Statement of Functional Expenses

Year Ended September 30, 2012
(as restated)

	Program Services				Total Program Services	Supporting Activities			Total Expenses
	Community Development	Disaster Response	Research and Development	Advocacy		Management and General	Fund- raising	Total Supporting Activities	
Salaries and benefits	\$ 922,311	\$ 25,249	\$ 43,572	\$ 10,502	\$ 1,001,634	\$ 270,366	\$ 348,706	\$ 619,072	\$ 1,620,706
Professional services	990,969	9,051	224,333	600	1,224,953	67,720	127,516	195,236	1,420,189
Supplies	163,751	3,677	12,509	115	180,052	25,729	85,098	110,827	290,879
Occupancy	281,272	50	2,483	-	283,805	22,380	5,052	27,432	311,237
Vehicle	199,703	-	38	-	199,741	892	230	1,122	200,863
Depreciation	120,438	-	19	-	120,457	13,680	2,048	15,728	136,185
Travel	535,986	1,667	4,501	153	542,307	10,043	77,060	87,103	629,410
Product and transport	2,271,251	8,569	7,648	19	2,287,487	-	10,076	10,076	2,297,563
Cost of sales	149,759	46,514	-	-	196,273	-	-	-	196,273
Other expenses	3,791	18,788	21,471	25	44,075	25,840	20,007	45,847	89,922
	\$ 5,639,231	\$ 113,565	\$ 316,574	\$ 11,414	\$ 6,080,784	\$ 436,650	\$ 675,793	\$ 1,112,443	\$ 7,193,227

See notes to financial statements

WATER MISSIONS INTERNATIONAL

Statements of Cash Flows

	Year Ended September 30,	
	2013	2012 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,190,189	\$ 1,136,802
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	140,801	136,185
Donated securities	(158,605)	(4,005)
Additions of donated inventory	(472,499)	(603,088)
Distribution of donated inventory	411,574	519,764
Noncash contributions of property and equipment	(469,924)	(37,838)
Changes in operating assets and liabilities:		
Contributions receivable	208,064	(821,856)
Prepaid expenses	(509,377)	(41,942)
Inventory	222,477	(159,634)
Accounts payable	51,258	(80,670)
Accrued expenses	70,837	16,782
	<u>684,795</u>	<u>60,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of donated securities	158,605	4,005
Purchase of property and equipment	(35,968)	(87,357)
	<u>122,637</u>	<u>(83,352)</u>
Net Cash Provided (Used) by Investing Activities		
	<u>807,432</u>	<u>(22,852)</u>
Net Change in Cash and Cash Equivalents		
	<u>3,369,273</u>	<u>3,392,125</u>
Cash and Cash Equivalents, Beginning of Year		
	<u>\$ 4,176,705</u>	<u>\$ 3,369,273</u>
SUPPLEMENTAL DISCLOSURES:		
Noncash investing activities:		
Donated inventory	<u>\$ 472,499</u>	<u>\$ 603,088</u>
Donated securities, property, and equipment	<u>\$ 628,529</u>	<u>\$ 41,843</u>

See notes to financial statements

WATER MISSIONS INTERNATIONAL

Notes to Financial Statements

Years Ended September 30, 2013 and 2012

1. NATURE OF ORGANIZATION:

Water Missions International (WMI) is a nonprofit organization formed under the laws of South Carolina in 2001. The mission of WMI is to be a best in class Christian engineering ministry that transforms lives through sustainable safe water sanitation solutions and the Gospel of Jesus Christ. The vision is that WMI will be recognized as a global leader in transformational safe water solutions by 2017.

WMI serves people in developing countries and in disaster areas throughout the world. WMI has a field office in Honduras in which all assets, liabilities, revenues, and expenses are included in these financial statements. WMI also works closely with several affiliated organizations and has related programming in Belize, Haiti, Indonesia, Kenya, Malawi, Mexico, Peru, and Uganda.

WMI accomplishes its ministry through the following programs:

Community Development—WMI's community development projects provide safe water and/or sanitation to communities, schools, hospitals, and orphanages in developing countries through a variety of customized, comprehensive solutions. WMI works in collaboration with local Christian ministry partners who share WMI's mission to meet physical and spiritual needs. All safe water project include water source development, treatment, storage, distribution, community development, microenterprise training, water, sanitation and hygiene (WASH) training, and post-commissioning monitoring evaluation.

Disaster Response—WMI's disaster response projects provide safe water aid and a Christian witness worldwide in response to natural and man-made disasters.

Research and Development—WMI conducts product and process research and development for water and sanitation technologies.

Advocacy—WMI provides services and programming (i.e., Lessons in a Bucket) to increase awareness about global water crisis and actions that can be taken to provide solutions.

WMI depends on cash contributions and gifts-in-kind primarily received from individuals, churches, foundations, and corporations. WMI is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. Significant estimates in these financial statements include the allocation of expenses on a functional basis and the estimated useful lives of long-lived assets.

WATER MISSIONS INTERNATIONAL

Notes to Financial Statements

Years Ended September 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and savings accounts, money market accounts, and certificates of deposit with original maturities of less than 90 days. These accounts are located in the United States and in foreign countries. Accounts in the United States may, at times, exceed federally insured limits. WMI has not experienced any losses in such accounts.

Cash balances of foreign subsidiaries are under the control of WMI, and management believes the assets are properly stated at the date of this report. Total cash and cash equivalents held in foreign accounts amounted to \$95,630 and \$47,500 as of September 30, 2013 and 2012, respectively. Currency translation adjustments of \$(60,193) and \$(885) for the years ended September 30, 2013 and 2012, respectively, are included in the statements of activities. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

CONTRIBUTIONS RECEIVABLE

Contributions receivable include unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Those expected to be collected in more than one year are reported at the present value of their estimated future cash flows using a risk-free interest rate at the date of pledge to determine the discounts. The risk-free interest rates range from 0.25% to 1.09%. Amortization of discounts is included in contribution revenue. Management established an allowance of \$-0- and \$-0-, respectively, for uncollectibility of certain pledges receivable as of September 30, 2013 and 2012. Management has not established an allowance for doubtful accounts as it feels all contributions receivable are fully collectible.

Contributions receivable also include amounts due from outside organizations who process credit card donations and marketable security donations on behalf of WMI.

INVENTORY

Inventory consists of purchased and donated parts used in the assembly of water treatment and sanitation equipment. Inventory purchased by WMI is stated at weighted average cost. Inventory includes manufacturing overhead. Donated inventory is recorded at fair market value as gifts-in-kind support and inventory. Shipping and handling costs related to inventory on hand at year end is included in the value of inventory on the statements of financial position. Transportation of finished goods inventory from the assembly facility to overseas warehouse locations are included in program services on the statements of activities and changes in net assets.

WATER MISSIONS INTERNATIONAL

Notes to Financial Statements

Years Ended September 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at fair market value on the date of donation. Property and equipment valued at \$1,000 or more are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Leasehold improvements	4 - 15
Office and shop equipment	5 - 7
Computer equipment/software	3 - 5
Vehicles	5

COMPENSATED ABSENCES

Employees of WMI are entitled to paid time off (PTO). WMI's policy allows employees to carry over unused PTO beyond the end of a calendar year. Accrued PTO as of September 30, 2013 and 2012, is included in accrued liabilities in the statements of financial position.

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

Unrestricted net assets are amounts currently available at the direction of the board for use in operations. Equity in property and equipment represents amounts invested in property and equipment.

Temporarily restricted net assets are contributions with donor stipulations for specific operating purposes, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

SUPPORT AND REVENUE

Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of assets is transferred. Revenue is recognized when earned.

Contributed services are recognized as support if the services received create or enhance a nonfinancial asset, or require specialized skills, which are provided by individuals possessing those skills, and those services would typically be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as gifts-in-kind support are offset by like amounts included in inventory, property and equipment, or expenses.

WATER MISSIONS INTERNATIONAL

Notes to Financial Statements

Years Ended September 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

Contributions of tangible assets are recognized at fair market value, when received.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, WMI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

WMI hosts annual events to raise funds and awareness for the global water crisis and the solutions WMI provides. Revenue and expenses related to these events are reported in the statements of activities as special event revenue and expense.

EXPENSES

Functional allocation of expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities are summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to program and supporting services based on various factors determined by management. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Research and development costs are expensed as incurred.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of September 30, 2013 and 2012, WMI had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization files information tax returns in the U.S. and various states. The Organization is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2008.

RECLASSIFICATIONS

Certain information from the prior year financial statements has been reclassified to conform to the current year presentation format.

WATER MISSIONS INTERNATIONAL

Notes to Financial Statements

Years Ended September 30, 2013 and 2012

3. CONTRIBUTIONS RECEIVABLE–NET:

Contributions receivable consist of:

	September 30,	
	2013	2012 (as restated)
Contributions receivable from third party organizations	\$ 170,386	\$ 9,789
Unconditional promises to give	610,000	987,123
Less unamortized discount	(10,715)	(19,177)
	\$ 769,671	\$ 977,735

Contributions receivable consist of amounts due in:

	September 30,	
	2013	2012 (as restated)
Less than one year	\$ 375,386	\$ 396,912
One to five years	394,285	580,823
	\$ 769,671	\$ 977,735

4. INVENTORY–NET:

Inventory consists of:

	September 30,	
	2013	2012 (as restated)
Raw material, Work in Progress, and finished goods–U.S.	\$ 1,307,100	\$ 1,465,566
Obsolescence Reserve	(31,151)	(35,371)
	1,275,949	1,430,195
Finished goods–International	179,219	186,525
	\$ 1,455,168	\$ 1,616,720

WATER MISSIONS INTERNATIONAL

Notes to Financial Statements

Years Ended September 30, 2013 and 2012

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment consist of:

	September 30,	
	2013	2012 (as restated)
Domestic:		
Leasehold improvements	\$ 246,838	\$ 4,900
Furniture and equipment	401,300	65,724
Software	160,359	160,359
Vehicles	24,048	24,048
Manufacturing equipment	297,489	287,623
	1,130,034	542,654
International:		
Vehicles	156,464	156,464
Manufacturing equipment	20,734	7,335
	177,198	163,799
Less accumulated depreciation	(636,059)	(507,237)
	671,173	199,216
Construction in process	-	106,866
	\$ 671,173	\$ 306,082

6. LINE OF CREDIT:

WMI previously maintained a \$500,000 revolving line of credit, secured by security interest in its accounts and equipment. The credit facility carried a variable interest rate of prime plus 1% or a minimum of 5%, whichever is greater. WMI made no borrowings on the line of credit during the years ended September 30, 2013 and 2012. The line of credit matured March 10, 2012.

WATER MISSIONS INTERNATIONAL

Notes to Financial Statements

Years Ended September 30, 2013 and 2012

7. NET ASSETS:

Net assets consist of:

	September 30,	
	2013	2012 (as restated)
Unrestricted:		
Undesignated	\$ 2,401,537	\$ 1,769,365
Net equity in inventory	1,455,168	1,616,720
Net equity in property and equipment	671,173	306,082
	<u>4,527,878</u>	<u>3,692,167</u>
Temporarily restricted:		
Purpose restrictions	2,441,436	1,878,894
Time restrictions	769,671	977,735
	<u>3,211,107</u>	<u>2,856,629</u>
	<u>\$ 7,738,985</u>	<u>\$ 6,548,796</u>

8. DONATED MATERIALS AND SERVICES:

Donated materials are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Donated services include services provided by volunteers to assemble water treatment systems, skilled services provided by professionals, and other specialized services that would typically have to be purchased if not provided by donation. Donated services were valued using equivalent compensation amounts for comparable services or published rates based on studies available for type and location of service. The values of donated materials and services received during the years ended September 30, 2013 and 2012, were \$1,531,937 and \$1,159,007, respectively.

9. SPECIAL EVENTS:

During the years ended September 30, 2013 and 2012, WMI hosted special events including the Charleston Walk for Water. These special events are designed to inform supporters about the ministry and to promote the ministry to potential new donors. Support received from these events totaled \$286,073 less \$112,506 in costs for the benefits provided during the year ended September 30, 2013. Support received from these events totaled \$204,897 less \$79,543 in costs for the benefits provided during the year ended September 30, 2012.

10. RELATED PARTY TRANSACTIONS:

During the years ended September 30, 2013 and 2012, WMI recorded \$60,000 and \$180,000, respectively, as gifts-in-kind and professional services expense for professional engineering services provided by its CEO.

WATER MISSIONS INTERNATIONAL

Notes to Financial Statements

Years Ended September 30, 2013 and 2012

11. AFFILIATE EXPENSES:

Total program expense associated with affiliates not consolidated consisted of:

	September 30,	
	2013	2012
Missions d'Eau Haiti	\$ 1,015,081	\$ 852,219
Water Missions Belize	36,824	191,849
Water Missions International	363,499	456,845
Water Missions Uganda	587,843	545,385
Water Missions International - Kenya	829,164	668,040
Yayasan Waha Mitra Indonesia	728,621	354,067
	<u>\$ 3,561,032</u>	<u>\$ 3,068,405</u>

12. COMMITMENTS:

WMI leases office and warehouse space in Charleston, South Carolina. The terms of the operating lease, which began July 1, 2012, and expires December 31, 2017, include monthly rent payments of \$8,900. The future minimum lease payments are as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2014	\$ 107,500
2015	107,500
2016	107,500
2017	107,500
2018	26,875
	<u>\$ 456,875</u>

Other rent expense is incurred from short-term or month-to-month agreements and discount amortization of promised future rents. During the years ended September 30, 2013 and 2012, total rent expense was \$224,108 and \$194,183, respectively.

WATER MISSIONS INTERNATIONAL

Notes to Financial Statements

Years Ended September 30, 2013 and 2012

13. PRIOR PERIOD ADJUSTMENT:

WMI purchases certain products at significant discounts due to the humanitarian nature of WMI's work. Accounting principles generally accepted in the United State of America require that the discount be documented and recorded as a gift-in-kind contribution. During the current fiscal year, management determined this discount was not recorded on some inventory items purchased during the fiscal year ended September 30, 2012. In addition, during the current fiscal year, management identified donated materials that had not been recorded during the fiscal year ended September 30, 2012. Accordingly, inventory, contribution revenue, program expense, and unrestricted net assets have been restated for the fiscal year ended September 30, 2012.

	<u>As previously stated</u>	<u>Prior period adjustment</u>	<u>As restated</u>
Inventory	<u>\$ 1,526,438</u>	<u>\$ 90,282</u>	<u>\$ 1,616,720</u>
Gifts-in-kind	<u>\$ 1,159,007</u>	<u>\$ 55,808</u>	<u>\$ 1,214,815</u>
Community development expense	<u>\$ 5,673,705</u>	<u>\$ (34,474)</u>	<u>\$ 5,639,231</u>
Unrestricted net assets	<u>\$ 3,601,885</u>	<u>\$ 90,282</u>	<u>\$ 3,692,167</u>

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.