

Financial Statements and
Supplemental Information

2015

EDGE Outreach, Inc.
d/b/a Waterstep, Inc.

December 31, 2015 and 2014



Strothman+Co

Financial Statements and
Supplemental Information

EDGE Outreach, Inc.
d/b/a Waterstep, Inc.

December 31, 2015 and 2014

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplemental Information	
Schedule of Functional Expenses – Year Ended December 31, 2015	12
Schedule of Functional Expenses – Year Ended December 31, 2014	13

Independent Auditors' Report



Board of Directors
EDGE Outreach, Inc.
d/b/a Waterstep, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of EDGE Outreach, Inc. d/b/a Waterstep, Inc. (the "Organization"), which are comprised of the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and 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 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 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 auditors consider 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 financial position of Edge Outreach, Inc. as of December 31, 2015 and 2014, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stutman And Company PSC
Louisville, Kentucky
July 18, 2016

Statements of Financial Position

**EDGE Outreach, Inc.
d/b/a Waterstep, Inc.**

	December 31	
	2015	2014
Assets		
Cash and cash equivalents	\$ 171,673	\$ 287,572
Restricted cash in escrow account	227,020	532,629
Unconditional promises to give, less allowance for uncollectable amounts	35,142	48,118
Accounts receivable	4,014	1,770
Restricted grant receivable	54,275	25,345
Inventory	94,413	130,414
Prepaid expenses		4,408
Property and equipment, net of accumulated depreciation	761,660	608,831
Total Assets	\$ 1,348,197	\$ 1,639,087
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 44,678	\$ 25,094
Deferred revenue	400	30,183
Tax lien payable	7,337	
Mortgage payable		180,896
Total Liabilities	52,415	236,173
Net Assets		
Unrestricted	953,564	838,340
Temporarily restricted	342,218	564,574
Total Net Assets	1,295,782	1,402,914
Total Liabilities and Net Assets	\$ 1,348,197	\$ 1,639,087

See Notes to Financial Statements

Statements of Activities

EDGE Outreach, Inc.
d/b/a Waterstep, Inc.

	Year Ended December 31, 2015		Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Revenues and Support					
Program Service Revenues					
Product sales	\$ 80,444	\$	\$ 80,444	\$	\$ 241,146
Safe water trips	148,013		148,013		180,187
Training and education	5,111		5,111		16,100
Support					
Shoes for water, net	95,185		95,185		64,371
Contributions	453,295	\$	580,090	\$	686,509
In-kind contributions	51,766		111,679		173,901
Grants		124,500	124,500	348,794	348,794
Fundraising events, net	5,103		5,103		20,281
Investment income	1,019		1,019	917	15,017
Miscellaneous income	6,041		6,041		3,309
	845,977	311,208	1,157,185	668,244	1,749,615
Net Assets Released from Restrictions	533,564	(533,564)		(311,488)	
Net assets release from restrictions	1,379,541	(222,356)	1,157,185	356,756	1,749,615
Total Revenues and Support					
	1,379,541	(222,356)	1,157,185	356,756	1,749,615
Expenses					
Program services					
Safe water trips	205,895		205,895		169,700
Safe water project	202,109		202,109		122,267
Disaster relief	221,009		221,009		157,774
Safe water product sales	121,376		121,376		90,685
Fellow with Christ	37,882		37,882		24,530
Safe water training/education	105,484		105,484		131,201
Total Program Services	893,755		893,755		696,157
General and administrative	225,400		225,400		233,874
Fundraising	145,162		145,162		110,632
Total Expenses	1,264,317		1,264,317		1,040,663
Changes in Net Assets	115,224	(222,356)	(107,132)	356,756	708,952
Net Assets at Beginning of Year	838,340	564,574	1,402,914	207,818	693,962
Net Assets at End of Year	\$ 953,564	\$ 342,218	\$ 1,295,782	\$ 564,574	\$ 1,402,914

See Notes to Financial Statements

Statements of Cash Flows

**EDGE Outreach, Inc.
d/b/a Waterstep, Inc.**

	Year Ended December 31	
	2015	2014
Cash Flows From Operating Activities		
Changes in net assets	\$ (107,132)	\$ 708,952
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	47,103	7,865
Loss on disposal of equipment	33,384	735
Increase (decrease) in allowance for doubtful accounts	(8,409)	11,159
Dividends reinvestment		(991)
Value of donated investments		(34,983)
Changes in operating assets and liabilities		
Unconditional promises to give	21,385	23,921
Accounts receivable	(2,244)	9,166
Inventory (net of donated items)	36,001	(57,328)
Prepaid expenses	4,408	(206)
Accounts payable	19,584	(23,384)
Tax lien payable	7,337	
Deferred revenue	(29,783)	(30,852)
	<u>21,634</u>	<u>614,054</u>
Net Cash Provided By Operating Activities	21,634	614,054
Cash Flows From Investing Activities		
Increase in restricted grant receivable	(28,930)	(25,345)
Net change in escrow account	305,609	(411,441)
Purchases of property and equipment	(233,316)	(256,152)
Proceeds from sale of investments		80,196
	<u>43,363</u>	<u>(612,742)</u>
Net Cash Provided By (Used In) Investing Activities	43,363	(612,742)
Cash Flows From Financing Activities		
Payments on mortgage payable	(180,896)	(44,680)
	<u>(180,896)</u>	<u>(44,680)</u>
Net Decrease in Cash and Cash Equivalents	(115,899)	(43,368)
Cash and Cash Equivalents Beginning of Year	287,572	330,940
	<u>287,572</u>	<u>330,940</u>
Cash and Cash Equivalents End of Year	\$ 171,673	\$ 287,572
	<u>\$ 171,673</u>	<u>\$ 287,572</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 12,651	\$ 18,265
	<u>\$ 12,651</u>	<u>\$ 18,265</u>
Supplemental Disclosure of Noncash Investing Activities		
Value of donated equipment and improvements to building	\$ 59,913	\$ 117,477
	<u>\$ 59,913</u>	<u>\$ 117,477</u>

See Notes to Financial Statements

**EDGE Outreach, Inc.
d/b/a Waterstep, Inc.**

December 31, 2015 and 2014

Note A--Nature of Organization and Summary of Significant Accounting Policies

Nature of Activities--EDGE Outreach, Inc., d/b/a Waterstep, Inc., (the "Organization") acting through its Board of Directors, operates as a not-for-profit organization established to empower ordinary people to provide safe water solutions to communities in need. The Organization works with individuals and organizations to offer safe water solutions in developing countries and in disaster situations. The Organization is dependent on contributions from supporters and revenues from shoes for water, mission projects and product sales.

Basis of Presentation--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 classifies mission trip revenue as temporarily restricted until the related mission trip is taken. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, temporarily restricted net assets are reported in the statements of activities as net assets released from restrictions.

Use of Estimates--The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment--Property and equipment is stated at cost if purchased, or at fair market value if donated. Depreciation is computed using straight-line over the estimated useful lives of the assets. Renewals and betterments in excess of \$1,000 and that extend the economic useful lives of the related assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are reduced, and any gain or loss is included in operations.

Impairment of Long-Lived Assets--Management of the Organization reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition, are less than its carrying amount. There were no charges for impairment of long-lived assets during 2015 or 2014.

Contributed Services--The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's mission. The Organization recognized \$52,500 of donated manufacturing and engineering services that met the criteria under accounting principles generally accepted in the United States of America during 2015.

Continued

Notes to Financial Statements--Continued

**EDGE Outreach, Inc.
d/b/a Waterstep, Inc.**

December 31, 2015 and 2014

Note A--Nature of Organization and Summary of Significant Accounting Policies--Continued

Income Taxes--The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 141.010(1)(f) of the Kentucky Revised Statutes. The Organization had no unrelated business income for the years ended December 31, 2015 and 2014. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization's tax returns subject to examination by the Internal Revenue Service are for years ended December 31, 2012 through 2014.

Generally accepted accounting principles prescribe a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. There is no impact on the Organization's financial statements as a result of the implementation of these accounting principles.

Program Service Revenues and Accounts Receivable--The Organization sells water purification devices and related materials. Items are billed when shipped and the Organization records these amounts as receivables. The Organization uses the direct write off method for uncollectible receivables, and records bad debt expense when the associated receivable is identified as uncollectible.

Promises to Give--Unconditional promises to give are recognized as support when the donor makes a promise that is in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Management periodically reviews the collectability of promises to give, and any amounts where collection is questionable are reserved.

Cash and Cash Equivalents--The Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

These bank accounts and cash equivalents are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization had bank balances and cash equivalents exceeding its insurance by approximately \$130,000 and \$490,000 at December 31, 2015 and 2014, respectively.

Inventories--Inventories of purification devices and related materials are recorded at the lower of cost or market value. Reserves for obsolete inventory are recorded when an impairment of value is identified. No reserves were recorded at December 31, 2015 and 2014, respectively.

Functional Expenses--The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management estimates the expense allocations based on the percentage of square footage or hours worked for the benefited programs or functions.

Reclassifications--Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Continued

Notes to Financial Statements--Continued

**EDGE Outreach, Inc.
d/b/a Waterstep, Inc.**

December 31, 2015 and 2014

Note A--Nature of Organization and Summary of Significant Accounting Policies--Continued

Advertising Costs--Advertising costs are expensed as incurred. Total advertising expense was approximately \$25,100 and \$25,000 for the years ended December 31, 2015 and 2014, respectively.

Date of Management's Review--In preparing these financial statements, the management of the Organization has evaluated events and transactions for potential recognition or disclosure through July 18, 2016, the date the financial statements were available to be issued.

Note B--Restricted Funds

Under the terms of a grant agreement, the James Graham Brown Foundation will match funds raised by the Organization for the renovation of its operating facility up to \$500,000. To date, the Organization has raised the full amount of the required matching funds in cash and in-kind contributions. The Organization is required to place these funds in an escrow account until the grant requirements are met. Restricted funds are held in a separate account and are not available for operating purposes.

Note C--Unconditional Promises to Give

Unconditional promises to give consist of the following:

	December 31	
	2015	2014
Gross unconditional promises to give	\$ 37,892	\$ 59,277
Less: allowance for uncollectible amounts	2,750	11,159
	<u>\$ 35,142</u>	<u>\$ 48,118</u>

Notes to Financial Statements--Continued

**EDGE Outreach, Inc.
d/b/a Waterstep, Inc.**

December 31, 2015 and 2014

Note D--Property and Equipment

Property and equipment consists of the following:

	December 31	
	2015	2014
Land	\$ 40,320	\$ 40,320
Building	529,439	395,683
Furniture, fixtures, and equipment	286,431	254,116
Vehicles	20,201	20,201
	876,391	710,320
Less accumulated depreciation	114,731	101,489
	<u>\$ 761,660</u>	<u>\$ 608,831</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$47,103 and \$7,865, respectively.

Note E--Mortgage Payable

The Organization had a mortgage payable for the purchase of its headquarters building, which was collateral for this debt. This debt was payable in monthly principal and interest installments of \$1,863 until August 1, 2015, when a final balloon payment for the remaining principal was paid. The interest rate was 5.99% until August 1, 2014 when it increased to 12%. The remaining principal was paid in full on July 30, 2015.

Note F--In-Kind Contributions

During the years ended December 31, 2015 and 2014, the Organization received in-kind contributions valued at \$111,679 and \$173,901. Of this amount, approximately \$59,900 and \$117,400 represented contributions of equipment and services for renovation of the Organization's building. The remaining in-kind contributions were for operating expenses during the years ended December 31, 2015 and 2014, respectively.

Notes to Financial Statements--Continued

**EDGE Outreach, Inc.
d/b/a Waterstep, Inc.**

December 31, 2015 and 2014

Note G--Contingencies

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in funding, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Organization.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts receivable that could negatively impact the Organization's ability to maintain sufficient liquidity.

Note H--Temporarily Restricted Net Assets

Temporarily restricted net assets consists of funds raised for the renovation of the Organization's operating facility, and funds from a matching grant for the same purpose from the James Graham Brown Foundation (see Note B).

Note I--Fundraising Events

Revenue generated by fundraising events is presented net of direct expenses in the accompanying statements of activities. The following represents the gross revenues and expenses for fundraising events:

	December 31	
	2015	2014
Revenues	\$ 28,185	\$ 79,547
Direct expenses	23,082	59,266
	<u>\$ 5,103</u>	<u>\$ 20,281</u>

Notes to Financial Statements--Continued

**EDGE Outreach, Inc.
d/b/a Waterstep, Inc.**

December 31, 2015 and 2014

Note J--Shoes for Water

Revenue generated by shoe collection drives are presented net of direct expenses in the accompanying statements of activities. The following represents the gross revenues and expenses for shoe collection drives:

	December 31	
	2015	2014
Revenues	\$ 211,387	\$ 198,256
Direct expenses	116,202	133,885
	<u>\$ 95,185</u>	<u>\$ 64,371</u>

Supplemental Information

Schedule of Functional Expenses

EDGE Outreach, Inc.
d/b/a Waterstep, Inc.

Year Ended December 31, 2015

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 230,673	\$ 97,351	\$ 37,035	\$ 365,059
Payroll taxes	16,695	7,203	2,616	26,514
Employee benefits	34,847	16,096	3,961	54,904
Total Salary Related Expenses	282,215	120,650	43,612	446,477
Cost of product sales	48,252			48,252
Safe water supplies	94,763			94,763
Safe water products	124,781			124,781
Consultant fees			55,900	55,900
Professional fees		26,665		26,665
Travel	101,174			101,174
Supplies	51,363	206	309	51,878
Printing and advertising	2,654	23,153	354	26,161
Meals	3,434	3,172	3,174	9,780
Postage and shipping	1,227	1,227	1,228	3,682
Direct mail solicitation			13,314	13,314
Insurance	10,366	2,305	610	13,281
Utilities	13,826	291	437	14,554
Equipment	2,161	45	68	2,274
Service contracts	8,237	174	260	8,671
Auto expense	1,324	1,325	1,325	3,974
Banking and finance fees	4,152	3,448	4,153	11,753
Repairs and maintenance	3,048	64	96	3,208
Interest expense	12,019	252	380	12,651
Information technology	29,947	3,743	4,404	38,094
Office expense	5,081	7,807	4,721	17,609
Telephone expense	3,433	3,433	3,433	10,299
Depreciation	44,747	943	1,413	47,103
Loss on disposal of equipment	31,715	667	1,002	33,384
Membership dues		11,774		11,774
Other expenses	1,857	1,858	4,591	8,306
Taxes	11,979	252	378	12,609
Conferences and conventions		11,946		11,946
	<u>\$ 893,755</u>	<u>\$ 225,400</u>	<u>\$ 145,162</u>	<u>\$ 1,264,317</u>

See Independent Auditors' Report

Schedule of Functional Expenses

EDGE Outreach, Inc.
d/b/a Waterstep, Inc.

Year Ended December 31, 2014

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 241,542	\$ 116,225	\$ 36,924	\$ 394,691
Payroll taxes	16,887	8,587	2,567	28,041
Employee benefits	31,352	13,706	4,041	49,099
Total Salary Related Expenses	289,781	138,518	43,532	471,831
Cost of product sales	39,866			39,866
Safe water supplies	40,471			40,471
Safe water products	100,890			100,890
Consultant fees	5,518	5,519	23,567	34,604
Professional fees		7,019		7,019
Travel	50,525	2,413	2,983	55,921
Supplies	26,316	38	3,436	29,790
Printing and advertising	1,702	25,696	3,670	31,068
Meals	4,103	7,704	1,075	12,882
Postage and shipping	13,066	2,276	1,329	16,671
Direct mail solicitation			4,791	4,791
Insurance	7,205	1,946	621	9,772
Utilities	18,461	389	583	19,433
Equipment	10,629	224	336	11,189
Auto expense		1,853	1,935	3,788
Banking and financing fees	4,765	2,327	4,765	11,857
Repairs and maintenance	6,980	147	220	7,347
Interest expense	15,363	323	485	16,171
Information technology	27,253	3,407	3,407	34,067
Office expense	10,030	16,874	4,660	31,564
Telephone expense	3,935	3,935	3,935	11,805
Depreciation	7,472	157	236	7,865
Loss on disposal of equipment	697	15	22	734
Membership dues		12,776		12,776
Taxes	7,265	153	229	7,647
Conferences and conventions	3,864	165	4,815	8,844
	<u>\$ 696,157</u>	<u>\$ 233,874</u>	<u>\$ 110,632</u>	<u>\$ 1,040,663</u>

See Independent Auditors' Report