

Financial Statements

2018

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

December 31, 2018 and 2017



Strothman+Co

Financial Statements

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

December 31, 2018 and 2017

**Independent Auditors' Report** ..... 1

**Financial Statements**

    Statements of Financial Position ..... 3

    Statements of Activities ..... 4

    Statements of Functional Expenses ..... 5

    Statements of Cash Flows ..... 6

    Notes to Financial Statements ..... 7





## **Independent Auditors' Report**

Board of Directors  
Edge Outreach, Inc.  
Louisville, Kentucky

We have audited the accompanying financial statements of Edge Outreach, Inc. d/b/a Waterstep (the "Organization"), which are comprised of the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities, functional expenses 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 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 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, 2018 and 2017, 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.

## Change in Accounting Principle – Adoption of Financial Accounting Standards Board of Accounting Standards Update

As discussed in Note B, the Organization adopted the requirements of Financial Accounting Standards Board, *Accounting Standards Update* No. 2016-14 retroactive to 2017. Our opinion is not modified with respect to this matter.

*Strotman and Company PSC*  
Louisville, Kentucky  
May 13, 2019

Statements of Financial Position

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

	<b>December 31</b>	
	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash, including restricted cash	\$ 244,624	\$ 388,345
Accounts receivable	22,701	25,204
Inventories	110,758	123,149
<b>Total Current Assets</b>	378,083	536,698
<b>Property and Equipment</b> , net of accumulated depreciation	1,121,270	1,003,674
<b>Other Assets</b>	12,774	4,000
<b>Total Assets</b>	<u><u>\$ 1,512,127</u></u>	<u><u>\$ 1,544,372</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Line of credit	\$ 141,181	
Accounts payable	24,953	\$ 8,006
Deferred revenue	5,400	900
Current maturities of long-term debt	5,688	5,459
<b>Total Current Liabilities</b>	177,222	14,365
<b>Long-Term Debt</b> , less current maturities	9,553	15,232
<b>Total Liabilities</b>	186,775	29,597
<b>Net Assets</b>		
Without donor restriction	1,214,148	1,358,198
With donor restriction	111,204	156,577
<b>Total Net Assets</b>	<u><u>1,325,352</u></u>	<u><u>1,514,775</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,512,127</u></u>	<u><u>\$ 1,544,372</u></u>

See Notes to Financial Statements

Statements of Activities

Edge Outreach, Inc.  
d/b/a Waterstep

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
<b>Revenues and Support</b>						
Program Service Revenues						
Water product sales	\$ 74,326	\$	\$ 74,326	\$ 304,078	\$	\$ 304,078
Community education and engagement program	154,249		154,249	203,855		203,855
Safe water trips	45,900		45,900	53,500		53,500
Safe water training	5,900		5,900	5,300		5,300
Support						
Contributions	467,631	\$ 90,230	557,861	394,726	\$ 273,717	668,443
In-kind contributions	83,745		83,745	147,267		147,267
Grants		4,750	4,750		142,300	142,300
Fundraising events, net of direct expenses	32,337		32,337	20,878		20,878
Investment income				351		351
Miscellaneous income	27,172		27,172	10,595		10,595
	891,260	94,980	986,240	1,140,550	416,017	1,556,567
	140,353	(140,353)		527,466	(627,466)	
<b>Net Assets Released from Restrictions</b>						
	1,031,613	(45,373)	986,240	1,668,016	(111,449)	1,556,567
<b>Total Revenues and Support</b>			986,240			1,556,567
<b>Expenses</b>						
Program services						
Cost of product sales	41,791		41,791	141,644		141,644
Cost of community education and engagement program	150,843		150,843	137,298		137,298
Safe water trips	93,791		93,791	109,890		109,890
Safe water projects	162,619		162,619	124,953		124,953
Disaster relief	218,003		218,003	263,215		263,215
Safe Water Products	99,960		99,960	173,211		173,211
Safe water training	176,286		176,286	72,624		72,624
	943,293		943,293	1,022,835		1,022,835
<b>Total Program Services</b>						
General and administrative	147,144		147,144	153,011		153,011
Fundraising	85,226		85,226	93,265		93,265
	1,175,663		1,175,663	1,269,111		1,269,111
<b>Changes in Net Assets</b>						
	(144,050)	(45,373)	(189,423)	398,905	(111,449)	287,456
<b>Net Assets at Beginning of Year</b>	1,358,198	156,577	1,514,775	959,293	268,026	1,227,319
<b>Net Assets at End of Year</b>	\$ 1,214,148	\$ 111,204	\$ 1,325,352	\$ 1,358,198	\$ 156,577	\$ 1,514,775

See Notes to Financial Statements



Statements of Cash Flows

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

	<b>Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ (189,423)	\$ 287,456
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	74,048	65,452
Loss on disposal of equipment	719	
Decrease in allowance for doubtful accounts		(3,000)
Changes in operating assets and liabilities		
Unconditional promises to give		17,725
Accounts receivable	2,503	(25,204)
Inventory	12,391	(22,591)
Accounts payable	16,947	(3,580)
Deferred revenue	4,500	(1,900)
	<u>(78,315)</u>	<u>314,358</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>		
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(193,363)	(286,689)
Proceeds from sales of property and equipment	1,000	
Other assets	(8,774)	(4,000)
	<u>(201,137)</u>	<u>(290,689)</u>
<b>Net Cash Used In Investing Activities</b>		
<b>Cash Flows From Financing Activities</b>		
Payments on note payable	(5,450)	(5,201)
Net borrowings on line of credit	141,181	
	<u>135,731</u>	<u>(5,201)</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>		
	<u>(143,721)</u>	<u>18,468</u>
<b>Net Increase (Decrease) in Cash</b>		
<b>Cash Beginning of Year</b>	<u>388,345</u>	<u>369,877</u>
	<u>\$ 244,624</u>	<u>\$ 388,345</u>
<b>Cash at End of Year</b>		
Cash	\$ 133,420	\$ 231,352
Restricted cash	111,204	156,993
	<u>\$ 244,624</u>	<u>\$ 388,345</u>
<b>Cash at End of Year</b>		
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 6,033</u>	<u>\$ 1,105</u>
<b>Supplemental Disclosure of Noncash Investing Activities</b>		
Value of donated equipment and improvements to building	<u>\$ 10,648</u>	<u>\$ 71,106</u>

See Notes to Financial Statements



Notes to Financial Statements

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

December 31, 2018 and 2017

**Note A--Nature of Organization**

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, sanitation and basic needs to communities in need. The Organization is dependent on contributions from supporters and revenues from mission projects, product sales and community education and engagement program services.

**Note B--Summary of Significant Accounting Policies**

Basis of Accounting--The financial statements of the Organization are prepared on the accrual basis of accounting. The *Accounting Standards Codification* ("ASC") as produced by the Financial Accounting Standards Board is the sole source of authoritative generally accepted accounting principles.

Basis of Presentation--The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization classifies mission trip revenue as net assets with donor restrictions until the related mission trip is taken. The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, net assets with donor restrictions are reported in the statements of activities as net assets released from restrictions. Certain contributions and grants received and earned with in the same year are recorded as support without donor restrictions in the accompanying statements of activities.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support and expenses during the reporting period. 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 the statements of activities.

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 2018 or 2017.

Continued

Notes to Financial Statements--Continued

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

December 31, 2018 and 2017

**Note B--Summary of Significant Accounting Policies--Continued**

In-Kind Contributions--The Organization receives a substantial amount of services donated by volunteers, equipment, and supplies in carrying out the Organization's mission. Such in-kind contributions are recorded as support and program expenses in the accompanying statements of activities at their fair value, in accordance with accounting principles generally accepted in the United States of America.

The Organization also receives some free services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because these services do not meet the criteria for recording as in-kind support and expenses.

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, 2018 and 2017. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Organization follows generally accepted accounting principles which 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. For the years ended December 31, 2018 and 2017, the Organization determined it did not have any uncertain tax positions and the Organization did not incur or accrue any associated interest or penalties related to those positions.

Cash and Cash Equivalents--The Organization considers all short-term investments 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 no bank balances and cash equivalents exceeding its FDIC insurance at December 31, 2018. The Organization had bank balances and cash equivalents exceeding its FDIC insurance by approximately \$198,000 at December 31, 2017.

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 uncollectable.

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. There was no reserve for uncollectable promises to give as of December 31, 2018 and 2017.

Continued

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

December 31, 2018 and 2017

**Note B--Summary of Significant Accounting Policies--Continued**

Advertising Costs--Advertising costs are expensed as incurred. Total advertising expense was approximately \$43,094 and \$21,194 for the years ended December 31, 2018 and 2017, respectively.

Inventories--Inventories of purification devices and related materials are recorded at the lower of cost (first-in, first-out method) or net realizable value. Reserves for obsolete inventory are recorded when an impairment of value is identified. No reserves were recorded at December 31, 2018 or 2017, respectively.

Functional Expenses--The costs of providing the various programs and other activities have been summarized in the statements of functional expenses. 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.

New Accounting Pronouncement--During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note I).

Reclassifications--Certain reclassifications have been made to the 2017 financial statements in order for them to be in conformity with current year presentation. There was no effect on net assets as result of these reclassifications.

**Note C--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 and are restricted for the renovation of the building. The funds available for use in the escrow account was \$416 for the year ended December 31, 2017, and were used during the year ended December 31, 2018.

Notes to Financial Statements--Continued

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

December 31, 2018 and 2017

**Note D--Inventories**

Inventories consist of the following:

	<b>Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Raw materials	\$ 80,808	\$ 84,188
Finished goods	29,950	38,961
	<u>\$ 110,758</u>	<u>\$ 123,149</u>

**Note E--Property and Equipment**

Property and equipment consists of the following:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Land	\$ 40,320	\$ 40,320
Building	998,472	717,379
Furniture, fixtures, and equipment	316,902	315,975
Vehicles	41,252	20,201
	<u>1,396,946</u>	<u>1,093,875</u>
Less accumulated depreciation	275,676	231,210
	1,121,270	862,665
Construction in progress		141,009
	<u>\$ 1,121,270</u>	<u>\$ 1,003,674</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$74,048 and \$65,452, respectively.

Notes to Financial Statements--Continued

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

December 31, 2018 and 2017

**Note F--Line of Credit**

The Organization maintains a revolving line of credit with Republic Bank which allows for borrowings up to \$350,000 and expires in July 2019. Outstanding borrowings bear interest at prime rate plus 1%. The bank's prime rate was 5.50% and 4.50% at December 31, 2018 and 2017, respectively. The Organization had borrowings of \$141,181 on the line of credit as of December 31, 2018. The line of credit is collateralized by the Organization's building.

**Note G--Note Payable**

Note payable consists of the following:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Note payable to Republic Bank, requiring monthly principal and interest payments of \$517 through July 2021; interest at 4.07%; collateralized by the building	\$ 15,241	\$ 20,691
Less current maturities	<u>5,688</u>	<u>5,459</u>
	<u><u>\$ 9,553</u></u>	<u><u>\$ 15,232</u></u>

Future minimum payments are as follows:

<b><u>Year Ending December 31</u></b>	
2019	\$ 5,688
2020	5,926
2021	<u>3,627</u>
	<u><u>\$ 15,241</u></u>

**Note H--Net Assets with Donor Restrictions**

Net assets with donor restrictions of \$111,204 and \$156,577 at December 31, 2018 and 2017, respectively, are restricted for specified purposes of various water projects and clean water initiatives.

Notes to Financial Statements--Continued

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

December 31, 2018 and 2017

**Note I--Liquidity and Availability of Financial Assets**

The Organization's major sources of support are corporate grants and contributions, and even though this support can fluctuate significantly from year to year, the Organization has a strong cash position to cover its monthly financial obligations.

The following table reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 244,624	\$ 388,345
Accounts receivable, to be collected in less than one year	<u>22,701</u>	<u>25,204</u>
Total financial assets, excluding noncurrent receivables	267,325	413,549
Contractual or donor-imposed restrictions:		
Cash restricted by donors for specified purposes	<u>(111,204)</u>	<u>(156,577)</u>
<b>Financial Assets Available to Meet Cash Needs for Expenditures Within One Year</b>	<b><u>\$ 156,121</u></b>	<b><u>\$ 256,972</u></b>

**Note J--In-Kind Contributions**

Amounts recorded as in-kind contributions consisted of the following:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Building materials and labor (building renovation costs)	\$ 10,648	\$ 71,106
Manufacturing labor	58,000	53,000
Manufacturing supplies	9,599	16,817
Equipment	5,500	
Professional services		<u>7,500</u>
	<u>\$ 83,747</u>	<u>\$ 148,423</u>



Notes to Financial Statements--Continued

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

December 31, 2018 and 2017

**Note K--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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Revenues	\$ 44,420	\$ 27,585
Direct expenses	12,083	6,707
	<u>\$ 32,337</u>	<u>\$ 20,878</u>

**Note I--Subsequent Event**

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Organization through May 13, 2019, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.