

**Hope Springs Water  
Statement of Financial Position  
December 31, 2011**

**Assets**

	<b>2011</b>
<b>Current Unrestricted Assets</b>	
Cash	\$7,924
Accounts Receivable	
Hope Springs, Inc.	\$500
Trade	\$1,070
Accrued Interest Receivable-Hope Springs, Inc.	\$250
	\$1,820
Equipment	\$750
Note Receivable Hope Springs Inc.	\$5,000
<b>Investments</b>	
1000 Shares Hope Springs, Inc. (See Notes)	\$2,717
<b>Total Assets</b>	<b>\$18,211</b>

**Liabilities and Net Assets**

<b>Liabilities</b>	\$0
<b>Net Assets</b>	\$15,805
<b>Total Unrestricted Net Assets</b>	<b>\$15,805</b>

**Hope Springs Water  
Statement of Activities  
Year Ended December 31, 2011**

**Revenues**

Contributions	\$23,441
Interest Income	\$250
Equity earnings in Hope Springs, Inc.	\$3,606

**Total Revenue**

\$27,297

**Expenses**

Water wells, pump, and installation	\$10,000
Marketing and Promotional Expense	\$1,939
Miscellaneous	\$77
	<u>\$12,016</u>

**Change in Net Assets**

\$15,281

**Hope Springs Water  
Statement of Cash Flows  
For the Year Ended December 31, 2011**

**Operating Activities**

Change in Net Assets	\$15,281
Account Receivable-Hope Springs, Inc. interest	(\$250)
Trade Accounts Receivable	(\$1,070)
Equity earnings in Hope Springs, Inc. Investment	(\$3,606)
<b>Net cash provided by Operating Activities</b>	<u>\$10,355</u>

**Investing Activities**

Note Receivable Hope Springs Inc.	(\$5,000)
<b>Net cash increase for period</b>	<u>\$5,355</u>

**Cash at beginning of period** \$2,569

**Cash at end of period** \$7,924

**Hope Springs Water**  
**A Texas Non-Profit Organization**  
**Notes to Financial Statements**  
**Year Ended December 31, 2011**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

Hope Springs Water is a not-for-profit organization whose primary purpose is to partner with communities in developing countries to provide sources of pure drinking water. Hope Springs Water maintains its headquarters in Athens, Texas.

**Significant Accounting Policies**

The financial statements of Hope Springs Water have been prepared on an accrual basis. Hope Springs Water recognizes contributions of materials and services only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations and would otherwise have been purchased.

Generally, when an entity has control over another entity the financials are consolidated. Hope Springs Water (HSW) owns 100% of the voting stock of Hope Springs Inc. (HSI). However, the nature of the businesses are materially different as HSW is a 501 ( c ) ( 3 ) not-for-profit and HSI is a for-profit C Corp. The objectives of the operations are significantly different. Therefore, under GAAP, HSW shows different statements than HSI. An example is Net Assets in HSW instead of Stockholder's Equity in HSI. We believe it would be confusing and misleading to the readers of the Financials Statements to attempt to consolidate these GAAP mandated different statements and have found no guidance in the guidelines that addressed a for-profit being consolidated in a nonprofit. Therefore, we adopted the equity method of accounting for HSI as the fairest presentation of the financial position of HSW. HSI's website is [www.hopespringsinc.com](http://www.hopespringsinc.com).

**Cash**

The financial institution holding Hope Springs Water cash account is participating in the FDIC's Transaction Account Guarantee Program which insures the cash account up to \$250,000. At December 31, 2011, Hope Springs Water is insured through this program.

**Accounts Receivable**

All accounts receivable are current. An advance of \$500 was disbursed to Hope Springs, Inc. for working capital in 2010. Interest of \$250 was accrued on the Note Receivable from Hope Springs, Inc.

## Equipment

In 2010, a forklift was donated to Hope Springs Water with a value of \$750.

## Note Receivable Hope Springs, Inc.

A \$5000 promissory note with an interest rate of 6% per year with a due date of February 28, 2016, was given to Hope Springs, Inc. for working capital and can be prepaid by Hope Springs, Inc. at any time before the maturity date without penalty.

## 1000 Shares Hope Springs, Inc.

Hope Springs Water owns all the voting stock of Hope Springs, Inc., a for-profit entity. This allows the not-for-profit entity to elect all board members of Hope Springs, Inc. There are no common board members shared by the two entities, and all aspects of the two entities are kept separate. The net income produced by Hope Springs, Inc., is reported under the equity method of accounting as an equity earnings addition that offsets the (\$889) unrealized loss on the investment reported in 2010, as shown in the following reconciliation:

Unrealized loss on investment	(\$889)
Add: 2011 Net Income—Hope Springs, Inc.	<u>3,606*</u>
Investment—Hope Springs, Inc.	\$2,717

\*For detailed financials see Hope Springs, Inc. webpage at [www.hopespringsinc.com](http://www.hopespringsinc.com).

## Liabilities and Net Assets

Hope Springs Water has no permanent employees.

## Water Well, Pump and Installation Expenditures

Hope Springs Water is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501 ( c ) ( 3 ) of the Internal Revenue Code, or corresponding section of any future federal tax code. On June 14, 2011, a \$2,000 deposit on a \$9,000 well in Bunyagira, Uganda was given to Living Water International, a registered 501 ( c ) ( 3 ) organization. On September 18, 2011, \$1,000 was given to Mexico Medical Missions, a registered 501 ( c ) ( 3 ) organization for a water well in the village of Chikue Mexico. On December 7, 2011, \$7,000 was given to Living Water International to complete the well in Bunyagira, Uganda.