

**Hope Springs Water
Statement of Financial Position
December 31, 2012**

Assets

Current Unrestricted Assets

Cash	\$51,970
Note Receivable Hope Springs, Inc.	5,000

Investments

1000 Shares Hope Springs, Inc. (See Notes)	<u>11,520</u>
Total assets	<u><u>\$68,490</u></u>

Liabilities and Net Assets

Liabilities	\$ -
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Net Assets	<u>\$68,490</u>
Total Unrestricted Net Assets	<u><u>\$68,490</u></u>

**Hope Springs Water
Statement of Activities
For the Year Ended December 31, 2012**

Revenues:

Cash:

Donations	\$ 35,849
Golfwell	\$ 20,466
T-Shirt	\$ 985
Interest income	\$ 300
Property donations	\$ 2,000
Equity earnings in Hope Springs, Inc.	\$ 8,803

Total revenues \$ 68,403

Expenses:

Direct expenditures:

Golfwell	\$ (8,066)
T-Shirt	\$ (2,496)

Other Expenses \$ (2,046)

Water Projects:

Water wells	\$ (4,300)
Expenses	\$ (1,216)

Total expenses \$ (18,124)

Revenues in excess of expenses \$ 50,279

**Hope Springs Water
Statement of Cash Flows
For the Year Ended December 31, 2012**

Operating Activities

Change in Net Assets	\$50,279
Account Receivable-Hope Springs, Inc.	\$500
Account Receivable-Hope Springs, Inc. interest	\$250
Trade Accounts Receivable	\$1,070
Equipment	\$750
Equity earnings in Hope Springs, Inc. Investment	(\$8,803)
Net cash provided by Operating Activities	<u>\$44,046</u>
Net cash increase for period	\$44,046
Cash at beginning of period	\$7,924
Cash at end of period	<u><u>\$51,970</u></u>

Hope Springs Water
A Texas Non-Profit Organization
Notes to Financial Statements
January 1, 2012 through December 31, 2012

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.

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, 2012, Hope Springs Water is insured through this program.

Property

In 2012, a truck was donated to Hope Springs Water with a value of \$2,000. Hope Springs Water sold the truck to Hope Springs, Inc. for the fair market value of \$2,000.

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 as shown in the following reconciliation:

Investment—Hope Springs, Inc.	\$ 2,717
Add: 2011 Net Income—Hope Springs, Inc.	<u>8,803</u>
Investment—Hope Springs, Inc.	<u>\$11,520</u>

Liabilities and Net Assets

Hope Springs Water is not liable for any contractual arrangements, liabilities or contingent liabilities of Hope Springs, Inc.

Hope Springs Water has no permanent employees. Hope Springs, Inc. has a part-time employee who also does work for Hope Springs Water. It is estimated that they average 50% of their time on each entity and Hope Springs, Inc. bills Hope Springs Water for the total cost of their time which was \$242 for 2012.

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. During 2012, a water well costing \$1,800 was drilled at the Belize Training Center run by Bob Farley to service 4 missionary families who live there and the attendees at the training center. Also, a water well costing \$2,500 was drilled for the Miskito Missions Network.

Subsequent events

Although not required, Hope Springs Water elected to file IRS Form 990 for the year ended December 31, 2012, to enhance transparency and full disclosure.

After year end, the Directors of Hope Springs, Inc. approved \$1,500 to be contributed to Hope Springs Water. The entities agreed to share the cost of painting the delivery truck for advertising purposes.

An additional part-time employee was hired by Hope Springs, Inc. who works on both entities. Hope Springs, Inc. bills Hope Springs Water for 50% of the total cost.