



**20 LITERS**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**June 30, 2017 and 2016**

**20 LITERS**

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## 20 LITERS

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors**  
**20 Liters**  
**Grandville, Michigan**

### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of 20 Liters, consisting of the statements of financial position as of June 30, 2017 and 2016, 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.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

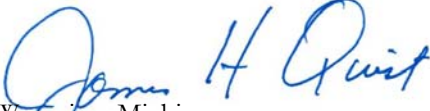
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 20 Liters as of June 30, 2017 and 2016, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter**

The accompanying financial statements are those of 20 Liters, an organization controlled by Mars Hill Bible Church, and are not those of the primary reporting entity. Consolidated financial statements of Mars Hill Bible Church, 20 Liters, Affinity Mentoring and Grand Rapids HQ as of June 30, 2017 and 2016 and for the years then ended with an independent auditor's report are to be issued separately.

  
Wyoming, Michigan  
December 22, 2017

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## 20 LITERS

### Statements of Financial Position

|                                  | June 30,          |                   |
|----------------------------------|-------------------|-------------------|
|                                  | 2017              | 2016              |
| ASSETS                           |                   |                   |
| Cash and cash equivalents        | \$ 74,909         | \$ 249,601        |
| Accounts receivable              | 25,771            | 27,372            |
| Prepaid expense                  | 1,151             | -                 |
|                                  | <u>101,831</u>    | <u>276,973</u>    |
| Website development              | 17,874            | -                 |
| Accumulated depreciation         | (3,475)           | -                 |
|                                  | <u>14,399</u>     | <u>-</u>          |
| Total Assets                     | <u>\$ 116,230</u> | <u>\$ 276,973</u> |
| LIABILITIES AND NET ASSETS       |                   |                   |
| Liabilities                      |                   |                   |
| Accounts payable                 | \$ 17,115         | \$ 29,056         |
| Accrued payroll                  | 1,711             | 3,289             |
|                                  | <u>18,826</u>     | <u>32,345</u>     |
| Total Liabilities                | <u>18,826</u>     | <u>32,345</u>     |
| Net Assets                       |                   |                   |
| Unrestricted                     | <u>97,404</u>     | <u>244,628</u>    |
| Total Net Assets                 | <u>97,404</u>     | <u>244,628</u>    |
| Total Liabilities and Net Assets | <u>\$ 116,230</u> | <u>\$ 276,973</u> |

See independent auditor's report and notes to financial statements

## 20 LITERS

### Statements of Activities

|  | For the Years Ended June 30, |            |
|--|------------------------------|------------|
|  | 2017                         | 2016       |
| SUPPORT AND REVENUE                              |                              |            |
| Contributions                                    | \$ 399,586                   | \$ 271,652 |
| Gifts in kind                                    | 37,830                       | 15,000     |
| Merchandise sales, net of cost of sales of \$421 | -                            | 4,073      |
| Interest and other income                        | 65                           | 230        |
|  | <hr/>                        | <hr/>      |
| Total Support and Revenue                        | 437,481                      | 290,955    |
|  | <hr/>                        | <hr/>      |
| EXPENSES   |                              |            |
| Program services                                 | 440,196                      | 460,215    |
|  |                              |            |
| Supporting activities                            |                              |            |
| Management and general                           | 91,575                       | 91,285     |
| Fund-raising                                     | 52,934                       | 1,172      |
|  | <hr/>                        | <hr/>      |
| Total Expenses                                   | 584,705                      | 552,672    |
|  | <hr/>                        | <hr/>      |
| Change in Unrestricted Net Assets                | (147,224)                    | (261,717)  |
| Net Assets, Beginning of Year                    | 244,628                      | 506,345    |
|  | <hr/>                        | <hr/>      |
| Net Assets, End of Year                          | \$ 97,404                    | \$ 244,628 |
|  | <hr/>                        | <hr/>      |

See independent auditor's report and notes to financial statements

## 20 LITERS

### Statements of Functional Expenses

For the Years Ended June 30,

|   | 2017              |                           |                  | 2016              |                   |                           |                 |                   |
|---|-------------------|---------------------------|------------------|-------------------|-------------------|---------------------------|-----------------|-------------------|
|   | Program           | Management<br>and General | Fund-raising     | Total<br>Expenses | Program           | Management<br>and General | Fund-raising    | Total<br>Expenses |
| Grants and assistance<br>to foreign organizations | \$ 248,395        | \$ -                      | \$ -             | \$ 248,395        | \$ 298,141        | \$ -                      | \$ -            | \$ 298,141        |
| Salaries and wages                                | 37,077            | 18,168                    | 17,425           | 72,670            | 43,269            | -                         | -               | 43,269            |
| Pension contributions                             | 781               | 383                       | 367              | 1,531             | 617               | -                         | -               | 617               |
| Other employee benefits                           | 11,061            | 5,419                     | 5,198            | 21,678            | 14,985            | -                         | -               | 14,985            |
| Payroll taxes                                     | 2,691             | 1,319                     | 1,265            | 5,275             | 3,003             | -                         | -               | 3,003             |
| Professional fees - management                    | -                 | -                         | -                | -                 | -                 | -                         | 100             | 100               |
| Professional fees - accounting                    | -                 | 1,270                     | -                | 1,270             | -                 | 3,267                     | -               | 3,267             |
| Professional fees - legal                         | -                 | 2,933                     | -                | 2,933             | -                 | -                         | -               | -                 |
| Professional fees - other                         | -                 | 44,848                    | -                | 44,848            | -                 | 47,087                    | -               | 47,087            |
| Office expenses                                   | 866               | 7,282                     | 1,131            | 9,279             | 2,219             | 7,819                     | 939             | 10,977            |
| Information technology                            | 21,440            | 5,172                     | 21,220           | 47,832            | 750               | 14,296                    | -               | 15,046            |
| Occupancy   | 7,650             | 3,757                     | 3,600            | 15,007            | -                 | 15,000                    | -               | 15,000            |
| Travel  | 12,270            | 434                       | 425              | 13,129            | 6,750             | 2,841                     | 133             | 9,724             |
| Depreciation                                      | 1,738             | -                         | 1,737            | 3,475             | -                 | -                         | -               | -                 |
| Insurance   | 1,203             | 590                       | 566              | 2,359             | -                 | 975                       | -               | 975               |
| Program expenses                                  | 95,024            | -                         | -                | 95,024            | 90,481            | -                         | -               | 90,481            |
| <b>Total Expenses</b>                             | <b>\$ 440,196</b> | <b>\$ 91,575</b>          | <b>\$ 52,934</b> | <b>\$ 584,705</b> | <b>\$ 460,215</b> | <b>\$ 91,285</b>          | <b>\$ 1,172</b> | <b>\$ 552,672</b> |

See independent auditor's report and notes to financial statements

## 20 LITERS

### Statements of Cash Flows

|   | For the Years Ended June 30, |                   |
|---|------------------------------|-------------------|
|   | 2017                         | 2016              |
| CASH FLOWS FROM OPERATING ACTIVITIES  |                              |                   |
| Change in net assets  | \$ (147,224)                 | \$ (261,717)      |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |                              |                   |
| Depreciation  | 3,475                        |                   |
| Change in:  |                              |                   |
| Accounts receivable   | 1,601                        | (864)             |
| Prepaid expense   | (1,151)                      | -                 |
| Accounts payable  | (11,941)                     | (36,378)          |
| Accrued payroll   | (1,578)                      | 3,289             |
| Net Cash Used by Operating Activities   | <u>(156,818)</u>             | <u>(295,670)</u>  |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                              |                   |
| Purchases of property and equipment   | <u>(17,874)</u>              | <u>-</u>          |
| Net Cash Used by Investing Activities   | <u>(17,874)</u>              | <u>-</u>          |
| Change in Cash and Cash Equivalents   | (174,692)                    | (295,670)         |
| Cash and Cash Equivalents, Beginning of Year  | <u>249,601</u>               | <u>545,271</u>    |
| Cash and Cash Equivalents, End of Year  | <u>\$ 74,909</u>             | <u>\$ 249,601</u> |

See independent auditor's report and notes to financial statements



# 20 LITERS

## Notes to Financial Statements

June 30, 2017 and 2016

### 1. NATURE OF ORGANIZATION

20 Liters (20L) was created to both educate and engage the developed world about the need for clean water and to empower local communities in the developing world to meet their clean water needs through sustainable technologies.

20L was incorporated under the laws of the state of Michigan to operate as a charitable organization within the meaning of Section 501(c)(3) of the Internal Revenue Code (code). It is exempt from federal and state income taxes, and contributions by the public are deductible within the limitations prescribed by the code. 20L has been classified as a public organization that is not a private foundation under Section 509(a) of the code.

20L's revenues consist primarily of contributions from the public.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The financial statements are prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The significant accounting policies that have been adopted are described below.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include a checking account and credit card deposits in transit at year end. As of June 30, 2017 and 2016, 20L had no deposits in excess of federal deposit insurance limits. 20L has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### ACCOUNTS RECEIVABLE

Accounts receivable represents contributions received by Mars Hill Bible Church (MHBC) for 20L but not forwarded to 20L before the fiscal year end.

#### PREPAID EXPENSE

Prepaid expense consists of insurance premium payments which have been paid prior to the end of the fiscal year and benefit the following fiscal year.

#### PROPERTY AND EQUIPMENT

Property and equipment in excess of \$2,000 and having a useful life of three years or greater are capitalized at cost or, if donated, at fair market value on the date of donation. Repairs and maintenance that neither materially add to the value of an asset nor appreciably prolong its life are charged to expense as incurred. Depreciation is computed on the straight-line method over an estimated useful life of three years. Depreciation expense was \$3,475 for the year ended June 30, 2017.

#### ADVERTISING

Advertising costs are expensed as they are incurred. Advertising costs totaled \$6,766 and \$27,771 for the years ended June 30, 2017 and 2016, respectively.

## 20 LITERS

### Notes to Financial Statements

June 30, 2017 and 2016

#### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

##### CLASSES OF NET ASSETS

The financial statements report amounts separately by classes of net assets:

UNRESTRICTED NET ASSETS are those currently available for ministry purposes under the direction of the board of directors, those designated by the board for a specific use, and those invested in land, building and equipment.

TEMPORARILY RESTRICTED NET ASSETS are those contributed with donor stipulations for specific operating purposes or programs, or those with time restrictions. They are not currently available for use in ministry until commitments regarding their use have been fulfilled. The board of directors reserves the right to place caps on certain ministry programs and purposes and redirect excess funding as necessary. To date, 20L has not received temporarily restricted contributions.

PERMANENTLY RESTRICTED NET ASSETS are those subject to donor-imposed stipulations to be maintained permanently by an organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. To date, 20L has not received permanently restricted contributions.

##### SUPPORT AND REVENUE

Contributions are recognized when cash is received, unconditional promises to give are made or ownership of donated assets is transferred. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. In addition to grants totaling \$130,277 and \$114,720 from Mars Hill Bible Church for the years ended June 30, 2017 and 2016, respectively, approximately 33 and 27 percent of contributions received by 20L during the years ended June 30, 2017 and 2016, respectively, were received from one percent of the donors.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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 any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time.

Other income is recorded when earned.

##### GIFTS-IN-KIND

Donated materials are reflected as contributions at their fair market value on the date of donation. During both years ended June 30, 2017 and 2016, 20L was provided office space by MHBC having an estimated fair rental value of \$15,000.

# 20 LITERS

## Notes to Financial Statements

June 30, 2017 and 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### CONTRIBUTED SERVICES

During the year ended June 30, 2017, four individuals provided digital marketing and advertising services and two individuals provided web design services having a total estimated value of \$22,830, which is included in gifts in kind on the statement of activities. There were no donated professional services during the year ended June 30, 2016.

During the year ended June 30, 2017, 160 individuals provided over 1,070 hours of clerical services having an estimated value of \$24,600. However, the value of these services is not reflected in the financial statements because it does not meet the necessary criteria under U.S. generally accepted accounting principles.

### 3. PENSION

20L provides a 403(b) retirement plan for eligible employees. 20L contributes the equivalent of 1 percent of salaries and wages for employees who work more than thirty hours per week and have been employed for at least six months. In addition, 20L matches 50 percent of employee contributions based on employee tenure as follows:

| <u>Years of Service</u> | <u>Percent of Compensation</u> |
|-------------------------|--------------------------------|
| 6 months to 3 years     | 4                              |
| 4 - 5 years             | 6                              |
| 6 - 7 years             | 8                              |
| 8 years or more         | 10                             |

20L paid \$1,530 and \$617 for matching contributions during the years ended June 30, 2017 and 2016, respectively.

### 4. RELATED PARTY TRANSACTIONS

In addition to use of office space noted under Note 2 above, MHBC provided grants to 20L totaling \$130,277 and \$114,720 during the years ended June 30, 2017 and 2016, respectively, including \$25,771 and \$27,372 due to 20L from MHBC at June 30, 2017 and 2016, respectively. Included in accounts payable at June 30, 2017 and 2016 is \$10,700 and \$17,778, respectively, due to MHBC.

A board member is the owner of the company which provides marketing services to 20L, for which 20L paid \$25,536 and \$-0- during the years ended June 30, 2017 and 2016, respectively.

### 5. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through December 22, 2017, the date these financial statements were available to be issued. No such significant events or transactions were identified.