



20 LITERS

FINANCIAL STATEMENTS

With Independent Auditor's Report

June 30, 2018 and 2017

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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 statements of financial position of 20 Liters (a nonprofit organization), as of June 30, 2018 and 2017, 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 of 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, 2018 and 2017 and the changes in net assets 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, 2018 and 2017 and for the years then ended with an independent auditor's report are to be issued separately.


Wyoming, Michigan
January 25, 2019

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20 LITERS

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 70,119	\$ 74,909
Accounts receivable	8,854	25,771
Prepaid expense	2,818	1,151
	<u>81,791</u>	<u>101,831</u>
Intangible assets		
Website development	17,874	17,874
Accumulated amortization	(9,433)	(3,475)
	<u>8,441</u>	<u>14,399</u>
Total Assets	<u>\$ 90,232</u>	<u>\$ 116,230</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 13,804	\$ 17,115
Accrued payroll	2,014	1,711
	<u>15,818</u>	<u>18,826</u>
Total Liabilities	<u>15,818</u>	<u>18,826</u>
Net Assets		
Unrestricted	<u>74,414</u>	<u>97,404</u>
Total Net Assets	<u>74,414</u>	<u>97,404</u>
Total Liabilities and Net Assets	<u>\$ 90,232</u>	<u>\$ 116,230</u>

See accompanying notes and independent auditor's report

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Statements of Activities

	For the Years Ended June 30,	
	2018	2017
SUPPORT AND REVENUE		
Contributions	\$ 350,118	\$ 399,586
Gifts in kind	15,000	37,830
Interest and other income	8	65
Total Support and Revenue	<u>365,126</u>	<u>437,481</u>
EXPENSES		
Program services	259,340	440,173
Management and general	55,038	92,186
Fund-raising	73,738	52,346
Total Expenses	<u>388,116</u>	<u>584,705</u>
Change in Net Assets	(22,990)	(147,224)
Net Assets, Beginning of Year	<u>97,404</u>	<u>244,628</u>
Net Assets, End of Year	<u>\$ 74,414</u>	<u>\$ 97,404</u>

See accompanying notes and independent auditor's report

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Statements of Functional Expenses

For the Years Ended June 30,

	2018				2017			
	Program Services	Management and General	Fund-raising	Total Expenses	Program Services	Management and General	Fund-raising	Total Expenses
Grants and assistance								
to foreign organizations	\$ 152,949	\$ -	\$ -	\$ 152,949	\$ 248,395	\$ -	\$ -	\$ 248,395
Salaries and wages	40,360	23,063	28,829	92,252	37,062	18,168	17,440	72,670
Pension contributions	1,227	701	876	2,804	780	383	367	1,530
Other employee benefits	10,249	5,858	7,322	23,429	11,510	5,643	5,418	22,571
Payroll taxes	2,877	1,644	2,054	6,575	2,690	1,319	1,266	5,275
Professional fees - legal	-	170	-	170	-	1,270	-	1,270
Professional fees - accounting	-	6,913	-	6,913	-	2,933	-	2,933
Professional fees - other	970	970	-	1,940	-	44,848	-	44,848
Advertising and promotion	21,041	-	21,042	42,083	19,671	611	19,842	40,124
Office expenses	895	10,199	639	11,733	866	7,170	408	8,444
Information technology	3,619	230	3,524	7,373	1,769	5,172	1,379	8,320
Occupancy	6,563	3,749	4,688	15,000	7,650	3,757	3,600	15,007
Travel	2,776	76	76	2,928	11,815	210	211	12,236
Conferences, conventions								
and meetings	-	487	487	974	-	112	112	224
Amortization	2,979	-	2,979	5,958	1,738	-	1,737	3,475
Insurance	1,711	978	1,222	3,911	1,203	590	566	2,359
Filter materials	11,124	-	-	11,124	95,024	-	-	95,024
Total Expenses	\$ 259,340	\$ 55,038	\$ 73,738	\$ 388,116	\$ 440,173	\$ 92,186	\$ 52,346	\$ 584,705

See accompanying notes and independent auditor's report

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Statements of Cash Flows

	For the Years Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (22,990)	\$ (147,224)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Amortization	5,958	3,475
Change in:		
Accounts receivable	16,917	1,601
Prepaid expense	(1,667)	(1,151)
Accounts payable	(3,311)	(11,941)
Accrued payroll	303	(1,578)
Net Cash Used by Operating Activities	<u>(4,790)</u>	<u>(156,818)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	<u>-</u>	<u>(17,874)</u>
Net Cash Used by Investing Activities	<u>-</u>	<u>(17,874)</u>
Change in Cash and Cash Equivalents	(4,790)	(174,692)
Cash and Cash Equivalents, Beginning of Year	<u>74,909</u>	<u>249,601</u>
Cash and Cash Equivalents, End of Year	<u>\$ 70,119</u>	<u>\$ 74,909</u>

See accompanying notes and independent auditor's report

20 LITERS

Notes to Financial Statements

June 30, 2018 and 2017

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of a checking account and credit card deposits in transit at year-end. Balances in the bank accounts may at times exceed federally insured limits. 20L has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk.

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 at June 30, 2018 and 2017 consist of insurance premium payments which have been paid prior to the end of the fiscal year and benefit the following fiscal year.

INTANGIBLE ASSETS

Intangible assets are reported at cost, estimated cost or fair value. Expenditures for intangible assets in excess of \$2,000 and having estimated useful lives of three years or more are capitalized at cost when purchased. Donated items are reported at their estimated fair values as of the date the gifts are received. Amortization is reported using the straight-line method over the estimated useful lives of the assets, which is three years. Amortization expense was \$5,958 and \$3,475 for the years ended June 30, 2018 and 2017, respectively.

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Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

NET ASSETS

The financial statements report amounts by class of net assets as follows:

UNRESTRICTED NET ASSETS are those currently available for ministry purposes under the direction of the board (undesignated net assets) and those designated by the board for specific use.

TEMPORARILY RESTRICTED NET ASSETS are those subject to donor-imposed stipulations that may or will be met either by actions of 20L or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. To date 20L has received no temporarily restricted contributions.

PERMANENTLY RESTRICTED NET ASSETS result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the 20L board or its management. To date 20L has received no permanently restricted contributions.

SUPPORT AND REVENUE

Contributions are recorded when cash is received, unconditional promises are made or when 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. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. 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 in the statements of activities as net assets released from restrictions. In addition to grants totaling \$105,697 and \$130,277 from Mars Hill Bible Church for the years ended June 30, 2018 and 2017, respectively, approximately 30 and 31 percent of contributions received by 20L during the years ended June 30, 2018 and 2017, respectively, were received from the top five donors.

Contributions of assets other than cash and services are reported at their estimated fair value. 20L reports donations of property and equipment as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired and placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time.

All other revenues are recorded when earned.

GIFTS IN KIND

During both years ended June 30, 2018 and 2017, 20L was provided office space by MHBC having an estimated fair rental value of \$15,000.

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Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CONTRIBUTED SERVICES

Contributed services that require specialized skills are reflected in the statements of activities at their estimated fair value of \$-0- and \$22,830, respectively. These services included digital marketing, advertising services and web design services for the year ended June 30, 2017.

During the years ended June 30, 2018 and 2017, 556 and 160 individuals provided approximately 4,174 and 1,070 hours of volunteer support to 20L, respectively. For the years ended June 30, 2018 and 2017, management estimates the total value of volunteer services to be approximately \$96,000 and \$24,600, respectively. However, the value of these services is not reflected in the financial statements because the services do not meet the definition of donated professional services under generally accepted accounting principles. Volunteers participate in various activities, including clerical services.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred. The cost of providing the various program services and supporting activities have been presented on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities, benefitting from those expenditures.

ADVERTISING

20L expenses advertising costs as they are incurred. Total advertising costs were \$5,833 and \$6,766 for the years ended June 30, 2018 and 2017, respectively.

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 \$2,804 and \$1,530 for matching contributions during the years ended June 30, 2018 and 2017, respectively.

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Notes to Financial Statements

June 30, 2018 and 2017

4. RELATED PARTY TRANSACTIONS

In addition to use of office space noted under Gifts-In-Kind above, MHBC provided grants to 20L totaling \$105,697 and \$130,277 during the years ended June 30, 2018 and 2017, respectively, including \$8,854 and \$25,771 due to 20L from MHBC at June 30, 2018 and 2017, respectively. Included in accounts payable at June 30, 2018 and 2017 is \$8,746 and \$10,700, respectively, due to MHBC.

A board member is the owner of the company which provides marketing services to 20L, for which 20L paid \$32,630 and \$25,536 during the years ended June 30, 2018 and 2017, respectively.

5. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through January 25, 2019, the date these financial statements were available to be issued. No such significant events or transactions were identified.