

DEEP SPRINGS INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR YEARS ENDED DECEMBER 31, 2011 AND 2010





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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Deep Springs International, Inc.
Grove City, Pennsylvania

We have audited the accompanying statements of financial position of Deep Springs International, Inc. (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to obtain sufficient audit evidence to support the amount of inventory stated of \$24,638 and \$54,675 in the accompanying statements of financial position as of December 31, 2011 and 2010, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the existence and valuation of the Organization's inventory, the financial statements referred to above present fairly, in all material respects, the financial position of Deep Springs International, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MCGILL, POWER, BELL & ASSOCIATES, LLP

McGill, Power, Bell & Associates, LLP

Meadville, Pennsylvania
November 9, 2012

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DEEP SPRINGS INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 608,095	\$ 278,472
Cash and cash equivalents - restricted	-	40,598
Accounts receivable	63,789	84,952
Inventory	24,638	54,675
Prepaid expenses	6,096	5,363
TOTAL CURRENT ASSETS	702,618	464,060
FIXED ASSETS		
Furniture and equipment	36,717	23,693
Accumulated depreciation	(8,845)	(2,886)
	<u>27,872</u>	<u>20,807</u>
PLEDGES RECEIVABLE	<u>20,000</u>	<u>-</u>
	<u>\$ 750,490</u>	<u>\$ 484,867</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 19,180	\$ 10,870
Accrued expenses	7,376	11,339
Deferred revenue	8,118	22,463
TOTAL CURRENT LIABILITIES	34,674	44,672
NET ASSETS		
Unrestricted	695,816	399,597
Temporarily restricted	20,000	40,598
TOTAL NET ASSETS	<u>715,816</u>	<u>440,195</u>
	<u>\$ 750,490</u>	<u>\$ 484,867</u>

See accompanying notes.

DEEP SPRINGS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 85,173	\$ 20,000	\$ 105,173
Grants	5,000	-	5,000
Sales	231,073	-	231,073
Program services	610,382	-	610,382
Other income	60	-	60
Net assets released from restrictions	40,598	(40,598)	-
	<u>972,286</u>	<u>(20,598)</u>	<u>951,688</u>
EXPENSES			
Compensation	117,511	-	117,511
Payroll taxes	4,961	-	4,961
Employee benefits	4,269	-	4,269
Cost of sales	141,476	-	141,476
Unicef bottling project	204,440	-	204,440
Office expense	16,032	-	16,032
Subcontract labor	49,452	-	49,452
Contract services	9,450	-	9,450
Travel and meetings	42,039	-	42,039
Rent Expense	13,878	-	13,878
Advertising	9,054	-	9,054
Insurance	12,128	-	12,128
Depreciation expense	5,959	-	5,959
Accounting	14,440	-	14,440
Bad Debt Expense	10,294	-	10,294
Other	20,684	-	20,684
	<u>676,067</u>	<u>-</u>	<u>676,067</u>
CHANGE IN NET ASSETS	296,219	(20,598)	275,621
NET ASSETS, BEGINNING OF YEAR	<u>399,597</u>	<u>40,598</u>	<u>440,195</u>
NET ASSETS, END OF YEAR	<u>\$ 695,816</u>	<u>\$ 20,000</u>	<u>\$ 715,816</u>

See accompanying notes.

DEEP SPRINGS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 529,371	\$ 74,100	\$ 603,471
Grants	92,144	-	92,144
Sales	318,300	-	318,300
Program services	22,095	-	22,095
Other income	302	-	302
Net assets released from restrictions	38,585	(38,585)	-
	<u>1,000,797</u>	<u>35,515</u>	<u>1,036,312</u>
EXPENSES			
Compensation	111,585	-	111,585
Payroll taxes	5,812	-	5,812
Employee benefits	608	-	608
Cost of sales	104,159	-	104,159
Office expense	14,831	-	14,831
Subcontract labor	50,533	-	50,533
Contract services	1,190	-	1,190
Travel and meetings	51,146	-	51,146
Rent Expense	13,404	-	13,404
Advertising	24,990	-	24,990
Insurance	8,269	-	8,269
Depreciation expense	2,886	-	2,886
Accounting	249	-	249
Other	219,648	-	219,648
	<u>609,310</u>	<u>-</u>	<u>609,310</u>
CHANGE IN NET ASSETS	391,487	35,515	427,002
NET ASSETS, BEGINNING OF YEAR - AS ORIGINALLY STATED	23,050	-	23,050
PRIOR PERIOD ADJUSTMENTS (NOTE G)	<u>(14,940)</u>	<u>5,083</u>	<u>(9,857)</u>
NET ASSETS, BEGINNING OF YEAR - AS RESTATED	<u>8,110</u>	<u>5,083</u>	<u>13,193</u>
NET ASSETS, END OF YEAR	<u>\$ 399,597</u>	<u>\$ 40,598</u>	<u>\$ 440,195</u>

See accompanying notes.

DEEP SPRINGS INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 275,621	\$ 427,002
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,959	2,886
Non-cash contributions of fixed assets and inventory	(3,204)	(53,615)
(Increase) decrease in accounts receivable	21,163	(84,952)
(Increase) decrease in inventory	30,037	(10,752)
Increase in prepaid expenses	(733)	(5,363)
Increase in pledges receivable	(20,000)	-
Increase in accounts payable	8,310	10,870
Increase (decrease) in accrued expenses	(3,963)	4,306
Increase (decrease) in deferred revenue	<u>(14,345)</u>	<u>11,051</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	298,845	301,433
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(9,820)</u>	<u>(12,446)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	289,025	288,987
CASH AND CASH EQUIVALENTS, BEGINNING	<u>319,070</u>	<u>30,083</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 608,095</u>	<u>\$ 319,070</u>
NON-CASH INVESTING ACTIVITIES		
Non-cash contribution of fixed assets	<u>\$ 3,204</u>	<u>\$ 10,000</u>
Non-cash contribution of inventory	<u>\$ -</u>	<u>\$ 43,615</u>

See accompanying notes.