WORLDSERVE INTERNATIONAL

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017

WORLDSERVE INTERNATIONAL
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For the Year Ended December 31, 2017

F E L I X & G L O E K L E R , P . C .
CERTIFIED PUBLIC ACCOUNTANTS
2306 Peninsula Drive · Erie, Pennsylvania 16506

Independent Auditor's Report

To the Board of Directors
Worldserve International

We have audited the accompanying financial statements of Worldserve International (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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, we 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion

As described in Note 8 to the financial statements, Worldserve International does not fully consolidate its two foreign subsidiaries. Instead, investment in these companies are recorded as "Investment in Majitech." Accounting principles generally accepted in the United States of America ("GAAP") require that wholly-owned subsidiaries be fully consolidated into the parent organization's financial statements but because the subsidiaries' financial statements are prepared under International Financial Reporting Standards ("IFRS"), which is a financial reporting framework other than GAAP they are not consolidated. The effects on the financial statements of these departures from GAAP are not reasonably determinable.

Adverse Opinion

In our opinion, because of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements referred to above do not present fairly the financial position of Worldserve International as of December 31, 2017, or the changes in its net assets or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.
Erie, Pennsylvania

September 5, 2018

WORLDSERVE INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS		**2017**
Current Assets		
Cash and Cash Equivalents	$	**446,950**
Accounts Receivable		**662,541**
Prepaid Expenses		**1,193**
Total Current Assets		**1,110,684**
Property and Equipment, net		**38,566**
Investment in Majitech		**997,235**
Investment in Carpenter Fund		**5,000**
Total Assets	$	**2,151,485**
LIABILITIES & EQUITY		
Current Liabilities		
Accounts Payable - Other	$	**131,396**
Accounts Payable - Related Parties		**9,444**
Accrued Liabilities		**14,417**
Notes Payable - Related Parties		**139,313**
Line of Credit		**169,000**
Total Current Liabilities		**463,570**
Total Liabilities		**463,570**
Net Assets		
Unrestricted Net Assets		**1,687,915**
Total Liabilities & Equity	$	**2,151,485**

The accompanying notes are an integral part of these financial statements.

WORLDSERVE INTERNATIONAL
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	2017
Support and Other Revenue	
Public Support	
Fundraising Events	$ 732,874
Fundraising Event Costs	(390,714)
Net Fundraising Event Income	342,160
Contribution Income - Other	1,973,958
Total Public Support	2,316,118
Expenses	
Program Service Expenses	1,666,948
Support and Administrative Expenses	125,256
Marketing and Fundraising Expenses	200,632
Total Expenses	1,992,836
Net Income from Operations	323,282
Other Comprehensive Income	
Foreign Currency Gain (loss)	(52,217)
Change in Unrestricted Net Assets	271,065
Net Assets at Beginning of Year	1,416,850
Net Assets at End of Year	$ 1,687,915

The accompanying notes are an integral part of these financial statements.

WORLDSERVE INTERNATIONAL
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	2017
Cash Flows From Operating Activities	
Net Income from Operations	$ 323,282
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	15,426
Loss on Subsidiary	3,364
(Increase) Decrease in Accounts Receivable	(254,865)
Increase (Decrease) in Accounts Payable	(58,379)
Increase (Decrease) in Accrued Expenses	(3,487)
Total Adjustments	(297,941)
Net Cash Flows provided by Operating Activities	25,341
Cash Flows From Investing Activities	
Changes in Investments in Majitech, net	100,033
Net Cash From Investing Activities	100,033
Cash Flows From Financing Activities	
Borrowing on Line of Credit	139,000
Repayment on Line of Credit	(75,000)
Payments on Notes Payable	(139,313)
Net Cash From (Used In) Financing Activities	(75,313)
Net Increase (Decrease) in Cash	50,061
Cash and Cash Equivalents, Beginning of Year	396,889
Cash and Cash Equivalents, End of Year	$ 446,950
Supplemental Disclosures	
Cash Paid During the Year for:	
Interest	$ 6,266

The accompanying notes are an integral part of these financial statements.

WORLDSERVE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program	Administrative	Fund Raising	Total
Drilling and Other Program Costs	$ 1,342,103	$ -	$ -	$ 1,342,103
Loss on Subsidiary	3,364	-	-	3,364
Office Expense	3,234	229	1,534	4,997
Payroll Expenses	-	-	62,315	62,315
Officer Payroll	123,008	7,235	14,472	144,715
Employee Benefits/payroll taxes	31,963	1,351	11,076	44,390
Travel	63,160	2,222	8,268	73,650
Meals and Entertainment	8,243	408	3,300	11,951
Telephone/Internet	10,873	380	1,841	13,094
Bank Fees	-	1,795	-	1,795
Professional Fees - Accounting	-	27,525	-	27,525
Consultants Fees and Costs	81,000	31,930	53,436	166,366
Advertising	-	-	5,400	5,400
Insurance	-	1,431	48	1,479
Depreciation	-	15,426	-	15,426
Interest Expense	-	6,266	-	6,266
Board Travel and Expenses	-	23,426	-	23,426
Miscellaneous	-	5,632	90	5,722
Website Administration	-	-	14,438	14,438
Donation Processing	-	-	9,194	9,194
Promotional Materials	-	-	15,220	15,220
Total Expense	$ 1,666,948	$ 125,256	$ 200,632	$ 1,992,836

The accompanying notes are an integral part of these financial statements.

WORLDSERVE INTERNATIONAL
Notes to the Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

A. Organization

These financial statements include the financial position and activity of Worldserve International. Its wholly-owned subsidiaries, MajiTech Engineering Limited (a Tanzania company), and Majitech Kenya (a Kenyan company) are not consolidated. The Organization provides clean water, economic and agricultural assistance to the third world, primarily in East Africa, in the hopes of alleviating poverty and suffering. Its activities are primarily funded by donor contributions. Many of the Organization's fundraising activities are conducted under the d/b/a Africa6000.

B. Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting, which generally recognizes revenue when earned and expenses when incurred.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. During 2017, the Company had no temporarily or permanently restricted net assets. In addition, the Organization presents a statement of cash flows.

C. Cash Balances, Cash Equivalents and Concentration of Risk

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Bank accounts were insured by the Federal Deposit Insurance Corporation up to $250,000, per financial institution, at December 31, 2017. At December 31, 2017, bank balances included:

	2017
Domestic accounts - FDIC insured	$ 436,774
Credit cards in process - not FDIC insured	10,176
	$ 446,950

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. During 2017, no restricted contributions were received.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

E. Concentration of Credit Risk

The Organization grants credit to its customers for drilling-related fees in the course of business, conducts periodic evaluations and generally requires no collateral. The Subsidiaries' cash receipts come generally from well-drilling in Tanzania and Kenya. Customers include government-type entities and not-for-profit organizations.

The maximum amount of loss due to credit risk, based on the gross fair value of the accounts receivable balance the Organization would incur if parties failed to perform according to the terms of the contracts, is limited to the balance in the accounts receivable account.

F. Property and Equipment

The Organization generally capitalizes property and equipment at cost. Expenditures for renewals and betterments greater than $1,000 are generally capitalized; repairs and maintenance are expensed. Donated equipment is capitalized at its estimated fair value upon receipt. Depreciation of depreciable fixed assets is computed using the straight-line method over estimated useful lives beginning when the assets are placed in service.

G. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its administrative and fundraising activities. Since the value of these services is not determinable, and since similar services are typically provided to similar organizations, these services are not recognized in the financial statements.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

J. Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is determined to be other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

MajiTech Engineering Limited and Majitech Kenya Limited, the subsidiaries, are organized in foreign counties and are subject to income taxes in their home countries.

K. Sequencing on the Statement of Financial Position

Assets are sequenced according to the nearness of conversion to cash, and liabilities are sequenced according to the nearness of their maturity and resulting use of cash.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 consists of:

	2017
Pledges Receivable	$ 652,339
Accounts Receivable – Related Party	10,202
Total Accounts Receivable	$ 662,541

The Organization believes all of its pledges receivable will be collected within one year; therefore, a provision for uncollectible pledges is not included in the financial statements.

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NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 consists of:

		2017
Office Equipment	$	4,394
Equipment		77,133
Less: Accumulated Depreciation		(42,961)
Net Property, Plant, and Equipment	$	38,566

Estimated useful lives are as follows:

Equipment	4 years
Office Furniture and Equipment	3-8 years

NOTE 4 – NOTE PAYABLE

The Organization is indebted to Central Bank of the Ozarks on a $300,000 line of credit. The outstanding balance was $169,000 as of December 31, 2017. The note is secured by the assets of the Organization. Current interest rate is 4.5%, the entire outstanding balance is due in 2018.

NOTE 5 – LONG-TERM DEBT

The Organization is indebted under a note issued in connection with borrowings from a director of the Organization. The note is described as follows:

Note payable to one individual director of the Organization in the amount not to exceed $350,000. Advances on the loan are for working capital purposes. In lieu of interest, the note requires the Organization to pay to the lender 25½% of the EBITDA of the Organization's two foreign subsidiaries, if profits are realized. The loan is secured by the subsidiaries' equipment and a pledge of 25½% of the subsidiaries' stock. The loan is due in full on February 14, 2018.

	Note #1	Total
Balance at December 31, 2017	$ 139,313	$ 139,313

Maturities on long-term debt are as follows:

	2018	139,313
		$ 139,313

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NOTE 6 – JOINT FUNDRAISING COSTS

Joint costs have been incurred in activities that include fundraising and administration. Certain expenses have been allocated between administrative and fundraising functions, based on management's estimate of percentage of time spent and other factors.

NOTE 7 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 5, 2018, the date which the financial statements were available to be issued.

NOTE 8 – INVESTMENT IN MAJITECH ENTITIES

Accounting principles generally accepted in the United States of America, require entities which have wholly owned subsidiaries to present consolidated financial statements. Because the Entity's subsidiaries are located in Tanzania and Kenya, and because the audited financial statements of the subsidiaries are prepared using International Financial Reporting Standards ("IFRS") which differ from accounting principles generally accepted in the United States of America, for the year ending December 31, 2017, Worldserve International did not present consolidated financial statements that include their two wholly owned subsidiaries. Rather, the Organization showed the investment at cost, adjusted for prior periods' net income and losses.

NOTE 9 – RELATED PARTY TRANSACTIONS

During 2017, Worldserve International paid its wholly owned subsidiaries $953,478 for services. At the end of the year, Worldserve International owed their subsidiaries $9,444, reflected in accounts payable at December 31, 2017.

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