

**WATERAID AMERICA, INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEAR ENDED MARCH 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)**

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
WaterAid America, Inc.

We have audited the accompanying statement of financial position of WaterAid America, Inc. ("WaterAid") as of March 31, 2009 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of WaterAid's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from WaterAid's 2008 financial statements and, in our report dated June 9, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WaterAid America, Inc. as of March 31, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Lederer, Levine & Associates, LLC

New York, NY
June 29, 2009

WATERAID AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 1,676,037	\$ 2,648,899
Pledges receivable (Note C)	4,492,094	2,033,908
Accounts receivable and other	10,425	54,970
Prepaid expenses	6,227	3,285
Property and equipment - net (Notes B and D)	56,621	33,103
Security deposit	8,836	8,706
TOTAL ASSETS	\$ <u>6,250,240</u>	\$ <u>4,782,871</u>
 LIABILITIES		
Accrued expenses payable	\$ 35,973	\$ 97,577
Grants payable (Note E)	19,922	755,068
TOTAL LIABILITIES	<u>55,895</u>	<u>852,645</u>
 Commitments and Contingencies (Note H)		
 NET ASSETS		
Unrestricted	1,702,251	1,585,163
Temporarily restricted (Note I)	4,492,094	2,345,063
TOTAL NET ASSETS	<u>6,194,345</u>	<u>3,930,226</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>6,250,240</u>	 \$ <u>4,782,871</u>

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

WATERAID AMERICA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009		2008
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE			
Contributions - foundations and corporations (Note F)	\$ 472,594	\$ 3,955,813	\$ 2,303,913
Contributions - individuals and others	419,223		207,382
Contributed services, materials and facilities (Note B)	28,493		15,402
Special events (net of expenses of \$174,104 in 2008)			130,722
Investment income (Note G)	22,600	244	69,474
Other income	34,070		
Net assets released from restrictions	1,809,026	(1,809,026)	
	2,786,006	2,147,031	2,726,893
TOTAL SUPPORT AND REVENUE			
	2,093,065	2,093,065	3,151,257
EXPENSES:			
Program services	324,571		375,429
Management and general	251,282		232,932
Fundraising and development			
	2,668,918	2,668,918	3,759,618
TOTAL EXPENSES			
	117,088	2,147,031	(1,032,725)
Change in net assets			
	1,585,163	2,345,063	4,962,951
Net Assets - Beginning of Year			
	\$ 1,702,251	\$ 4,492,094	\$ 3,930,226
NET ASSETS - END OF YEAR			
	1,702,251	4,492,094	6,194,345
	\$	\$	\$

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

WATERAID AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009			2008
	Program Services	Management and General	Fundraising and Development	Total
Personnel expenses and benefits (Note B)	\$ 217,142	\$ 180,402	\$ 208,815	\$ 606,359
Temporary services			3,844	3,844
Total personnel expenses and benefits	217,142	180,402	212,659	610,203
Program and grant expense	1,691,458			1,691,458
Occupancy (Notes B and H)	17,813	14,799	17,129	49,741
Outside services and professional fees		21,118	2,005	23,123
Marketing		30,006	6,145	36,151
Office and administrative	2,078	68,990	5,481	76,549
Travel	29,682	3,498	1,660	34,840
Communications and outreach	130,799	1,094		131,893
Depreciation expense	2,944	2,446	2,830	8,220
Other	1,149	2,218	3,373	6,740
Total Expenses	\$ 2,093,065	\$ 324,571	\$ 251,282	\$ 2,668,918
				\$ 508,537
				16,825
				525,362
				2,616,947
				36,737
				142,022
				96,143
				141,726
				91,420
				95,916
				2,670
				10,675

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

WATERAID AMERICA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,264,119	\$ (1,032,725)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	8,220	2,670
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(2,458,186)	677,763
Accounts receivable and other	44,545	(31,117)
Prepaid expenses	(2,942)	22,552
Security deposit	(130)	(129)
Increase (decrease) in liabilities:		
Accrued expenses payable	(61,604)	8,129
Grants payable	(735,146)	755,068
Net Cash (Used) Provided by Operating Activities	<u>(941,124)</u>	<u>402,211</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(31,738)</u>	<u>(23,758)</u>
NET (DECREASE) INCREASE IN CASH	(972,862)	378,453
Cash and cash equivalents - beginning of year	<u>2,648,899</u>	<u>2,270,446</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,676,037</u>	<u>\$ 2,648,899</u>
Supplementary disclosure:		
Interest paid for the year	<u>\$ -0-</u>	<u>\$ -0-</u>

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

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009

Note A - Organization and Nature of Activities

WaterAid America Inc. (the "Organization") is an exempt organization within the meaning of section 501 (c) (3) of the Internal Revenue Code. The Organization was incorporated under the laws of Delaware on January 9, 2003 and currently has offices in New York City, NY.

The Organization's mission is to ensure the provision of water, sanitation and hygiene education to the world's poorest people; we accomplish this mission by supporting partner organizations in low-income countries to deliver water and sanitation services, by educating the United States ("US") public about this issue and the urgent need for solutions, and through outreach and advocacy with key audiences in the US.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting. The Organization follows accounting principles generally accepted in the United States of America which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board and the American Institute of Certified Public Accountants.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of less than three months to be cash equivalents.

Restricted Contributions

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.

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 those estimates.

Contributed Services, Materials and Facilities

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. The Organization capitalizes property and equipment with a useful life of two years or more and a cost of \$1,000 or more.

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009
(Continued)

Note B – Summary of Significant Accounting Policies (continued)

Financial Accounting Standards Board (FASB) Interpretation No. 48 – Accounting for Uncertainty in Income Taxes – and Interpretation of FASB Statement No. 109 (FIN 48)

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. On November 7, 2007, the FASB voted to defer FIN 48 for one year until fiscal years beginning after December 15, 2007. On October 15, 2008, the FASB voted to continue the deferral of FIN 48, for non-public companies and not-for-profits, for an additional year until fiscal years beginning after December 15, 2008.

As FIN 48 has not yet been adopted, the Agency is continuing to use FASB Statement No. 5, *Accounting for Contingencies* ("FASB 5") to evaluate uncertain tax positions. The Agency believes there would be no impact of adopting FIN 48 on the financial statements.

Fair Value Measurements

SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) defines fair value, establishes a framework for measuring fair value and establishes a hierarchy that categorized and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements.

On February 12, 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2), which delays the effective date of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. A partial deferral of SFAS No. 157 was elected under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating intangible assets and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities. Furthermore, the impact of implementing FSP 157-2 is not expected to be material on the financial statements. Partially adopting SFAS No. 157 effective January 1, 2008 had no impact on the financial statements.

On October 10, 2008, the FASB issued FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP 157-3), which clarifies application of SFAS No. 57 in a market that is not active. FSP 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of this FSP had no impact on the financial statements.

Fair Value Measurements on a Recurring Basis

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Our assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009
(Continued)

Note B - Summary of Significant Accounting Policies (continued)

Fair Value Measurements on a Nonrecurring Basis

As permitted by FSP 157-2, the fair value measurement disclosure was deferred for any (a) long-lived assets and finite-lived intangible assets in the determination of impairment under SFAS No. 42 or SFAS No. 144, (b) asset retirement obligations initially measured at fair value under SFAS No. 143, *Accounting for Asset Retirement Obligations*, and c) nonfinancial liabilities for exit or disposal activities initially measured at fair value under SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*.

SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of SFAS No. 115* (SFAS No. 159), permits but does not require to measure financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected would be reported in earnings. As the Agency did not elect to fair value any of their financial instruments under the provisions of SFAS No. 159, the adoption of this statement effective January 1, 2008 did not have an impact on the financial statements.

Note C – Pledges Receivable

Pledges receivable consist of the following as of March 31, 2009 and 2008.

Unconditional promises to be collected in:

	<u>2009</u>	<u>2008</u>
Less than one year	\$ 2,900,111	\$ 1,532,871
One to five years	<u>1,675,500</u>	<u>530,032</u>
	4,575,611	2,062,903
Less: net present value discount (2.5% in 2009 and 2.5% in 2008)	<u>83,517</u>	<u>28,995</u>
	<u>\$ 4,492,094</u>	<u>\$ 2,033,908</u>

Note D – Property and Equipment

Property and equipment consist of the following at March 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Furniture, computers and software	\$ 68,846	\$ 37,108
Less: accumulated depreciation	<u>12,225</u>	<u>4,005</u>
Total	<u>\$ 56,621</u>	<u>\$ 33,103</u>

Note E – Grants Payable

The Organization has pledged \$19,922 in grants for water, sanitation and hygiene education projects.

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009
(Continued)

Note F – Concentrations

For the year ended March 31, 2009, approximately 60% of WaterAid America's contributions were received from a single donor; for the year ended March 31, 2008, approximately 43% were received from another single donor.

Note G – Investment Income

Investment income consisted of the following at March 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Interest income	\$ 22,847	\$ 69,474
Realized (loss) on sales of investments	(3)	
Total	<u>\$ 22,844</u>	<u>\$ 69,474</u>

Note H - Commitments and Contingencies

The organization maintains its executive offices in Manhattan, NYC. Effective April 1, 2009 the Organization also sublet offices in Washington, DC for one year. The minimum rental commitments on noncancelable leases are summarized as follows.

For the year ended March 31: 2010	\$ 43,547
2011	9,372

Note I – Temporarily Restricted Net Assets

Temporarily restricted net assets were subject to the following restrictions as of March 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Expenditures for capacity building	\$	\$ 260,155
Program services and time restrictions	<u>4,492,094</u>	<u>2,084,908</u>
	<u>\$ 4,492,094</u>	<u>\$ 2,345,063</u>