

WaterAid America, Inc.

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

MARCH 31, 2013 AND 2012

WaterAid America, Inc.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors
WaterAid America, Inc.
New York, New York**

We have audited the accompanying consolidated financial statements of WaterAid America, Inc. (the “*Organization*”), which comprise the statement of financial position as of March 31, 2013 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management 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 organization’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 Organization’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.

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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Directors
WaterAid America
New York, New York**

Report on Summarized Comparative Information

We have previously audited WaterAid America, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 6, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP
TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
June 18, 2013**

WaterAid America, Inc.

STATEMENTS OF FINANCIAL POSITION

March 31, 2013 And 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 1,093,822	\$ 471,450
Contributions receivable (<i>Note 4</i>)	469,886	766,792
Grants receivable	371,697	-
Accounts receivable and other	-	49,972
Prepaid expenses and other assets	38,448	24,425
Investments (<i>Note 3</i>)	990,280	977,310
Property and equipment (net) (<i>Note 5</i>)	32,464	42,425
Security deposit	<u>15,822</u>	<u>15,520</u>
Total Assets	<u>\$ 3,012,419</u>	<u>\$ 2,347,894</u>
LIABILITIES AND NET ASSETS		
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 30,395	\$ 54,512
Grants payable	<u>532,104</u>	<u>21,052</u>
Total Liabilities	<u>562,499</u>	<u>75,564</u>
NET ASSETS		
Unrestricted	1,720,839	1,505,538
Temporarily restricted (<i>Note 7</i>)	<u>729,081</u>	<u>766,792</u>
Total Net Assets	<u>2,449,920</u>	<u>2,272,330</u>
Total Liabilities and Net Assets	<u>\$ 3,012,419</u>	<u>\$ 2,347,894</u>

WaterAid America, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2013 And 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013</u>	<u>2012</u>
REVENUE				
Contributions –				
Foundations and corporations	\$ 5,348,269	\$ 1,517,385	\$ 6,865,654	\$ 4,618,238
Individuals and others	498,127	-	498,127	533,444
Government grants	420,005	-	420,005	62,301
Investment income	4,800	-	4,800	533
Miscellaneous income	2,817	-	2,817	-
Net assets released from restrictions	<u>1,555,096</u>	<u>(1,555,096)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>7,829,114</u>	<u>(37,711)</u>	<u>7,791,403</u>	<u>5,214,516</u>
EXPENSES				
Program services	6,246,082	-	6,246,082	3,507,407
Support services				
Management and general	796,930	-	796,930	407,835
Fundraising	<u>570,801</u>	<u>-</u>	<u>570,801</u>	<u>400,773</u>
Total expenses	<u>7,613,813</u>	<u>-</u>	<u>7,613,813</u>	<u>4,316,015</u>
Change in net assets	215,301	(37,711)	177,590	898,501
Net Assets				
Beginning of year	<u>1,505,538</u>	<u>766,792</u>	<u>2,272,330</u>	<u>1,373,829</u>
End of year	<u>\$ 1,720,839</u>	<u>\$ 729,081</u>	<u>\$ 2,449,920</u>	<u>\$ 2,272,330</u>

WaterAid America, Inc.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2013 And 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 177,590	\$ 898,501
<i>Adjustments to reconcile change in net cash provided by (used in) operating activities</i>		
Depreciation	15,406	39,115
Net realized and unrealized losses on investments	2,358	1,701
(Increase) decrease in		
Contributions receivable	296,906	(656,335)
Grants receivable	(371,697)	-
Accounts receivable and other	49,972	(35,060)
Prepaid expenses	(14,023)	(14,457)
Security deposit	(302)	(6,095)
Increase (decrease) in		
Accounts payable and accrued expenses	(24,117)	33,804
Grants payable	<u>511,052</u>	<u>(295,400)</u>
Net cash provided by (used for) operating activities	<u>643,145</u>	<u>(34,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,244,563)	(396,088)
Proceeds from sales of investments	1,229,235	391,963
Purchase of furniture, fixtures and equipment	<u>(5,445)</u>	<u>(48,795)</u>
Net cash used in investing activities	<u>(20,773)</u>	<u>(52,920)</u>
Net increase (decrease) in cash	622,372	(87,146)
CASH		
Beginning of year	<u>471,450</u>	<u>558,596</u>
End of year	<u>\$ 1,093,822</u>	<u>\$ 471,450</u>

WaterAid America, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended March 31, 2013 With Summarized Information For 2012

	2013			2012	
	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and benefits	\$ 503,268	\$ 413,193	\$ 282,198	\$ 1,198,659	\$ 889,881
Program and grant expenses	5,700,865	-	-	5,700,865	2,871,520
Outside services and professional fees	8,000	104,727	799	113,526	25,633
Communications, marketing, and outreach	-	-	198,409	198,409	195,136
General and administrative	10,565	88,393	29,811	128,769	71,258
Occupancy	6,760	74,542	-	81,302	66,816
Travel	12,851	56,363	50,159	119,373	106,864
Insurance	46	8,098	-	8,144	10,051
Telecommunications	3,348	31,146	-	34,494	23,977
Service fees	379	5,062	9,425	14,866	15,764
Depreciation	-	15,406	-	15,406	39,115
Total expenses	<u>\$ 6,246,082</u>	<u>\$ 796,930</u>	<u>\$ 570,801</u>	<u>\$ 7,613,813</u>	<u>\$ 4,316,015</u>

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2013 And 2012

(1) ORGANIZATION

WaterAid America, Inc. (the “*Organization*”) was incorporated under the laws of Delaware on January 9, 2003 and currently has offices in New York, NY and Washington, D.C.

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 (“*U.S.*”) public about this issue and the urgent need for solutions, and through outreach and advocacy with key audiences in the U.S.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCRUAL BASIS OF ACCOUNTING

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and conform to generally accepted accounting principles as applicable to not-for-profit organizations.

INCOME TAXES

WaterAid America, Inc. is a not-for-profit organization exempt from U.S. Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been recognized as a public charity under Section 509(a)(1) of the Internal Revenue Code.

Management has reviewed the tax positions for the open tax years (2009 – 2011) or expected to be taken in the Organization’s 2012 tax return and has concluded that there are no significant uncertain tax position that could require recognition in the financial statements.

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“*ASC*”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

CASH AND CASH EQUIVALENTS

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

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2013 And 2012

INVESTMENTS

Investments are recorded at fair value with the resulting gains and losses reported in the statement of activity as increases in unrestricted net assets unless the use of the assets or proceeds from the sale of assets is limited by donor imposed restrictions.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, less accumulated depreciation. The Organization's policy is to capitalize property and equipment with a cost of \$1,000 or more with a useful life of two years or more.

CONTRIBUTIONS

Unconditional promises to give are recognized as revenues or gains in the period received. Contributions that are restricted by the donor are recorded as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other contributions are recorded as temporarily restricted if they are received with donor stipulations that limit the use of such contributions. When the donor restrictions are met, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities and changes in net assets as "net assets released from restrictions."

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and the related contribution revenue is recorded in the unrestricted and temporarily restricted net assets.

NET ASSETS

A description of the net asset categories follows:

Unrestricted net assets – Unrestricted net assets include the net assets that are associated with the principal mission of the Organization.

Temporarily restricted net assets – include contributions and other assets received with the donor stipulations that limit the use of the donated asset. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "**net assets released from restriction.**"

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2013 And 2012

(3) INVESTMENTS

Cost and market values at March 31 are summarized as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market	\$ 139,383	\$ 139,383	\$ 128,772	\$ 128,772
Bank Certificates of Deposit	<u>850,000</u>	<u>850,897</u>	<u>850,000</u>	<u>848,538</u>
	<u>\$ 989,383</u>	<u>\$ 990,280</u>	<u>\$ 978,772</u>	<u>\$ 977,310</u>

As of March 31, 2013 and 2012, net unrealized gains (losses) consisted of \$897 and \$(1,462), respectively.

The Organization utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The summary of inputs used to value the Organization's assets that are carried at fair value as of March 31, 2012 and 2011 are as follows:

<u>Investments</u>	<u>2013</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 139,383	\$ 139,383	\$ -	\$ -
Bank Certificates	<u>850,897</u>	<u>-</u>	<u>850,897</u>	<u>-</u>
	<u>\$ 990,280</u>	<u>\$ 139,383</u>	<u>\$ 850,897</u>	<u>\$ -</u>
<u>Investments</u>	<u>2012</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 128,772	\$ 128,772	\$ -	\$ -
Bank Certificates	<u>848,538</u>	<u>-</u>	<u>848,538</u>	<u>-</u>
	<u>\$ 977,310</u>	<u>\$ 128,772</u>	<u>\$ 848,538</u>	<u>\$ -</u>

There were no transfers between Level 1 and 2 during the years ended March 31, 2013 and 2012.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2013 And 2012

(4) CONTRIBUTIONS RECEIVABLE

At March 31, 2013 and 2012, contributions receivable were due as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 469,886	\$ 500,211
Between one and five years	<u>-</u>	<u>266,581</u>
Total contributions receivable	<u>\$ 469,886</u>	<u>\$ 766,792</u>

(5) PROPERTY AND EQUIPMENT

At March 31, 2013 and 2012, property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Furniture, computers and software	\$ 54,240	\$ 48,795
Less: accumulated depreciation	<u>21,776</u>	<u>6,370</u>
	<u>\$ 32,464</u>	<u>\$ 42,425</u>

(6) COMMITMENTS

On July 1, 2011, the Organization signed a new lease for its New York office space extending through June 2016. Additionally, the Organization also sublets an office in Washington, DC that is currently on a month to month basis. The minimum rental commitments on noncancelable leases are as follows:

Year ending March 31,

2014	\$ 63,191
2015	65,086
2016	67,039
2017	<u>16,883</u>
	<u>\$ 212,199</u>

Rent expense for the year ended March 31, 2013, and 2012 was approximately \$68,000 and \$60,000, respectively.

The Organization leases office equipment under operating leases expiring in December 2016. Future minimum lease payments under these operating leases at March 31, 2013 are as follows:

Year Ending March 31,

2014	\$ 6,605
2015	6,605
2016	6,605
2017	<u>2,602</u>
	<u>\$ 22,417</u>

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2013 And 2012

(7) NET ASSETS

Temporarily restricted net assets were subject to the following restrictions as of March 31:

	<u>2013</u>	<u>2012</u>
Program services and time restrictions	\$729,081	\$766,792

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors in the amount of \$1,555,096 and \$72,471 for the years ended March 31, 2013 and 2012, respectively.

(8) CONDITIONAL PROMISES TO GIVE

At March 31, 2013 the Organization has received conditional promises to give (including amounts accounted for as exchange transactions), which are subject to annual review of project performance, as follows:

Year Ending March 31,

2014	\$ 3,892,999
2015	4,412,371
2016	<u>2,799,983</u>
	<u>\$ 11,105,353</u>

(9) RETIREMENT PLAN

The Organization has a defined contribution pension plan which covers full time employees after one full year of service. Employees may contribute up to 5% of their gross annual salary on a voluntary basis. The Organization will match each employee's voluntary contribution up to a maximum of 5% of the employee's gross annual salary. The plan is administered by TIAA-CREF. Contributions to this plan for the years ended March 31, 2013 and 2012 totaled approximately \$66,500 and \$43,800, respectively.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2013 And 2012

(10) GRANTS

During the years ended March 31, 2013, the Organization awarded grants for sanitation and hygiene projects, as follows:

Bangladesh	\$ 252,269
Burkina Faso	502,071
Ethiopia	864,476
India	718,445
Madagascar	62,552
Mali	39,956
Nicaragua	263,805
Nigeria	905,473
Tanzania	330,054
Uganda	8,787
West Africa	1,722,898
Zambia	<u>30,079</u>
Total	<u>\$ 5,700,865</u>

(11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, June 18, 2013, have been evaluated in the preparation of the financial statements.