

WaterAid America, Inc.

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

MARCH 31, 2014 AND 2013

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, 2014 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.

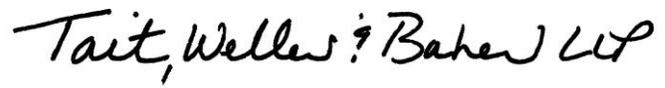
Opinion

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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Tait, Weller & Baker LLP". The signature is written in a cursive, flowing style.

TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
July 7, 2014**

WaterAid America, Inc.

STATEMENTS OF FINANCIAL POSITION

March 31, 2014 And 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 1,045,252	\$ 1,093,822
Contributions receivable (<i>Note 4</i>)	115,791	469,886
Grants receivable	400,584	371,697
Prepaid expenses and other assets	43,228	38,448
Investments (<i>Note 3</i>)	1,009,846	990,280
Property and equipment (net) (<i>Note 5</i>)	31,897	32,464
Security deposit	<u>19,927</u>	<u>15,822</u>
Total Assets	<u>\$ 2,666,525</u>	<u>\$ 3,012,419</u>
LIABILITIES AND NET ASSETS		
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 54,201	\$ 30,395
Grants payable	<u>358,337</u>	<u>532,104</u>
Total Liabilities	<u>412,538</u>	<u>562,499</u>
NET ASSETS		
Unrestricted	1,866,369	1,720,839
Temporarily restricted (<i>Note 6</i>)	<u>387,618</u>	<u>729,081</u>
Total Net Assets	<u>2,253,987</u>	<u>2,449,920</u>
Total Liabilities and Net Assets	<u>\$ 2,666,525</u>	<u>\$ 3,012,419</u>

WaterAid America, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2014 And 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>2013</u>
REVENUE				
Contributions –				
Foundations and corporations	\$ 1,628,166	\$ 4,554,024	\$ 6,182,190	\$ 6,865,654
Individuals and others	561,106	-	561,106	498,127
Government grants	1,075,932	-	1,075,932	420,005
Investment income	3,110	-	3,110	4,800
Miscellaneous income	-	-	-	2,817
Net assets released from restrictions	<u>4,895,487</u>	<u>(4,895,487)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>8,163,801</u>	<u>(341,463)</u>	<u>7,822,338</u>	<u>7,791,403</u>
EXPENSES				
Program services	6,450,500	-	6,450,500	6,246,082
Support services				
Management and general	755,158	-	755,158	796,930
Fundraising	<u>812,613</u>	<u>-</u>	<u>812,613</u>	<u>570,801</u>
Total expenses	<u>8,018,271</u>	<u>-</u>	<u>8,018,271</u>	<u>7,613,813</u>
Change in net assets	145,530	(341,463)	(195,933)	177,590
Net Assets				
Beginning of year	<u>1,720,839</u>	<u>729,081</u>	<u>2,449,920</u>	<u>2,272,330</u>
End of year	<u>\$ 1,866,369</u>	<u>\$ 387,618</u>	<u>\$ 2,253,987</u>	<u>\$ 2,449,920</u>

WaterAid America, Inc.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2014 And 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (195,933)	\$ 177,590
<i>Adjustments to reconcile change in net cash provided by (used in) operating activities</i>		
Depreciation	18,760	15,406
Net realized and unrealized (gains) losses on investments	262	(2,358)
(Increase) decrease in		
Contributions receivable	354,095	296,906
Grants receivable	(28,887)	(371,697)
Accounts receivable and other	-	49,972
Prepaid expenses	(4,780)	(14,023)
Security deposit	(4,105)	(302)
Increase (decrease) in		
Accounts payable and accrued expenses	23,806	(24,117)
Grants payable	<u>(173,767)</u>	<u>511,052</u>
Net cash provided by (used for) operating activities	<u>(10,549)</u>	<u>638,429</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(709,722)	(1,239,847)
Proceeds from sales of investments	689,894	1,229,235
Purchase of furniture, fixtures and equipment	<u>(18,193)</u>	<u>(5,445)</u>
Net cash used in investing activities	<u>(38,021)</u>	<u>(16,057)</u>
Net increase (decrease) in cash	(48,570)	622,372
CASH		
Beginning of year	<u>1,093,822</u>	<u>471,450</u>
End of year	<u>\$ 1,045,252</u>	<u>\$ 1,093,822</u>

WaterAid America, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended March 31, 2014 With Summarized Information For 2013

	2014			2013	
	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and benefits	\$ 566,672	\$ 375,800	\$ 378,231	\$ 1,320,703	\$ 1,198,659
Program and grant expenses	5,784,647	-	-	5,784,647	5,700,865
Outside services and professional fees	-	114,296	32,393	146,689	113,526
Communications, marketing, and outreach	-	-	257,904	257,904	198,409
General and administrative	14,470	134,027	41,600	190,097	128,769
Occupancy	37,271	24,717	24,877	86,865	81,302
Travel	19,806	63,199	49,675	132,680	119,373
Insurance	4,959	3,288	3,310	11,557	8,144
Telecommunications	21,716	14,402	14,495	50,613	34,494
Service fees	959	6,670	10,128	17,757	14,866
Depreciation	-	<u>18,759</u>	-	<u>18,759</u>	<u>15,406</u>
Total expenses - 2014	<u>\$ 6,450,500</u>	<u>\$ 755,158</u>	<u>\$ 812,613</u>	<u>\$ 8,018,271</u>	
Total expenses -2013	<u>\$ 6,246,082</u>	<u>\$ 796,930</u>	<u>\$ 570,801</u>		<u>\$ 7,613,813</u>

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014 And 2013

(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 (2011 – 2013) or expected to be taken in the Organization’s 2013 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, 2014 And 2013

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, 2014 And 2013

(3) INVESTMENTS

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

	2014		2013	
	Cost	Market	Cost	Market
Money Market	\$ 334,211	\$ 334,211	\$ 139,383	\$ 139,383
Bank Certificates of Deposit	675,000	675,635	850,000	850,897
	\$ 1,009,211	\$ 1,009,846	\$ 989,383	\$ 990,280

As of March 31, 2014 and 2013, net unrealized gains consisted of \$635 and \$897, 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, 2014 and 2013 are as follows:

<u>Investments</u>	2014			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 334,211	\$ 334,211	\$ -	\$ -
Bank Certificates	675,635	-	675,635	-
	\$ 1,009,846	\$ 334,211	\$ 675,635	\$ -

<u>Investments</u>	2013			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 139,383	\$ 139,383	\$ -	\$ -
Bank Certificates	850,897	-	850,897	-
	\$ 990,280	\$ 139,383	\$ 850,897	\$ -

There were no transfers between Level 1 and 2 during the years ended March 31, 2014 and 2013.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2014 And 2013

(4) CONTRIBUTIONS RECEIVABLE

At March 31, 2014 and 2013, all contributions receivable are due within one year.

(5) PROPERTY AND EQUIPMENT

At March 31, 2014 and 2013, property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Furniture, computers and software	\$ 72,433	\$ 54,240
Less: accumulated depreciation	<u>40,536</u>	<u>21,776</u>
	<u>\$ 31,897</u>	<u>\$ 32,464</u>

(6) NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Program services and time restrictions	<u>\$387,618</u>	<u>\$729,081</u>

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 \$4,895,487 and \$1,555,096 for the years ended March 31, 2014 and 2013, respectively.

(7) COMMITMENTS

The Organization leases office space for its New York and Washington DC offices under noncancellable leases ending June 2016 and January 2016, respectively. The Organization also leases office equipment under operating leases expiring in December 2016. The minimum rental commitments on these noncancellable leases are as follows:

<u>Year ending March 31,</u>	<u>Office Space</u>	<u>Office Equipment</u>	<u>Total</u>
2015	\$ 91,686	\$ 6,605	\$ 98,291
2016	90,039	6,605	96,644
2017	<u>16,883</u>	<u>2,602</u>	<u>19,485</u>
	<u>\$ 198,608</u>	<u>\$15,812</u>	<u>\$ 214,420</u>

Rent expense for the year ended March 31, 2014 and 2013 was approximately \$72,800 and \$68,000, respectively.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2014 And 2013

(8) CONDITIONAL PROMISES TO GIVE

At March 31, 2014 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,

2015	\$ 3,922,471
2016	<u>1,297,713</u>
	<u>\$ 5,220,184</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, 2014 and 2013 totaled approximately \$71,200 and \$66,500, respectively.

(10) GRANTS

During the years ended March 31, 2014, the Organization awarded grants and incurred program costs for sanitation and hygiene projects, as follows:

Bangladesh	\$ 876,856
Burkina Faso	530,904
Ethiopia	295,020
Ghana	539,103
Global Advocacy	131,162
India	831,806
Madagascar	1,440
Mali	329,929
Nicaragua	515,497
Niger	176,945
Nigeria	1,069,023
Senegal	402,567
Tanzania	18,224
Zambia	<u>66,171</u>
Total	<u>\$ 5,784,647</u>

(11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, July 7, 2014, have been evaluated in the preparation of the financial statements.