

**WATERAID AMERICA, INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEAR ENDED MARCH 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)**

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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, 2011 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 2010 financial statements and, in our report dated June 18, 2010, 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, 2011 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 28, 2011

WATERAID AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents (Notes B and G)	\$ 558,596	\$ 541,333
Pledges receivable (Note C)	110,457	1,731,458
Accounts receivable and other	14,912	133,260
Prepaid expenses	9,968	18,291
Investments (Notes B and D)	974,886	966,626
Property and equipment - net (Notes B and E)	32,745	42,852
Security deposit	9,425	9,425
TOTAL ASSETS	<u>\$ 1,710,989</u>	<u>\$ 3,443,245</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 20,708	\$ 42,360
Grants payable (Note F)	316,452	94,898
TOTAL LIABILITIES	<u>337,160</u>	<u>137,258</u>
 Commitments and Contingencies (Note H)		
 NET ASSETS		
Unrestricted	1,301,358	1,574,529
Temporarily restricted (Note I)	72,471	1,731,458
TOTAL NET ASSETS	<u>1,373,829</u>	<u>3,305,987</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,710,989</u>	 <u>\$ 3,443,245</u>

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

WATERAID AMERICA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011		2010
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions - foundations and corporations (Note G)	\$ 632,802	\$ 96,028	\$ 728,830
Contributions - individuals and others	444,378		444,378
Government grants	546,402		546,402
Contributed services, materials and facilities (Note B)			18,873
Investment income (Note D)	5,865		2,697
Other income			25,971
Net assets released from restrictions	<u>1,755,015</u>	<u>(1,755,015)</u>	
TOTAL SUPPORT AND REVENUE	<u>3,384,462</u>	<u>(1,658,987)</u>	<u>1,725,475</u>
EXPENSES:			
Program services	2,852,206		3,524,184
Management and general	517,541		496,009
Fundraising and development	<u>287,886</u>		<u>243,771</u>
TOTAL EXPENSES	<u>3,657,633</u>		<u>4,263,964</u>
Change in Net Assets	(273,171)	(1,658,987)	(2,888,358)
Net Assets - Beginning of Year	<u>1,574,529</u>	<u>1,731,458</u>	<u>6,194,345</u>
NET ASSETS - END OF YEAR	<u>\$ 1,301,358</u>	<u>\$ 72,471</u>	<u>\$ 3,305,987</u>

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

WATERAID AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011			2010
	Program Services	Management and General	Fundraising and Development	Total
Personnel expenses and benefits (Note B)	\$ 272,921	\$ 164,143	\$ 207,621	\$ 644,685
Total personnel expenses and benefits	272,921	164,143	207,621	644,685
Program and grant expenses	2,369,953			2,369,953
Outside services and professional fees	69,703	44,715	17,097	131,515
Communications and outreach	58,721	37,671	14,403	110,795
Office and administrative	24,259	69,333	16,648	110,240
Occupancy (Notes B and H)	21,470	12,913	16,333	50,716
Travel	24,770	22,096	9,320	56,186
Marketing	4,580	13,164	2,030	19,774
Depreciation	5,829	3,506	4,434	13,769
Bad debt expense		150,000		150,000
Total Expenses	\$ 2,852,206	\$ 517,541	\$ 287,886	\$ 3,657,633
				\$ 4,263,964

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

WATERAID AMERICA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,932,158)	\$ (2,888,358)
Adjustments to reconcile change in net assets to net cash (Provided) used operating activities:		
Depreciation	13,769	13,769
Unrealized (gains) on investments	(484)	
Bad debt expense	150,000	
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	1,471,001	2,760,636
Accounts receivable and other	118,348	(122,835)
Prepaid expenses	8,323	(12,064)
Security deposit		(589)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(21,652)	6,387
Grants payable	221,554	74,976
Net Cash Provided (Used) by Operating Activities	28,701	(168,078)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(7,776)	(966,626)
Purchases of property and equipment	(3,662)	
Net Cash Used by Investing Activities	(11,438)	(966,626)
NET INCREASE (DECREASE) IN CASH	17,263	(1,134,704)
Cash and cash equivalents - beginning of year	541,333	1,676,037
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 558,596	\$ 541,333
Supplementary disclosure:		
Interest paid for the year	\$ -0-	\$ -0-

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

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

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.

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.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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.

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011
(Continued)

Note B – Summary of Significant Accounting Policies (continued)

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.

Accounting for Uncertainty in Income Taxes

The Organization's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 28, 2011.

Fair Value Measurements

The Organization under US GAAP established a fair value hierarchy organized into three levels based upon the "input" assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable either directly or indirectly with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The values by input level of the Organization's investments as of March 31, 2011 and 2010 are as follows:

March 31, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Money Market	\$ 733,669	\$	\$	\$ 733,669
Bank Certificates of Deposits		241,217		241,217
	<u>\$ 733,669</u>	<u>\$ 241,217</u>	<u>\$</u>	<u>\$ 974,886</u>

March 31, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Bank Certificates of Deposits	\$	\$ 966,626	\$	\$ 966,626

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011
(Continued)

Note C – Pledges Receivable

Pledges receivable consist of the following as of March 31, 2011 and 2010.

Unconditional promises to be collected in:

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 105,457	\$ 1,631,000
One to five years	<u>5,000</u>	<u>102,958</u>
	110,457	1,733,958
Less: net present value discount (2.5% in 2010)		<u>2,500</u>
	<u>\$ 110,457</u>	<u>\$ 1,731,458</u>

A donor was unable to comply with the balance of their pledge commitment. The pledge was written off as a bad debt and included in net assets released from restrictions.

Note D – Investments

Investments consist of the following as of March 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Money Market	\$ 733,669	
Bank Certificates of Deposits	<u>241,217</u>	<u>966,626</u>
	<u>\$ 974,886</u>	<u>\$ 966,626</u>

Investment income consisted of the following for the years ended March 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest income	\$ 5,381	\$ 2,697
Unrealized gains on investments	<u>484</u>	
Total	<u>\$ 5,865</u>	<u>\$ 2,697</u>

Note E – Property and Equipment

Property and equipment consist of the following at March 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Furniture, computers and software	\$ 72,509	\$ 68,846
Less: accumulated depreciation	<u>39,764</u>	<u>25,994</u>
Total	<u>\$ 32,745</u>	<u>\$ 42,852</u>

Note F – Grants Payable

The Organization has pledged \$316,452 and \$94,898, respectively, for the years ended March 31, 2011 and 2010 in grants for water, sanitation and hygiene education projects.

Note G – Concentrations

For the years ended March 31, 2011 and 2010, approximately 29% and 30%, respectively, of WaterAid America's contributions were received from a single donor.

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011
(Continued)

Note H - Commitments and Contingencies

1) Conditional Grant Receivable/Grant Payable

On March 1, 2011 the Organization was awarded a conditional grant of \$4,500,000 beginning on April 1, 2011, to support water and sanitation programs in West Africa. The grant is payable in six semi-annual installments of \$750,000 each. The grant is contingent upon certain conditions, including the submission of acceptable budgets, work plans, monitoring and evaluation tracking tables. This grant receivable has not been recorded as of March 31, 2011, as the conditions were not met at that date.

The Organization has awarded a conditional grant of \$4,263,632 to WaterAid Ltd. (the "grantee") for the purpose of carrying out the activities of the above mentioned conditional grant in West Africa. The grant to the Grantee will be payable in six semi-annual payments of \$710,605 each. This grant payable has not been recorded as the conditions were not met at that date.

2) Rental Leases

Effective July 1, 2011, the Organization leased new executive offices in New York City. 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 summarized as follows:

For the year ended March 31, 2012	\$ 53,904
2013	63,350
2014	63,191
2015	65,086
2016	67,039
Thereafter	16,883

Note I Temporarily Restricted Net Assets

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

	<u>2011</u>	<u>2010</u>
Program services and time restrictions	\$ <u>72,471</u>	\$ <u>1,731,458</u>