

**WATERAID AMERICA, INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEAR ENDED MARCH 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)**

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TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8

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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, 2008 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 2007 financial statements and, in our report dated June 25, 2007, 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, 2008 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 9, 2008

WATERAID AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

ASSETS	<u>2008</u>	<u>2007</u>
Cash (Notes B and F)	\$ 2,648,899	\$ 2,270,446
Pledges receivable (Note C)	2,033,908	2,711,671
Accounts receivable and other	54,970	23,853
Prepaid expenses	3,285	25,837
Property and equipment - net (Notes B and D)	33,103	12,015
Security deposit	8,706	8,577
TOTAL ASSETS	<u><u>\$ 4,782,871</u></u>	<u><u>\$ 5,052,399</u></u>
LIABILITIES		
Accrued expenses payable	\$ 97,577	\$ 89,448
Grants payable (Note E)	755,068	
TOTAL LIABILITIES	<u>852,645</u>	<u>89,448</u>
Commitments and Contingencies (Note H)		
NET ASSETS		
Unrestricted	1,585,163	1,659,740
Temporarily restricted (Note I)	2,345,063	3,303,211
TOTAL NET ASSETS	<u>3,930,226</u>	<u>4,962,951</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,782,871</u></u>	<u><u>\$ 5,052,399</u></u>

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

WATERAID AMERICA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008		2007
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE			
Contributions - foundations and corporations (Note F)	\$ 1,797,913	\$ 506,000	\$ 2,303,913
Contributions - individuals and others	207,382		207,382
Contributed services, materials and facilities (Note B)	15,402		15,402
Special events (net of expenses of \$174,104 in 2008)	130,722		130,722
Investment income (Note G)	58,837	10,637	69,474
Net assets released from restrictions	1,474,785	(1,474,785)	74,910
TOTAL SUPPORT AND REVENUE	<u>3,685,041</u>	<u>(958,148)</u>	<u>2,726,893</u>
EXPENSES:			
Program services	3,151,257		3,151,257
Management and general	375,429		375,429
Fundraising and development	232,932		232,932
TOTAL EXPENSES	<u>3,759,618</u>		<u>3,759,618</u>
Change in net assets	(74,577)	(958,148)	(1,032,725)
Net Assets - Beginning of Year	<u>1,659,740</u>	<u>3,303,211</u>	<u>4,962,951</u>
NET ASSETS - END OF YEAR	<u>\$ 1,585,163</u>	<u>\$ 2,345,063</u>	<u>\$ 3,930,226</u>
			<u>\$ 4,962,951</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, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			2007	
	Program Services	Management and General	Fundraising and Development	Total	Total
Personnel expenses and benefits (Note B)	\$ 201,704	\$ 167,932	\$ 138,901	\$ 508,537	\$ 440,699
Temporary services	1,507	13,095	2,223	16,825	13,318
Total personnel expenses and benefits	203,211	181,027	141,124	525,362	454,017
Program and grant expense	2,616,947			2,616,947	969,487
Occupancy (Notes B and H)	14,695	12,133	9,909	36,737	36,824
Outside services and professional fees	60,242	78,920	2,860	142,022	76,913
Marketing	62,994	2,275	30,874	96,143	3,355
Office and administrative	78,651	31,085	31,990	141,726	64,816
Travel	66,632	20,600	4,188	91,420	40,672
Communications and outreach	46,817	37,824	11,275	95,916	104,689
Depreciation expense	1,068	890	712	2,670	1,335
Other		10,675		10,675	1,422
Total Expenses	\$ 3,151,257	\$ 375,429	\$ 232,932	\$ 3,759,618	\$ 1,753,530

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

WATERAID AMERICA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,032,725)	\$ 3,271,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,670	1,335
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	677,763	(2,655,611)
Accounts receivable and other	(31,117)	(23,853)
Prepaid expenses	22,552	(24,531)
Security deposit	(129)	(8,577)
Increase (decrease) in liabilities:		
Accrued expenses payable	8,129	71,388
Grants payable	755,068	
Net Cash Provided by Operating Activities	402,211	631,937
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(23,758)	(13,350)
NET INCREASE IN CASH	378,453	618,587
Cash - beginning of year	2,270,446	1,641,859
CASH - END OF YEAR	\$ 2,648,899	\$ 2,270,446
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, 2008

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, 2008
(Continued)

Note B – Summary of Significant Accounting Policies (continued)

Reclassification

Certain items in the March 31, 2007 financial statements have been reclassified to conform to the March 31, 2008 presentation.

Note C – Pledges Receivable

Pledges receivable consist of the following as of March 31, 2008 and 2007.

Unconditional promises to be collected in:

	<u>2008</u>	<u>2007</u>
Less than one year	\$ 1,532,871	\$ 1,272,437
One to five years	<u>530,032</u>	<u>1,566,104</u>
	2,062,903	2,838,541
Less: net present value discount (2.5% in 2008 and 2.6% in 2007)	<u>28,995</u>	<u>126,870</u>
	<u>\$ 2,033,908</u>	<u>\$ 2,711,671</u>

Note D – Property and Equipment

Property and equipment consist of the following at March 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Furniture and computers	\$ 37,108	\$ 13,350
Less: accumulated depreciation	<u>4,005</u>	<u>1,335</u>
Total	<u>\$ 33,103</u>	<u>\$ 12,015</u>

Note E – Grants Payable

The Organization has pledged \$755,068 in grants for water, sanitation and hygiene education projects.

Note F – Concentrations

- 1) For the year ended March 31, 2008, approximately 43% of WaterAid America, Inc.'s contributions was received from one donor.
- 2) The organization maintains various bank accounts at banks which are institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per depositor. At March 31, 2008 and 2007, the uninsured cash balances approximated \$2,602,000 and \$2,207,000. Management believes that credit risk related to these accounts is minimal.

