

WaterAid America, Inc.

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

MARCH 31, 2012 AND 2011

WaterAid America, Inc.

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TAIT, WELLER & BAKER LLP
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statement of financial position of WaterAid America, Inc. (the “*Organization*”), as of March 31, 2012, and the related statements of activities and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the Organization’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The Organization’s 2011 financial statements were audited by other auditors whose report dated June 28, 2011, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 audits provide 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, 2012 and 2011, the changes in its net assets, its functional expenses and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
June 6, 2012

WaterAid America, Inc.

STATEMENTS OF FINANCIAL POSITION

March 31, 2012 and 2011

	ASSETS	2012	2011
ASSETS			
Cash and cash equivalents		\$ 471,450	\$ 558,596
Contributions receivable (<i>Note 4</i>)		766,792	110,457
Accounts receivable and other		49,972	14,912
Prepaid expenses and other assets		24,425	9,968
Investments (<i>Note 3</i>)		977,310	974,886
Property and equipment (net) (<i>Note 5</i>)		42,425	32,745
Security deposit		<u>15,520</u>	<u>9,425</u>
Total Assets		<u>\$2,347,894</u>	<u>\$1,710,989</u>
	LIABILITIES AND NET ASSETS		
LIABILITIES AND NET ASSETS			
Accounts payable and accrued expenses		\$ 54,512	\$ 20,708
Grants payable		<u>21,052</u>	<u>316,452</u>
Total Liabilities		<u>75,564</u>	<u>337,160</u>
NET ASSETS			
Unrestricted		1,505,538	1,301,358
Temporarily restricted (<i>Note 6</i>)		<u>766,792</u>	<u>72,471</u>
Total Net Assets		<u>2,272,330</u>	<u>1,373,829</u>
Total Liabilities and Net Assets		<u>\$2,347,894</u>	<u>\$1,710,989</u>

WaterAid America, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012</u>	<u>2011</u>
REVENUE				
Contributions –				
Foundations and corporations	\$ 3,851,446	\$ 766,792	\$ 4,618,238	\$ 728,830
Individuals and others	533,444	-	533,444	444,378
Government grants	62,301	-	62,301	546,402
Investment income	533	-	533	5,865
Net assets released from restrictions	<u>72,471</u>	<u>(72,471)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>4,520,195</u>	<u>694,321</u>	<u>5,214,516</u>	<u>1,725,475</u>
EXPENSES				
Program services	3,507,407	-	3,507,407	2,852,206
Support services				
Management and general	407,835	-	407,835	517,541
Fundraising	<u>400,773</u>	<u>-</u>	<u>400,773</u>	<u>287,886</u>
Total expenses	<u>4,316,015</u>	<u>-</u>	<u>4,316,015</u>	<u>3,657,633</u>
Change in net assets	204,180	694,321	898,501	(1,932,158)
Net Assets				
Beginning of year	<u>1,301,358</u>	<u>72,471</u>	<u>1,373,829</u>	<u>3,305,987</u>
End of year	<u>\$ 1,505,538</u>	<u>\$ 766,792</u>	<u>\$ 2,272,330</u>	<u>\$ 1,373,829</u>

WaterAid America, Inc.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 898,501	\$ (1,932,158)
<i>Adjustments to reconcile change in net cash provided by (used in) operating activities</i>		
Depreciation	39,115	13,769
Net realized and unrealized (gains) losses on investments	1,701	(217)
Bad debt expense	-	150,000
(Increase) decrease in		
Contributions receivable	(656,335)	1,471,001
Accounts receivable and other	(35,060)	118,348
Prepaid expenses	(14,457)	8,323
Security deposit	(6,095)	-
Increase (decrease) in		
Accounts payable and accrued expenses	33,804	(21,652)
Grants payable	<u>(295,400)</u>	<u>221,554</u>
Net cash used for operating activities	<u>(34,226)</u>	<u>28,968</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(396,088)	(8,043)
Proceeds from sales of investments	391,963	-
Purchase of furniture, fixtures and equipment	<u>(48,795)</u>	<u>(3,662)</u>
Net cash provided by (used in) investing activities	<u>(52,920)</u>	<u>(11,705)</u>
Net increase (decrease) in cash	(87,146)	17,263
CASH		
Beginning of year	<u>558,596</u>	<u>541,333</u>
End of year	<u>\$ 471,450</u>	<u>\$ 558,596</u>

WaterAid America, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31, 2012 with summarized information for 2011

	2012			2011	
	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and benefits	\$ 455,572	\$ 202,915	\$ 231,394	\$ 889,881	\$ 644,685
Program and grant expenses	2,871,520	-	-	2,871,520	2,369,953
Outside services and professional fees	-	20,890	4,743	25,633	131,515
Communications and outreach	58,289	-	58,290	116,579	110,795
Office and administrative	1,613	90,995	10,955	103,563	110,240
Occupancy	34,206	15,236	17,374	66,816	50,716
Travel	35,881	44,735	26,248	106,864	56,186
Marketing	30,301	6,658	41,598	78,557	19,774
Depreciation	20,025	8,919	10,171	39,115	13,769
License fees	-	17,487	-	17,487	-
Bad debt	-	-	-	-	150,000
Total expenses	<u>\$ 3,507,407</u>	<u>\$ 407,835</u>	<u>\$ 400,773</u>	<u>\$ 4,316,015</u>	<u>\$ 3,657,633</u>

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012 and 2011

(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.

SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, June 6, 2012, have been evaluated in the preparation of the financial statements.

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.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2012 and 2011

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.

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, 2012 and 2011

(3) INVESTMENTS

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

	2012		2011	
	Cost	Market	Cost	Market
Money Market	\$ 128,772	\$ 128,772	\$ 733,669	\$ 733,669
Bank Certificates of Deposit	850,000	848,538	241,000	241,217
	\$ 978,772	\$ 977,310	\$ 974,669	\$ 974,886

As of March 31, 2012 and 2011, net unrealized gains (losses) consisted of \$(1,462) and \$217, 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>	2012			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 128,772	\$ 128,772	\$ -	\$ -
Bank Certificates	848,538	-	848,538	-
	\$ 977,310	\$ 128,772	\$ 848,538	\$ -

<u>Investments</u>	2011			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 733,669	\$ 733,669	\$ -	\$ -
Bank Certificates	241,217	-	241,217	-
	\$ 974,886	\$ 733,669	\$ 241,217	\$ -

There were no transfers between Level 1 and 2 during the years ended March 31, 2012 and 2011.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2012 and 2011

(4) CONTRIBUTIONS RECEIVABLE

At March 31, 2012 and 2011, contributions receivable were due as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 500,211	\$ 105,457
Between one and five years	<u>266,581</u>	<u>5,000</u>
Total contributions receivable	<u>\$ 766,792</u>	<u>\$ 110,457</u>

(5) PROPERTY AND EQUIPMENT

At March 31, 2012 and 2011, property and equipment consisted of the following:

	<u>2012</u>	<u>2011</u>
Furniture, computers and software	\$ 48,795	\$ 72,509
Less: accumulated depreciation	<u>6,370</u>	<u>39,764</u>
	<u>\$ 42,425</u>	<u>\$ 32,745</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,

2013	\$ 61,350
2014	63,191
2015	65,086
2016	67,039
2017	<u>16,883</u>
	<u>\$ 273,549</u>

Rent expense for the year ended March 31, 2012, and 2011 was \$60,000 and \$50,700, respectively.

The Organization leases office equipment under operating leases expiring in December 2016. Future minimum lease payments under these operating leases at March 31, 2012 are as follows:

Year ending March 31,

2013	\$ 6,605
2014	6,605
2015	6,605
2016	6,605
2017	<u>2,602</u>
	<u>\$ 29,022</u>

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2012 and 2011

(6) NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Program services and time restrictions	<u>\$766,792</u>	<u>\$72,471</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 \$72,471 and \$1,755,015 for the years ended March 31, 2012 and 2011, respectively.

(7) 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, 2012 and 2011 totaled approximately \$43,800 and \$22,700, respectively.

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