

**WATERAID AMERICA, INC.  
FINANCIAL STATEMENTS  
(WITH INDEPENDENT AUDITORS' REPORT)  
FOR THE YEAR ENDED MARCH 31, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)**

**WATERAID AMERICA, INC.  
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FOR THE YEAR ENDED MARCH 31, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)**

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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, 2010 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 2009 financial statements and, in our report dated June 29, 2009, 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, 2010 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 18, 2010

**WATERAID AMERICA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes B and G)	\$ 541,333	\$ 1,676,037
Pledges receivable (Note C)	1,731,458	4,492,094
Accounts receivable and other	133,260	10,425
Prepaid expenses	18,291	6,227
Investments (Notes B and D)	966,626	
Property and equipment - net (Notes B and E)	42,852	56,621
Security deposit	9,425	8,836
<b>TOTAL ASSETS</b>	<u>\$ 3,443,245</u>	<u>\$ 6,250,240</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 42,360	\$ 35,973
Grants payable (Note F)	94,898	19,922
<b>TOTAL LIABILITIES</b>	<u>137,258</u>	<u>55,895</u>
 <b>Commitments and Contingencies (Note H)</b>		
 <b>NET ASSETS</b>		
Unrestricted	1,574,529	1,702,251
Temporarily restricted (Note I)	1,731,458	4,492,094
<b>TOTAL NET ASSETS</b>	<u>3,305,987</u>	<u>6,194,345</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 3,443,245</u>	 <u>\$ 6,250,240</u>

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

**WATERAID AMERICA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR 2009)**

	2010		2009
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>			
Contributions - foundations and corporations (Note G)	\$ 643,742	\$ 285,000	\$ 928,742
Contributions - individuals and others	255,625		255,625
Contributed services, materials and facilities (Note B)		18,873	18,873
Government grants		143,698	143,698
Investment income (Note D)	2,697		2,697
Other income	25,971		25,971
Net assets released from restrictions	<u>3,208,207</u>	<u>(3,208,207)</u>	
<b>TOTAL SUPPORT AND REVENUE</b>	<u>4,136,242</u>	<u>(2,760,636)</u>	<u>1,375,606</u>
<b>EXPENSES:</b>			
Program services	3,524,184		3,524,184
Management and general	496,009		496,009
Fundraising and development	243,771		243,771
<b>TOTAL EXPENSES</b>	<u>4,263,964</u>		<u>4,263,964</u>
<b>Change in net assets</b>	(127,722)	(2,760,636)	(2,888,358)
<b>Net Assets - Beginning of Year</b>	<u>1,702,251</u>	<u>4,492,094</u>	<u>3,930,226</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,574,529</u>	<u>\$ 1,731,458</u>	<u>\$ 6,194,345</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, 2010**  
**(WITH COMPARATIVE TOTALS FOR 2009)**

	2010			2009		
	Program Services	Management and General	Fundraising and Development	Total	Total	Total
Personnel expenses and benefits (Note B)	\$ 181,767	\$ 188,176	\$ 176,875	\$ 546,818	\$ 606,359	3,844
Temporary services						
Total personnel expenses and benefits	181,767	188,176	176,875	546,818	610,203	
Program and grant expense	3,088,188			3,088,188	1,691,458	
Occupancy (Notes B and H)	17,378	17,991	16,910	52,279	49,741	
Outside services and professional fees	48,735	138,159		186,894	23,123	
Marketing		49,965	21,706	71,671	36,151	
Office and administrative	16,269	72,252	10,889	99,410	76,549	
Travel	34,898	24,728	12,347	71,973	34,840	
Communications and outreach	132,372		590	132,962	131,893	
Depreciation expense	4,577	4,738	4,454	13,769	8,220	
Other					6,740	
Total Expenses	<u>\$ 3,524,184</u>	<u>\$ 496,009</u>	<u>\$ 243,771</u>	<u>\$ 4,263,964</u>	<u>\$ 2,668,918</u>	

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

WATERAID AMERICA, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,888,358)	\$ 2,264,119
Adjustments to reconcile change in net assets to net cash (used) operating activities:		
Depreciation	13,769	8,220
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	2,760,636	(2,458,186)
Accounts receivable and other	(122,835)	44,545
Prepaid expenses	(12,064)	(2,942)
Security deposit	(589)	(130)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	6,387	(61,604)
Grants payable	74,976	(735,146)
<b>Net Cash (Used) by Operating Activities</b>	<b>(168,078)</b>	<b>(941,124)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(966,626)	
Purchases of property and equipment		(31,738)
<b>Net Cash Used by Investing Activities</b>	<b>(966,626)</b>	<b>(31,738)</b>
<b>NET (DECREASE) IN CASH</b>	<b>(1,134,704)</b>	<b>(972,862)</b>
Cash and cash equivalents - beginning of year	1,676,037	2,648,899
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 541,333</b>	<b>\$ 1,676,037</b>
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, 2010**

**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.

**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, 2010**  
**(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 18, 2010.

**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, 2010 are as follows:

	<u>Level 1 (1)</u>	<u>Level 2 (2)</u>	<u>Level 3 (3)</u>	<u>Total</u>
Assets				
Investments	\$ _____	\$ <u>966,626</u>	\$ _____	\$ <u>966,626</u>

- (1) Quoted prices in active markets for identical assets or liabilities
- (2) Observable inputs other than quoted prices in active markets for identical assets and liabilities
- (3) No observable pricing inputs in the market

**WATERAID AMERICA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2010**  
**(Continued)**

**Note C – Pledges Receivable**

Pledges receivable consist of the following as of March 31, 2010 and 2009.

Unconditional promises to be collected in:

	2010	2009
Less than one year	\$ 1,631,000	\$ 2,900,111
One to five years	<u>102,958</u>	<u>1,675,500</u>
	1,733,958	4,575,611
Less: net present value discount (2.5% in 2010 and 2.5% in 2009)	<u>2,500</u>	<u>83,517</u>
	<u>\$ 1,731,458</u>	<u>\$ 4,492,094</u>

**Note D – Investments**

Investments consisted of the following as of March 31, 2010:

	2010
Bank Certificates of Deposits	\$ <u>966,626</u>

Investment income consisted of the following at March 31, 2010 and 2009:

	2010	2009
Interest income	\$ 2,697	\$ 22,847
Realized (loss) on sales of investments		<u>(3)</u>
Total	<u>\$ 2,697</u>	<u>\$ 22,844</u>

**Note E – Property and Equipment**

Property and equipment consist of the following at March 31, 2010 and 2009:

	2010	2009
Furniture, computers and software	\$ 68,846	\$ 68,846
Less: accumulated depreciation	<u>25,994</u>	<u>12,225</u>
Total	<u>\$ 42,852</u>	<u>\$ 56,621</u>

**Note F – Grants Payable**

The Organization has pledged \$94,898 and \$19,922, respectively, for the years ended March 31, 2010 and 2009 in grants for water, sanitation and hygiene education projects.

**Note G – Concentrations**

For the year ended March 31, 2010, approximately 30% of WaterAid America's contributions were received from a single donor; for the year ended March 31, 2009, approximately 60% were received from another single donor.

**WATERAID AMERICA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2010**  
**(Continued)**

**Note H - Commitments and Contingencies**

The organization maintains its executive offices in Manhattan, NYC. Effective April 1, 2010 the Organization also sublet offices 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, 2011	\$ 36,083
For the year ended March 31, 2012	\$ 8,904

**Note I Temporarily Restricted Net Assets**

Temporarily restricted net assets were subject to the following restrictions as of March 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Program services and time restrictions	<u>\$ 1,731,458</u>	<u>\$ 4,492,094</u>