

**THE WATER PROJECT, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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HESSION & PARE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Water Project, Inc.  
Concord, New Hampshire

We have audited the accompanying financial statements of The Water Project, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's 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 entity'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 entity'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.

Board of Directors  
The Water Project, Inc.

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 The Water Project, Inc. as of December 31, 2019, 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.

### **Report on Summarized Comparative Information**

We have previously audited The Water Project, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HESSION - PARK, P.C.

Manchester, New Hampshire  
May 6, 2020

THE WATER PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 2,890,171	\$ 3,116,855
Contributions receivable	98,202	70,415
Deposit	1,771	1,771
Prepaid expense	<u>23,009</u>	<u>14,081</u>
Total current assets	3,013,153	3,203,122
Property and equipment		
Building	285,000	285,000
Furniture and equipment	42,244	37,688
Software	<u>6,425</u>	<u>6,425</u>
	333,669	329,113
Less accumulated depreciation	<u>47,202</u>	<u>35,618</u>
Property and equipment, net	<u>286,467</u>	<u>293,495</u>
Total assets	<u>\$ 3,299,620</u>	<u>\$ 3,496,617</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 4,630	\$ 4,350
Accrued expenses	<u>30,816</u>	<u>58,026</u>
Total current liabilities	35,446	62,376
Net assets		
Without donor restrictions	3,248,632	3,170,699
With donor restrictions	<u>15,542</u>	<u>263,542</u>
Total net assets	<u>3,264,174</u>	<u>3,434,241</u>
Total liabilities and net assets	<u>\$ 3,299,620</u>	<u>\$ 3,496,617</u>

See notes to financial statements.

## THE WATER PROJECT, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	<u>2019</u>	<u>2018</u>
Support and revenues				
Contributions	\$ 2,845,110	\$ 421,124	\$ 3,266,234	\$ 2,897,710
Interest income	39,515	-	39,515	22,996
In-kind contributions	-	-	-	2,011
Net assets released from restrictions	<u>669,124</u>	<u>(669,124)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>\$ 3,553,749</u>	<u>\$ (248,000)</u>	<u>\$ 3,305,749</u>	<u>\$ 2,922,717</u>
Expenses				
Program	2,808,520	-	2,808,520	2,724,467
Development and public relations	395,137	-	395,137	406,213
Management and general	<u>272,159</u>	<u>-</u>	<u>272,159</u>	<u>264,745</u>
Total expenses	<u>3,475,816</u>	<u>-</u>	<u>3,475,816</u>	<u>3,395,425</u>
Increase (decrease) in net assets	77,933	(248,000)	(170,067)	(472,708)
Net assets, beginning of year	<u>3,170,699</u>	<u>263,542</u>	<u>3,434,241</u>	<u>3,906,949</u>
Net assets, end of year	<u>\$ 3,248,632</u>	<u>\$ 15,542</u>	<u>\$ 3,264,174</u>	<u>\$ 3,434,241</u>

See notes to financial statements.

THE WATER PROJECT, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019  
(with comparative totals for 2018)

	Program by Region				Total Program	Development & Public Relations & General Management	2019	2018
	Kenya	Uganda	Middle East	Sierra Leone				
Salaries and wages	\$ 340,054	\$ 54,791	\$ 73,332	\$ 540,723	\$ 133,290	\$ 860,945	\$ 839,252	
Employee benefits	81,632	14,213	8,767	123,840	26,981	179,481	179,053	
Payroll taxes	26,228	4,195	5,656	41,670	9,991	65,919	63,511	
Total salaries and related expenses	447,914	73,199	87,755	706,233	170,262	1,106,345	1,081,816	
Partner program support	1,532,864	348,742	50,543	1,932,149	-	1,932,149	1,973,660	
Contract services	36,821	-	-	36,821	227	122,517	51,087	
Bank fees	299	66	44	460	50,063	50,523	50,079	
Facilities and equipment	23,399	5,143	3,471	35,999	8,218	49,385	47,395	
Travel	19,374	4,258	2,874	29,806	13,201	44,543	33,170	
Legal and professional	4,459	980	661	6,859	1,968	37,189	28,285	
Website services	9,453	2,077	1,402	14,542	7,705	24,916	27,654	
Printing	74	16	11	114	19,553	19,671	16,300	
Software and cloud services	9,104	2,001	1,351	14,007	3,454	18,985	15,981	
Postage and shipping	533	117	79	820	46	14,201	14,827	
Telephone and internet	5,840	1,284	866	8,985	1,393	12,918	13,896	
Supplies	5,156	1,133	765	7,932	937	9,277	11,690	
Licenses and permits	1,000	220	148	1,538	-	6,885	6,616	
Other expenses	1,573	346	233	2,420	977	4,390	3,357	
Public relations and development	-	-	-	-	4,210	4,210	2,664	
Workers' compensation insurance	1,207	265	179	1,857	621	2,819	2,173	
Insurance	-	-	-	-	2,173	2,173	1,959	
Subscriptions and publications	226	50	33	347	545	1,135	1,259	
Expenses before depreciation	2,099,296	464,063	137,658	2,800,889	392,583	3,464,231	3,383,868	
Depreciation	4,960	1,090	845	7,631	2,554	11,585	11,557	
Total expenses	\$ 2,104,256	\$ 465,153	\$ 138,503	\$ 2,808,520	\$ 395,137	\$ 3,475,816	\$ 3,395,425	

See auditor's report on supplementary information.

THE WATER PROJECT, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (170,067)	\$ (472,708)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,584	11,557
(Increase) decrease in contributions receivable	(27,787)	397,939
Decrease in deposit	-	1,700
(Increase) in prepaid expenses	(8,928)	(6,327)
Increase (decrease) in accounts payable	280	(6,183)
(Decrease) increase in accrued expenses	(27,210)	21,737
	<u>(222,128)</u>	<u>(52,285)</u>
Net cash (used in) operating activities		
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(4,556)</u>	<u>(292,367)</u>
Net (decrease) in cash and cash equivalents	(226,684)	(344,652)
Cash and cash equivalents, beginning of year	<u>3,116,855</u>	<u>3,461,507</u>
Cash and cash equivalents, end of year	<u>\$ 2,890,171</u>	<u>\$ 3,116,855</u>

See notes to financial statements.



## THE WATER PROJECT, INC.

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. NATURE OF OPERATIONS

The Water Project, Inc. (the “Organization”) is a not-for-profit corporation, incorporated on December 5, 2007. The Organization is an independent organization based in Concord, New Hampshire that unlocks human potential by building and connecting global networks of local leaders, communities of generous supporters, and an informed public to provide sustainable water and sanitation programs to needlessly suffering communities in developing countries. The Organization develops like-minded local leadership and organizations (Partners) within countries of operation – providing training, program auditing, strategic direction, and access to tools, equipment, technology, and organizational, financial, and human resources. Water programs are focused on the implementation of new water, sanitation, and hygiene projects, as well as the monitoring, maintenance, and repair of existing water projects. The Organization raises public awareness and support of each program, and, through transparent reporting, links donors to the specific projects/programs they are supporting.

The Organization’s major sources of support and revenue are contributions from the general public.

#### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Significant accounting policies

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

##### Net assets

The financial statements report net assets and changes in net assets that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's restrictions.

**Use of estimates**

The Organization uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Comparative totals**

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**Concentration of credit risk**

The Organization maintains cash balances at certain financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts. The Organization monitors the financial stability of financial institutions regularly and management does not believe there is significant credit risk associated with deposits in excess of federally insured amounts. At December 31, 2019, the Organization's uninsured cash balance totaled \$1,923,305.

**Cash and cash equivalents**

Cash and cash equivalents include all highly liquid investments and money market accounts purchased with remaining maturities of three months or less.

THE WATER PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and equipment**

Property and equipment are recorded at cost, or in the case of donated assets, at fair market value. Depreciation is provided on the straight-line method by charging to expense amounts to recover the cost of these assets over their estimated useful lives as follows:

Furniture and equipment	3 - 7 years
Building	39 years

Expenditures for maintenance and repairs are charged to expense as incurred and purchases in excess of \$500 are capitalized as additions to property and equipment.

**Contributions**

Contributions receivable are recognized upon notification of a donor's unconditional promise to give to the Organization. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value because that amount results in a reasonable estimate of fair value in accordance with the *Contributions Received* section of the FASB ASC. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions assets are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as assets released from restrictions.

The Organization provides an allowance for doubtful collections when deemed necessary, which is based upon a review of prior collection history, type of contribution, and the nature of the fundraising activity. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the allowance for doubtful accounts. At December 31, 2019 and 2018, the Organization did not record an allowance for doubtful accounts.

**Functional allocation of expenses**

Functional expenses have been allocated between program services, administrative costs, and fundraising expenses based on an analysis of personnel time and space utilized for the related activities.

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

**Income taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization, whereby only unrelated business income as defined by Section 509(a)(1) of the Code is subject to federal income taxes. There was no unrelated business income at December 31, 2019.

The income tax filings for the tax years before 2016 are no longer subject to examination by federal and state taxing authorities.

**Reclassification**

Certain 2018 amounts have been reclassified to conform to 2019 classification. These reclassifications had no effect on the decrease in net assets for 2018.

**Note 3. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 are:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 2,890,171	\$ 3,116,855
Contributions receivable	<u>98,202</u>	<u>70,415</u>
Total financial assets	2,988,373	3,187,270
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 8)	<u>(15,542)</u>	<u>(15,542)</u>
Amount available for general expenditures within one year	<u>\$ 2,972,831</u>	<u>\$ 3,171,728</u>

As part of their liquidity management plan, the Organization maintains a revolving line of credit of \$200,000 to cover short-term cash needs.

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.

Level 2 inputs consist of quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or observable inputs other than quoted market prices.

Level 3 inputs consist of inputs that are unobservable and significant to the fair value measurement and have the lowest priority.

The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its unconditional promises to give. An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs.

**Note 5. CONTRIBUTIONS RECEIVABLE**

Contributions receivable are reported at their fair value, which is estimated as the present value of expected future cash inflows on a non-recurring basis. There was no discount rate considered whereby all outstanding contributions receivable are due within one year. As discussed in Note 3, the valuation technique used by the Organization is a Level 3 measure because there are no observable market transactions.

**Note 6. LINE OF CREDIT**

The Organization entered into a \$200,000 line of credit with a bank. The line of credit carries interest at the Wall Street Journal Prime Rate plus 1%, currently 5.75%. The line of credit is unsecured. At December 31, 2019, there was no outstanding borrowing on the line of credit.

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 7. BOARD DESIGNATED NET ASSETS**

At the end of 2019 and 2018, the Organization held approximately \$1,588,917 and \$1,462,454, respectively, in Board designated reserve funds. These are in addition to general operating reserves and are largely sourced from anonymous, one-time donors and donor investments into each individual fund.

For 2019, The Water Project held three separate Board designated reserve funds: The Water Promise Fund, Strategic Growth Fund, and Capital Investment Fund.

The Water Promise (<https://thewaterproject.org/waterpromise>) is the organization's commitment to sustainability through ongoing monitoring, evaluation, training, service, and support programs to communities and schools to help ensure safe, reliable water access over time. In 2019, this initiative provided ongoing service and support programs to 1,523 communities/schools through regular monitoring, maintenance, and repair programs. In 2019, these programs included 5,201 monitoring visits and 393 maintenance/repair visits.

The Strategic Growth Fund supports multi-year strategic plans directly tied to future incremental revenue and donor engagement. Through this fund, the organization makes key investments into future growth without using same-year general donations.

The Capital Investment Fund supports future, necessary capital expenditures. This fund limits the risk of future operational delays and budgetary impact from unforeseen and/or large capital improvement expenses.

**Note 8. NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2019, net assets with donor restrictions were available for the following purposes or periods:

Purpose restrictions, available for spending:	
Purchase, modify and use of office space	<u>\$ 15,542</u>
Total net assets with donor restrictions	<u>\$ 15,542</u>

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. NET ASSETS WITH DONOR RESTRICTIONS (concluded)**

At December 31, 2018, net assets with donor restrictions were available for the following purposes or periods:

Purpose restrictions, available for spending:	
Purchase, modify and use of office space	\$ 15,542
Time restrictions:	
Contribution received in 2018 restricted for 2019	<u>248,000</u>
Total net assets with donor restrictions	<u>\$ 263,542</u>

**Note 9. PENSION PLAN**

The Organization established a 401(k) pension plan that covers all eligible employees. The Organization's plan contributions are up to 5% of the employees' salary. For the years ended December 31, 2019 and 2018, the Organization contributed \$41,079 and \$28,518 to the plan, respectively.

**Note 10. MAJOR PARTNERS**

For the years ended December 31, 2019 and 2018, the Organization awarded grants to two major partners, representing 70% and 72%, respectively, of total partner program support. At December 31, 2019 and 2018, there was no amount due to these major partners.

**Note 11. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 6, 2020, the date which the financial statements were available to be issued, and has not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended December 31, 2019.