

**THE WATER PROJECT, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

## TABLE OF CONTENTS

Independent auditor's report .....	1
Statements of financial position.....	3
Statements of activities and changes in net assets .....	4
Statements of cash flows.....	5
Notes to financial statements .....	6
Statements of functional expenses .....	12

## **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 statements of financial position as of December 31, 2017 and 2016, the related statements of activities and changes in net assets and cash flows for the years 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 audits. 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 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hession & Page, P.C.

Manchester, New Hampshire  
June 11, 2018

THE WATER PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 3,461,507	\$ 671,078
Contributions receivable	468,354	81,148
Deposit	3,471	3,200
Prepaid expense	7,754	6,897
	<hr/>	<hr/>
Total current assets	3,941,086	762,323
Property and equipment		
Furniture and equipment	30,321	26,034
Software	6,425	6,425
	<hr/>	<hr/>
	36,746	32,459
Less accumulated depreciation	(24,061)	(18,951)
	<hr/>	<hr/>
Property and equipment, net	12,685	13,508
Total assets	<u>\$ 3,953,771</u>	<u>\$ 775,831</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 10,533	\$ 6,511
Accrued expenses	36,289	28,217
	<hr/>	<hr/>
Total current liabilities	46,822	34,728
Unrestricted net assets		
Unrestricted net assets	2,039,918	635,393
Unrestricted - Board designated	1,393,210	105,710
	<hr/>	<hr/>
Total unrestricted net assets	3,433,128	741,103
Temporarily restricted net assets	473,821	-
	<hr/>	<hr/>
Total net assets	3,906,949	741,103
Total liabilities and net assets	<u>\$ 3,953,771</u>	<u>\$ 775,831</u>

See notes to financial statements.

THE WATER PROJECT, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
Support and revenues				
Contributions	\$ 5,378,782	\$ 473,821	<b>\$ 5,852,603</b>	\$ 2,402,979
In-kind contributions	120,000	-	<b>120,000</b>	-
	<u>\$ 5,498,782</u>	<u>\$ 473,821</u>	<u><b>\$ 5,972,603</b></u>	<u>\$ 2,402,979</u>
Expenses				
Program	2,272,725	-	<b>2,272,725</b>	1,803,303
Development and public relations	335,870	-	<b>335,870</b>	253,936
Management and general	198,162	-	<b>198,162</b>	221,842
	<u>2,806,757</u>	<u>-</u>	<u><b>2,806,757</b></u>	<u>2,279,081</u>
Increase in net assets	2,692,025	473,821	<b>3,165,846</b>	123,898
Net assets, beginning of year	<u>741,103</u>	<u>-</u>	<u><b>741,103</b></u>	<u>617,205</u>
Net assets, end of year	<u><b>\$ 3,433,128</b></u>	<u><b>\$ 473,821</b></u>	<u><b>\$ 3,906,949</b></u>	<u><b>\$ 741,103</b></u>

See notes to financial statements.

THE WATER PROJECT, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase in net assets	\$ 3,165,846	\$ 123,898
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,110	4,522
(Increase) in contributions receivable	(387,206)	(2,896)
(Increase) decrease in deposit	(271)	740
(Increase) decrease in prepaid expenses	(857)	1,390
Increase (decrease) in accounts payable	4,022	(1,626)
Increase in accrued expenses	8,072	5,942
	<u>2,794,716</u>	<u>131,970</u>
Net cash provided by operating activities		
	<u>2,794,716</u>	<u>131,970</u>
Cash flows (used in) investing activities		
Purchase of property and equipment	(4,287)	(11,565)
	<u>(4,287)</u>	<u>(11,565)</u>
Net increase in cash and cash equivalents	2,790,429	120,405
Cash and cash equivalents, beginning of year	671,078	550,673
	<u>671,078</u>	<u>550,673</u>
Cash and cash equivalents, end of year	<u>\$ 3,461,507</u>	<u>\$ 671,078</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 health 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 categories, unrestricted, temporarily restricted and permanently restricted net assets are defined as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the Organization.

## THE WATER PROJECT, INC.

### NOTES TO FINANCIAL STATEMENTS

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

Permanently Restricted – Reflects the historical cost of gifts (and in certain circumstances, the earnings from those gifts), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes. There were no permanently restricted net assets at December 31, 2017 and 2016.

#### **Use of estimates**

The Organization uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles in the United States of America. 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, 2016, 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, 2017, the Organization's uninsured cash balance totaled \$2,938,307.

#### **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
-------------------------	-------------

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 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 donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets 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 nature of 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, 2017 and 2016, 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 Water Project, Inc. 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. The Water Project, Inc. currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The income tax filings for the tax years before 2014 are no longer subject to examination by federal and state taxing authorities.

**Reclassification**

Certain 2016 amounts have been reclassified to conform to 2017 classification. These reclassifications had no effect on the increase in net assets for 2016.

**Note 3. 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.

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. 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 5. NOTE PAYABLE**

During 2016, 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 4.75%. The line of credit is unsecured. At December 31, 2017, there was no outstanding borrowing on the line of credit.

**Note 6. UNRESTRICTED, BOARD DESIGNATED NET ASSETS**

At the end of 2017 and 2016, the Organization held approximately \$1,393,210 and \$105,710, respectively, in temporarily restricted reserves, in addition to normal unrestricted operating reserves. The Board restricted funds are intended for the funding of "The Water Promise," the Organization's initiative to provide ongoing service and support to past projects to ensure safe, reliable water access over time. In 2018, this initiative includes mobile monitoring, maintenance, and repair of approximately 915 projects across multiple programs, within multiple countries. (<https://thewaterproject.org/waterpromise>)

**Note 7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets of \$305,821 were available to purchase, modify and use toward office space located in Concord, New Hampshire. Contributions received in 2017 restricted for 2018 was \$168,000. Total temporarily restricted net assets at December 31, 2017 was \$473,821

**Note 8. 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, 2017 and 2016, the Organization contributed \$21,718 and \$19,170 to the plan, respectively.

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. LEASE COMMITMENT**

During 2015, the Organization entered into an agreement to lease office space in Concord, New Hampshire under a noncancelable agreement that expires in June 2018, with the option to purchase at \$285,000. In February 2018 upon receipt of a restricted gift for this specific purpose, the Organization exercised the option to purchase their office space. Total rent expense for the years ended December 31, 2017 and 2016 amounted to \$47,872 and \$40,000, respectively.

**Note 10. CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization maintains cash and cash equivalent accounts at various financial institutions. From time to time, the Organization's accounts at such institutions may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Organization has not experienced losses in such accounts and management does not believe it is exposed to significant credit risk on its cash and cash equivalents.

**Note 11. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through June 11, 2018, the date which the financial statements were available to be issued, and have 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, 2017.

THE WATER PROJECT, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017  
(with comparative totals for 2016)

	Program by Region							Development & Public Relations	Management & General	2017	2016
	Kenya	Sierra Leone	Uganda	Burkina Faso	Other Programs	Total Program					
Salaries and wages	\$ 227,458	\$ 51,814	\$ 33,843	\$ 12,392	\$ 29,794	\$ 355,301	\$ 176,376	\$ 91,035	\$ 622,712	\$ 550,530	
Employee benefits	55,728	13,296	8,580	2,871	4,988	85,463	29,998	19,169	134,630	119,202	
Payroll taxes	17,533	3,994	2,609	955	2,297	27,388	13,596	7,017	48,001	42,284	
Total salaries and related expenses	300,719	69,104	45,032	16,218	37,079	468,152	219,970	117,221	805,343	712,016	
Partner program support	1,328,331	219,943	99,216	8,142	-	1,655,632	-	-	1,655,632	1,239,966	
Facilities and equipment	19,327	5,098	3,589	658	10,640	39,312	16,869	8,707	64,888	56,588	
Bank fees	1,970	326	147	12	60	2,515	1,031	41,968	45,514	34,676	
Travel	19,633	5,178	3,646	669	-	29,126	9,509	3,793	42,428	38,471	
Website services	24,071	3,770	1,160	-	-	29,001	7,250	-	36,251	39,654	
Contract services	-	-	-	-	9,100	9,100	24,545	1,659	35,304	66,200	
Legal and professional	851	225	158	29	234	1,497	13,898	7,173	22,568	21,984	
Other expenses	13,153	-	-	-	-	13,153	-	1,877	15,030	1,672	
Telephone and internet	4,548	1,199	845	155	1,249	7,996	3,969	2,049	14,014	10,697	
Printing	-	-	-	-	41	41	13,305	-	13,346	13,384	
Licenses and permits	-	-	-	-	7,865	7,865	4,813	-	12,678	4,928	
Postage and shipping	85	25	12	-	-	122	8,859	2,215	11,196	8,590	
Software and cloud services	5,510	863	266	-	-	6,639	2,213	2,213	11,065	14,454	
Public relations and development	-	-	-	-	-	-	7,538	-	7,538	5,537	
Staff development	750	200	45	5	-	1,000	1,320	215	2,535	341	
Insurance	-	-	-	-	-	-	-	2,173	2,173	2,173	
Worker's comp insurance	517	136	96	18	142	909	451	233	1,593	1,554	
Subscriptions and publications	-	-	-	-	-	-	-	1,386	1,386	562	
Supplies	378	100	70	13	104	665	330	170	1,165	1,112	
Expenses before depreciation	1,719,843	306,167	154,282	25,919	66,514	2,272,725	335,870	193,052	2,801,647	2,274,559	
Depreciation	-	-	-	-	-	-	-	5,110	5,110	4,522	
Total expenses	\$ 1,719,843	\$ 306,167	\$ 154,282	\$ 25,919	\$ 66,514	\$ 2,272,725	\$ 335,870	\$ 198,162	\$ 2,806,757	\$ 2,279,081	

See auditor's report on supplementary information.