

THE WATER PROJECT, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The Water Project, Inc., (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Water Project, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Water Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Board of Directors
The Water Project, Inc.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Water Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Water Project Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Water Project Inc.'s ability to continue as a going concern for a reasonable period of time.

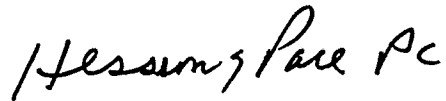
Board of Directors
The Water Project, Inc.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Water Project, Inc.'s 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Manchester, New Hampshire
May 5, 2023

A handwritten signature in black ink that reads "Hesam, Paal PC". The signature is written in a cursive style.

THE WATER PROJECT, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 4,134,220	\$ 5,915,607
Contribution receivables, net	396,035	215,225
Deposit	871	871
Prepaid expense	<u>22,937</u>	<u>28,361</u>
Total current assets	<u>4,554,063</u>	<u>6,160,064</u>
Long-term assets		
Long-term contribution receivables, less current portion	83,253	-
Investments	2,928,920	1,999,696
Property and equipment, net	1,353,522	379,029
Intangible assets	<u>108,535</u>	<u>-</u>
Total long-term assets	4,474,230	2,378,725
Total assets	<u>\$ 9,028,293</u>	<u>\$ 8,538,789</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 2,012	\$ 1,692
Accrued expenses	117,315	86,830
Other liability	<u>84,699</u>	<u>-</u>
Total current liabilities	204,026	88,522
Net assets		
Without donor restrictions	8,479,960	8,298,732
With donor restrictions	<u>344,307</u>	<u>151,535</u>
Total net assets	<u>8,824,267</u>	<u>8,450,267</u>
Total liabilities and net assets	<u>\$ 9,028,293</u>	<u>\$ 8,538,789</u>

See notes to financial statements.

THE WATER PROJECT, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2022 and 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
Support and revenues				
Contributions	\$ 5,326,761	\$ 296,435	\$ 5,623,196	\$ 4,282,867
In-kind donations	1,535,461	-	1,535,461	2,947,174
Interest income	23,181	-	23,181	9,911
Other income	150	-	150	1,748
Net assets released from restrictions	<u>103,663</u>	<u>(103,663)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>6,989,216</u>	<u>192,772</u>	<u>7,181,988</u>	<u>7,241,700</u>
Expenses				
Program	5,326,819	-	5,326,819	3,792,667
Development and public relations	846,975	-	846,975	553,788
Management and general	<u>391,672</u>	<u>-</u>	<u>391,672</u>	<u>283,627</u>
Total expenses	<u>6,565,466</u>	<u>-</u>	<u>6,565,466</u>	<u>4,630,082</u>
Increase in net assets from operations	423,750	192,772	616,522	2,611,618
Nonoperating income (expense)				
Net investment income (loss)	20,059	-	20,059	(1,717)
Realized loss	(10,663)	-	(10,663)	-
Unrealized (loss) gain	<u>(251,918)</u>	<u>-</u>	<u>(251,918)</u>	<u>1,413</u>
Total nonoperating income (expense)	(242,522)	-	(242,522)	(304)
Increase in net assets	181,228	192,772	374,000	2,611,314
Net assets, beginning of year	<u>8,298,732</u>	<u>151,535</u>	<u>8,450,267</u>	<u>5,838,953</u>
Net assets, end of year	<u>\$ 8,479,960</u>	<u>\$ 344,307</u>	<u>\$ 8,824,267</u>	<u>\$ 8,450,267</u>

See notes to financial statements.

THE WATER PROJECT, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022
(with comparative totals for 2021)

	Program by Region						Total Program	Development & Public Relations & General	2022	2021
	Kenya	Sierra Leone	Uganda	Middle East						
Salaries and wages	\$ 704,515	\$ 192,281	\$ 130,255	\$ 58,408	\$ 1,085,459	\$ 460,278	\$ 162,541	\$ 1,708,278	\$ 1,170,631	
Employee benefits	129,089	35,232	23,867	10,702	198,890	101,419	26,083	326,392	227,930	
Payroll taxes	52,266	14,265	9,663	4,333	80,527	37,132	13,234	130,893	90,332	
Total salaries and related expenses	885,870	241,778	163,785	73,443	1,364,876	598,829	201,858	2,165,563	1,488,893	
Partner program support	2,175,672	917,359	324,033	-	3,417,064	-	-	3,417,064	2,606,065	
Supplies	131,460	35,879	24,305	10,899	202,543	2,710	624	205,877	24,637	
Bank fees	674	184	125	56	1,039	10	134,458	135,507	76,275	
Travel	38,023	10,378	7,030	3,152	58,583	39,453	3,715	101,751	26,322	
Contract services	62,064	-	-	-	62,064	37,307	68	99,439	96,724	
Facilities and equipment	37,870	10,335	7,002	3,140	58,347	23,272	6,594	88,213	68,164	
Software and cloud services	13,828	3,774	2,557	1,146	21,305	38,616	2,464	62,385	46,064	
Legal and professional	19,170	5,232	3,544	1,589	29,535	5,822	24,600	59,957	45,885	
Printing	19	5	4	2	30	45,547	4	45,581	33,780	
Website services	8,952	2,443	1,655	742	13,792	13,850	1,681	29,323	23,994	
Telephone and internet	8,287	2,262	1,532	687	12,768	4,868	1,137	18,773	15,572	
Vehicle expense	9,661	2,637	1,786	801	14,885	-	-	14,885	3,298	
Insurance	7,858	2,145	1,453	651	12,107	-	2,662	14,769	11,108	
Other expenses	5,745	1,568	1,062	476	8,851	3,085	625	12,561	14,933	
Public relations and development	2,023	552	374	168	3,117	7,936	357	11,410	6,150	
Licenses and permits	1,007	275	186	84	1,552	2	5,845	7,399	6,530	
Workers' compensation insurance	2,233	609	413	185	3,440	1,482	346	5,268	3,562	
Postage and shipping	350	96	65	29	540	4,005	28	4,573	4,079	
Subscriptions and publications	2,011	549	371	167	3,098	730	62	3,890	1,076	
Expenses before depreciation	3,412,777	1,238,060	541,282	97,417	5,289,536	827,524	387,128	6,504,188	4,603,111	
Depreciation	24,199	6,604	4,474	2,006	37,283	19,451	4,544	61,278	26,971	
Total expenses	\$ 3,436,976	\$ 1,244,664	\$ 545,756	\$ 99,423	\$ 5,326,819	\$ 846,975	\$ 391,672	\$ 6,565,466	\$ 4,630,082	

See auditor's report on supplementary information.

THE WATER PROJECT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 374,000	\$ 2,611,314
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	61,278	26,971
Net realized and unrealized loss (gain)	262,581	(1,413)
(Increase) decrease in contributions receivable	(264,063)	76,353
Decrease (increase) in prepaid expenses	5,424	(12,212)
Increase in accounts payable	320	978
Increase in accrued expenses	30,485	48,746
Increase in other liability	84,699	-
	<u>554,724</u>	<u>2,750,737</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of investments	(1,381,492)	(1,998,283)
Proceeds from sale of investments	81,152	-
Purchase of property and equipment	(1,035,771)	(128,746)
	<u>(2,336,111)</u>	<u>(2,127,029)</u>
Net cash (used in) investing activities		
Net (decrease) increase in cash and cash equivalents	(1,781,387)	623,708
Cash and cash equivalents, beginning of year	<u>5,915,607</u>	<u>5,291,899</u>
Cash and cash equivalents, end of year	<u>\$ 4,134,220</u>	<u>\$ 5,915,607</u>

See notes to financial statements.

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED 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.

WASH Technical Solutions Limited is an organization incorporated in Kenya on November 18, 2020. WASH Technical Solutions Limited was formed as a subsidiary of The Water Project, Inc. to act as a holding company for all major assets purchased in Kenya.

MajiOps Limited is an organization incorporated in Kenya on December 6, 2020. MajiOps Limited was formed as a subsidiary of WASH Technical Solutions Limited to act as the operating company in Kenya.

The Organization’s major source of support and revenue is from 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:

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2021, from which the summarized information was derived.

Concentration of credit risk

The Organization maintains cash balances at certain financial institutions whereby the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Certain deposits in excess of FDIC limits are sent to demand deposit accounts or money market deposit accounts through an Insured Cash Sweep (ICS) service for coverage on multi-million-dollar FDIC protection.

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Cash allocated to the investment portfolio as part of the Organization's investment strategy is reported as investments.

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:

Building and improvements	39 years
Furniture and equipment	3 - 7 years
Vehicles	5 years
Software	3 years

Expenditures for maintenance and repairs are charged to expense as incurred and purchases in excess of \$5,000 are capitalized as additions to property and equipment.

Investments

Investments are reported at fair value and are based primarily on quoted market prices or estimated fair value.

Contributions and contributions receivable

Contributions 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 WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions

In-kind contributions included in the statement of activities are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cryptocurrency	\$ 1,369,192	\$ 2,807,572
Stock	<u>166,269</u>	<u>139,602</u>
	<u>\$ 1,535,461</u>	<u>\$ 2,947,174</u>

Cryptocurrency and stocks are sold upon receipt and recorded at fair market value. There is no donor restriction on the use of cryptocurrency.

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.

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, 2022.

WASH Technical Solutions Limited and MajiOps Limited are foreign subsidiaries and are treated as a disregarded entity for federal tax purposes.

The income tax filings for the tax years before 2019 are no longer subject to examination by federal and state taxing authorities.

Principles of consolidation

The accompanying financial statements reflect the consolidated financial statements of The Water Project, Inc., WASH Technical Solutions Limited, and MajiOps Limited. All significant inter-organizational accounts and transactions have been eliminated in the consolidation.

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Intangible assets

Intangible assets consist of cryptocurrency recorded at estimated fair value on the date of donation. The Company has evaluated and determined intangible assets were not impaired at December 31, 2022.

New accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The Organization has made an accounting policy election to recognize right-of-use assets and liabilities for lease contracts in excess of \$5,000 similar to their capital policy.

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>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 4,134,220	\$ 5,915,607
Investments	3,037,455	1,999,696
Contributions receivable	<u>479,288</u>	<u>215,225</u>
Total financial assets	7,650,963	8,130,528
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 11)	-	(15,542)
Time-restricted net assets (Note 11)	(231,054)	(135,993)
Contributions receivable (Note 11)	(83,253)	-
Less board-designated endowment fund	<u>(1,759,496)</u>	<u>(1,999,696)</u>
Amount available for general expenditures within one year	<u>\$ 5,577,160</u>	<u>\$ 5,979,297</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 CONSOLIDATED FINANCIAL STATEMENTS

Note 3. LIQUIDITY AND AVAILABILITY (concluded)

The Water Project's endowment funds consist of funds designated by the Board as an endowment. The endowment of \$1,759,496 is subject to an annual spending rate as described in Note 10. Although management does not intend to spend from this endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

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.

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. CONTRIBUTIONS RECEIVABLE

Contributions receivable were as follows at December 31:

	<u>2022</u>	<u>2021</u>
Promises to give expected to be collected in		
Less than one year	\$ 396,035	\$ 215,225
One to five years	<u>90,000</u>	<u>-</u>
	486,035	215,225
Less discount to present value	<u>(6,747)</u>	<u>-</u>
Net contributions receivable	<u>\$ 479,288</u>	<u>\$ 215,225</u>

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. At December 31, 2022, a discount rate of 4% was considered to determine net present value. As discussed in Note 4, the valuation technique used by the Organization is a Level 3 measure because there are no observable market transactions.

Note 6. INVESTMENTS

Investments consisted of the following at December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 50,396	\$ 50,396	\$ 1,069,695	\$ 1,069,696
Equities	1,391,999	1,216,515	412,268	414,525
Fixed income	736,530	663,736	516,320	515,475
Certificate of deposit	<u>1,000,000</u>	<u>998,273</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,178,925</u>	<u>\$ 2,928,920</u>	<u>\$ 1,998,283</u>	<u>\$ 1,999,696</u>

For the years ended December 31, 2022 and 2021, investment fees were \$10,411 and \$2,259, respectively.

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. INVESTMENTS (concluded)

As discussed in Note 4 to these financial statements, the organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the organization's valuation techniques. The valuation technique used to measure investments is Level 1. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of December 31, 2022.

Note 7. PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 948,727	\$ 285,000
Furniture, equipment and software	387,265	88,794
Vehicles	<u>163,964</u>	<u>90,391</u>
	1,499,956	464,185
Less accumulated depreciation	<u>146,434</u>	<u>85,156</u>
Property and equipment, net	<u>\$ 1,353,522</u>	<u>\$ 379,029</u>

Note 8. 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 8.5%. The line of credit is unsecured. At December 31, 2022, there was no outstanding borrowing on the line of credit.

Note 9. BOARD DESIGNATED NET ASSETS

At the end of 2022 and 2021, the Organization held approximately \$1,417,885 and \$1,456,234, 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.

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

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. BOARD DESIGNATED NET ASSETS (concluded)

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 2022, this initiative provided ongoing service and support programs to 2,169 communities/schools through regular monitoring, maintenance, and repair programs. In 2022, these programs included 9,480 monitoring events and 1,264 service/monitoring/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 10. THE WATER PROMISE ENDOWMENT

The Water Promise (www.thewaterproject.org/waterpromise) is the Organization's commitment to sustainability through ongoing monitoring, evaluation, training, service, maintenance, repair, and support programs to communities and schools to help ensure safe, reliable water access over time. In 2020, the Organization established The Water Promise Endowment as a lasting partnership between participating donors, The Water Project, and communities in need of reliable water. The Water Promise Endowment fuels sustainability programs and brings security and scale to a 'clean water in perpetuity' vision within each community we have partnered with, are currently partnering with, and will partner with in the future.

The endowment consists of funds established by resources set aside by the Board of Directors to function as endowments (referred to as *board designated endowment funds*). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. THE WATER PROMISE ENDOWMENT (continued)

The State of New Hampshire enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA establishes law for the management and investment of donor-restricted endowment funds. The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. The original gift is defined by the Association as (a) the original value of gifts donated to all donor-restricted endowments, (b) the original value of any subsequent gifts to donor-restricted endowments, and (c) the original value of accumulations to donor-restricted endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. There were no donor-restricted endowment funds at December 31, 2022.

The Organization has adopted an investment policy to achieve an annualized total return in excess of 3.5% to meet the annual spend policy goal. Total return is defined as dividend or interest income, plus realized and unrealized capital appreciation or depreciation at fair market value, net of fees.

In recognition of the prudence required of fiduciaries, reasonable diversification is sought where possible. Asset allocation parameters have been developed based on investment objectives, liquidity needs, and time horizon for intended use.

The following schedule includes activity for the endowment held by the Organization:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets as of December 31, 2020	\$ 2,000,000	\$ -	\$ 2,000,000
Investment return			
Net investment loss	(1,717)	-	(1,717)
Unrealized gain	<u>1,413</u>	<u>-</u>	<u>1,413</u>
Total investment return	(304)	-	(304)
Endowment net assets as of December 31, 2021	<u>\$ 1,999,696</u>	<u>\$ -</u>	<u>\$ 1,999,696</u>

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. THE WATER PROMISE ENDOWMENT (concluded)

Investment return			
Net investment income	19,489	-	19,489
Realized loss	(9,999)	-	(9,999)
Unrealized loss	<u>(249,690)</u>	<u>-</u>	<u>(249,690)</u>
 Total investment return	 (240,200)	 -	 (240,200)
 Endowment net assets as of			
December 31, 2022	<u>\$ 1,759,496</u>	<u>\$ -</u>	<u>\$ 1,759,496</u>

Investment Net Asset Composition by Fund Type

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2022			
Board designated	<u>\$ 1,759,496</u>	<u>\$ -</u>	<u>\$ 1,759,496</u>
 December 31, 2021			
Board designated	<u>\$ 1,999,696</u>	<u>\$ -</u>	<u>\$ 1,999,696</u>

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022, net assets with donor restrictions were available for the following purposes or periods:

Time restrictions:	
Contribution received in 2022 for 2023	\$ 231,054
Contribution receivable	<u>113,253</u>
Total net assets with donor restrictions	<u>\$ 344,307</u>

At December 31, 2021, net assets with donor restrictions were available for the following purposes or periods:

Purpose restrictions, available for spending:	
Purchase, modification and use of office space	\$ 15,542
Time restrictions:	
Contribution received in 2021 for 2022	<u>135,993</u>
Total net assets with donor restrictions	<u>\$ 151,535</u>

Note 12. 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, 2022 and 2021, the Organization contributed \$80,472 and \$54,508 to the plan, respectively.

Note 13. MAJOR PARTNERS

For the years ended December 31, 2022 and 2021, the Organization awarded grants to two major partners, representing 59% of total partner program support. At December 31, 2022 and 2021, there was no amount due to these major partners.

Note 14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from December 31, 2022 through May 5, 2023, the date at which the financial statements were available to be issued, and has not evaluated subsequent events after that date.