

The Water Project, Inc.
2008 Annual Report





What's Inside

Letter from The President	3
Our Mission	4
Meet Bridget	4
The Water Project: Kenya	5
Wells for Schools	6
Power of Partnership	8
The Bridge Water Project	10
Other Project Highlights	11
Moving Ahead	12
Connecting Groups.....	13
Financials	14

Letter from the President

Dear Friends,

It has been an exciting year of growth for The Water Project, Inc. We began operations in Charlotte, NC and formed a number of new partnerships with clean water organizations in the U.S. and overseas. Together with our implementing partners, and funded by our generous supporters, we provided clean water to over 20,000 people in four countries. We also laid a very strong foundation on which to build future programs.

The more we learn, the more we believe that the story of water is a truly compelling one. And it is a story that people can truly become a part of. We are committed to building an organization and tools that draw people in, teach them, and then show them the results of their efforts to provide clean water.



One step in that direction is the re-designed "See" section on our website. In late 2008, it allowed us to post pictures and updates of new wells, *as they were being built*, in Western Kenya. Our supporters watched their dollars in action in near-time. Together we celebrated with the students in Kenya whose hands were raised in thanks for the clean water they were about to drink.

As we continue to grow in 2009, we'll be adding a significant number of new partners, many who are already producing excellent results in the field. We're going to help them tell a better story to many more people. And by freeing them to re-focus on their own work, instead of fundraising, we'll be providing more water to more people.

None of this is possible without the generous and continued support of our donors and partners. We continue to send 100% of public donations to the field for actual construction. We're especially thankful for those private donors and foundations who fund our administrative and fundraising expenses to make that possible.

With Gratitude,

R. Peter Chasse
President

Our Mission

The Water Project, Inc. is a 501(c)(3) non-profit organization that's bringing relief to communities around the world who suffer needlessly from a lack of access to clean water.

We help raise both awareness and the funds needed to provide the most basic and life-sustaining need of people...water.

We believe that providing clean water restores hope by enabling our partners to make a life-changing impact through their broader development activity.

We work closely with partners around the world who identify, implement, report on and follow up on each project. We share this information with our supporters through innovative tools online that inspire confidence in the work being done and the impact it has.



Meet Bridget

Bridget, by all accounts, should be just another hopeless statistic of the HIV/AIDS epidemic in Kenya. She lost both parents to HIV. She's an orphan. She grew up in a part of Kenya with no access to clean water. Her community struggled with a lack of food. Add it all together and she shouldn't have been standing there... the day we passed by.

But a few years ago, something started that would forever change Bridget's lives and ours.

We met Bridget by chance and in all honesty, we've only heard a bit of her story. That day, as we were out visiting a previously constructed water project in her community, we were introduced to her by one of our partners. He was just the kind of guy who meets people everywhere he goes.

And so, we had a chat. As we did, we noticed that she was holding a binder.



These tree seedlings are ready to be sold for a profit at the local market.

Our partner asked her what it was for. What was she up to, out here in Mitaboni. And in an answer no one expected, we met hope.

It turns out that her green binder is an accounting log. Bridget's a treasurer. She's keeps the books of a small business that she and other orphans in the area have created – growing and selling tree seedlings for a profit in the local market.

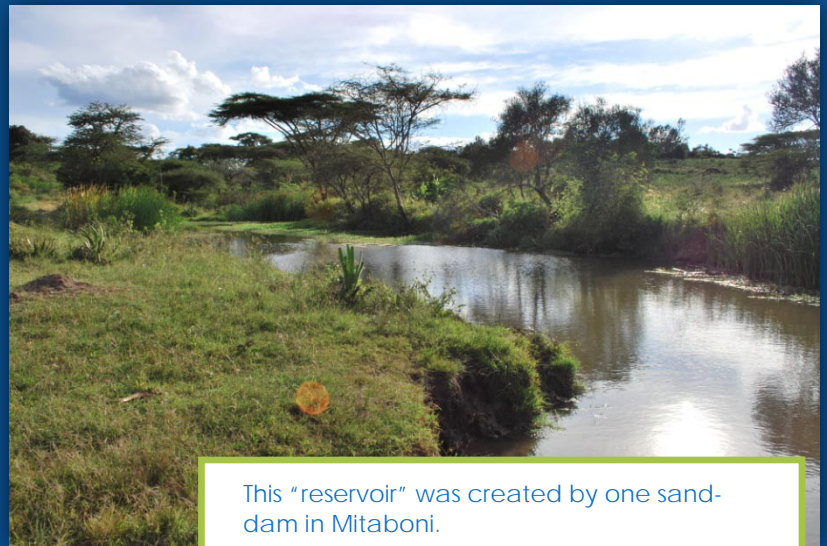
It took a while to sink in. She was intelligent, well spoken, organized, motivated and proud. And she was a teenager, with no parents, in a desperately poor part of the world. Bridget is hope. Not just hopeful...she is hope.

No one there could honestly take credit. This wasn't a planned "show and tell" of some non-profit trying to prove its worth. Bridget and what she's accomplished is Bridget's. Those helping simply lent a hand by getting some obstacles out of her way.

You see, there was no water here just a few years ago. Our local partners in Kenya and generous donors to The Sharing Way had helped provide engineering, concrete and iron bar so the local community could build a few sand dams. The reservoirs that were created now provide the water Bridget needs to grow her seedlings. Still, we didn't grow them...

Bridget was also cared for in a "Guardians of Hope" home, an orphan care program that the Africa Brotherhood Church has developed with our partner The Sharing Way. They keep orphans in their own villages with a family they know, and they support them there instead of in a group home. Water projects help provide enough food and water for everyone.

Bringing clean water to places like Kenya is not, in the end, just about the water. It's about clearing obstacles. It's about allowing Bridget to be Bridget and it's about allowing Kenyans to be Kenyans. It's about removing the things that keep intelligent, well spoken, organized, motivated and proud people from being themselves. We just help move some stones.



This "reservoir" was created by one sand-dam in Mitaboni.

As we were leaving that day, we asked Bridget, "What are you going to do with all your profit?"

Her answer humbled and inspired us. She explained that it is being re-invested into other orphans in her own community so that these children and teens, just like Bridget, can become...

Hope.

The Water Project: Kenya

Weirs, or sand-dams, have proven their value in providing large quantities of water for agricultural use and some domestic purposes. By placing these small dams across seasonal streambeds, communities are able to capture huge amounts of water and store it for the dry season.



The Africa Brotherhood Church (ABC), one of our implementing partners in Central Kenya, using funds donated through The Water Project, continued construction on a number of these water projects in 2008.



This 100,000 tank captures rainfall from a large church roof providing months of clean water.

In other areas, the ABC is utilizing rain catchment systems, with materials funded by The Water Project. Using gutters on large roofed buildings, like churches, rain-water is collected in large holding tanks to be used in the dry season. This water is clean, and only needs minimal treatment to keep it safe to drink.

How We Choose Projects & Partners:

We seek partners who have a proven track record of implementing cost-effective and sustainable water projects.

We expect that our partners will engage each community receiving a water project from the outset. This means meeting with them, educating them about the proposed solutions, and getting commitments that ensure the community "owns" the project.

We like to see local water committees formed to oversee the work, secure permits, and even collect some kind of contribution from each recipient when possible. This level of commitment ensures that the community understands the value of their new well.

In places like Mitaboni, we witnessed how these projects provide food security by allowing for regular irrigation of fields. While these sources of water do require further treatment to be used for consumption, the projects have great worth.





Wells for Schools – 11 Wells: 20,000+ to be Served

On our trip to Kenya with the Africa Brotherhood Church and The Sharing Way, we identified 11 sites in desperate need of some kind of water project. We returned home to begin the process of fundraising for these sites. That's when we received a call from our good friend Scott Harrison at charity: water in NYC. On that call he pledged to help us build deep wells at these sites, a huge commitment.

Each of these sites is home to an ABC school. Hundreds of students will benefit from receiving deep freshwater wells capable of serving thousands of people in each surrounding community as well. These large systems will be installed in 2009.



Though the bulk of the expenses will never appear on "our books" as money we've received and granted, we believe this project is one of our most important achievements of 2008. It reminds us of the value in partnerships and of the truly shared efforts taking place across many clean water organizations to bring about lasting change. It is exciting to have been a catalyst in providing these life changing wells to so many children and adults.

Here are some of the schools...

Kitheuni Primary and Secondary Schools: Kitheuni (kith-they-oo-ni)

The primary school serves over 500 students and the secondary school houses over 250. The surrounding community of 250 households will also benefit from this deep borehole (well). Currently water is being fetched from a polluted stream and it is strictly rationed. The school has so little water that it cannot complete housing for its faculty or repair a collapsed latrine for the girls. With water, this very important school can get back on track.



Ilelambyu Schools: Nzatani (i-la-lam-bee-oo)



This water well will be capable of providing clean water to two primary schools and a new secondary school (pictured). The two primary schools each serve over 370 students and the secondary school will eventually be home to more than 200. 1,500 community members will be directly impacted by this well project and more may benefit from a potential piping system to be added later.

Kalyambeu Polytechnic (ka-li-am-beh-oo)

The community at Kalyambeu is a model of good development. Just two years ago, this now bustling village was nothing but an open field. The community is mobilized and have constructed numerous buildings and even a water tank for rain catchment. They have recently completed a polytechnic school that will house and train students in carpentry, tailoring, and other lucrative skills. Still, the location has no access to clean water, and the tank only provides limited supply that must be strictly rationed. This water well will serve the students of the polytechnic and the community, whose surrounding population is nearly 6,000.



Power in Partnership

The Wells for Schools: Kenya Project demonstrates the power of partnering. Each partner is playing a vital role through their key area of expertise. In this case, The Sharing Way introduced us to the Africa Brotherhood Church, providing us with critical background information and reporting. The ABC itself, the recipient of the wells, is the development partner. They ensure that when water flows, it will begin to improve education, provide HIV/AIDS relief, reduce poverty, and relieve hunger by continuing to implement their integrated development programs. No longer hobbled by a lack of clean water, they can improve everything they do. charity:water is the funder. Through generous corporate support in this case, they are providing the majority of the investment in these deep, expensive wells. Finally, Living Water International drills the wells. With more than a decade of experience drilling wells in Kenya, we can all be confident that money is spent efficiently.



The Bridge Water Project – 2 New Wells: 2,000+ Served

While in Kenya, we met the project leads of a local NGO, The Bridge Water Project. These Kenyan nationals were trained by a retired water engineer and missionary from California who also secured drilling equipment, trucks and supplies to create this new well drilling team in Western Kenya.

We committed to supporting their work and asked them to begin compiling lists of potential well sites in the area. In late 2008, The Bridge Water Project began drilling the first of a rapidly growing list of wells to be funded by The Water Project donors.



The first well was dug at the Victory Academy, a school housing hundreds of children. Before the well was installed, these students spent hours each day walking to a stream miles away, to fetch dirty, diseased water. Now, with the well complete, they walk just a few feet for clean, safe water.

The other well, at Ushindi, now brings clean water to a local orphanage and a thousand others in the surrounding community.



Other Water Project Highlights

Cameroon – 65 Filters: over 700 Served



Our donors raised funds in 2008 for Thirst Relief International, a U.S.-based non-profit that provides both training and supplies to build bio-sand filtration systems.

In Nkuv, Cameroon, these family-sized filters each serve about 10 people. They are great for areas where access to water is nearby, but the quality of that water is suspect. At a cost of \$75/each, our donors helped supply over 65 filters serving nearly 700 people!

Zambia – 15 Well Repairs: 10,000+ Served



In Zambia, we also worked with Thirst Relief to build and repair wells throughout the country. We funded the restoration of over 15 hand-pumps (pending final costs) which has brought clean water back to over 10,000 people!

The value of these projects is hard to overstate. For such a small investment, water flows again through pumps that had been rendered useless by otherwise inexpensive repairs.



Quotes from Cameroon



"Hi all, myself and my 5 children and we're very happy receiving this sand filter. I thank you so much for this as it's going to improve our health especially that of my children.

Once more, thank you"

– Celine, March 2008



"My wife, child and I will now live healthily and have good water to drink the same like those in the cities. I don't know how to express my joy to you people. I want to wish you all the best in your work.

This is a wonderful thing in our community and we are proud to have the filter as others too. We will make good use of it and will always keep it clean as required.

Thank you"

– Ndzen, March 2008

Moving Ahead

Raising Awareness – Sharing the Story

Connecting people to the “story” of clean water is essential to realizing the kind of change that will be needed to provide clean water to the nearly 1 billion people who suffer without it. We believe that emerging web technologies are the key to engaging tens of thousands of people, in a meaningful way, to effect dramatic change.

We believe that being a “part of the story” means going far deeper than a simple connection on Facebook or MySpace, as valuable as those new relationships are. Instead, we think that the truly untapped potential in the innovative use of social networking tools – some of which still need to be developed – will be found in how well they draw people into the great story of clean water. We know that creating friends from donors requires us to share the story of the work they support in new, faster and more transparent ways.

To that end, in 2008 we secured a grant to explore and begin developing a clean water advocacy platform – a new service on the web that will gather together all aspects of the effort toward providing clean water in the developing world. We’re seeking to create a donation and advocacy platform that allows donors to see and engage in the work they are supporting, in near-time – as soon after it happens as possible.

Our most ambitious goal is to create a manageable system that will allow donors at any level to see the exact water project they contributed toward. We think seeing faces and reading brief stories from the communities receiving wells will go a long way to creating life-long supporters who go on to inspire many others to get involved. We’re working with implementers to understand what it will take to bring granular, highly transparent reporting to many more projects and people.



Connecting Groups to Make a Bigger Impact

Our "Water Challenge" fundraiser, graciously shared by The H2O Project, continues to be hugely successful.

Students, churches, civic groups and even individuals are taking the Water Challenge and giving up all beverages except water for at least two weeks. They take the money that each group member saves and together donate toward a water project.



We've been working hard to get reports back to each of these groups, so they can see the changes they've made possible. In addition to the new reporting tools we've launched, in 2009 we'll be creating new ways for these groups to see what others are doing.

We think that when they begin to work together as a community, the impact can be even greater. Students and groups are extremely creative and when their ideas are shared, we think even more clean water will result.

Toronto District Christian High

Take one fish tank. Fill with dirty water. Ask fellow students to toss in 50 cents in exchange for a "mud cake" brownie. Tell them about the water problem. Repeat...

The result is an inspiring story of how creative thinking makes a huge difference.

Shelby said, "This project started with two girls wanting to help but finished with a whole school contributing to what we feel is a very helpful, compassionate cause."

Statements of Financial Position as of December 31, 2008 (UNAUDITED)

	<u>2008</u>
ASSETS	
Current Assets	
Contributions Receivable	\$ 5,738
Cash and cash equivalents	<u>\$ 16,542</u>
TOTAL ASSETS	<u>\$ 22,280</u>
LIABILITIES & NET ASSETS	
Net Assets	
Unrestricted	\$ 6,532
Temporarily Restricted	
Pending Water Projects	<u>\$ 15,748</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 22,280</u></u>

Statements of Financial Activities
January 1, 2008 - December 31, 2008

(UNAUDITED)

REVENUE		2008		
		Unrestricted	Temporarily Restricted	Total
Contributions		\$ 19,746	\$ 64,197	\$ 83,943
Net Assets Released from Restrictions				
	Water Project Grants	48,449	(48,449)	
Total Revenue		\$ 68,195	\$ 15,748	\$ 83,943
EXPENSES				
Program Expenses:				
	Water Project Grants			
	Kenya Water Project	\$ 22,000		
	Thirst Relief: Cameroon, Zambia, India	19,243		
	The Sharing Way: Kenya	6,767		
	Bridge Water Project	439		
	Total Water Project Grants	\$ 48,449		
	Travel Expenses	1,505		
	Awareness & Education	8,739		
	Total Program Expenses	\$ 58,693		
Operational Expenses:				
	Fundraising	1,069		
	Business Expenses	750		
	Admin. Expenses	636		
	Other Costs	515		
	Total Operational Expenses	\$ 2,970		
Total Expenses		\$ 61,663		
Net Income		\$ 22,280		

Notes to the Financial Statements – December 31, 2008

1. Organization and Purpose:

The Water Project, Inc. is a 501(c)(3) non-profit organization that's bringing relief to communities around the world who suffer needlessly from a lack of access to clean water.

We have two simple and related goals.

1. Spread the word about the lack of access to clean water and about the relatively easy solutions to the problem in places like Kenya, Zambia, India and Cameroon.
2. Compel those who hear the story of water to act and bring about change by sharing their own resources (time & money) and engaging their own networks of influence to get involved.

2. Summary of Significant Accounting Policies:

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

a. Accrual Basis Financial Statements

The accompanying financial statements have been prepared on the accrual basis and conform to generally accepted accounting principles in accordance with the principles of not-for-profit accounting.

b. Net Assets

The net assets of TWP and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the organization to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the organization which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

c. Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted cash on hand and in banks. TWP also considers all highly liquid unrestricted investments with a maturity of three months or less when purchased to be cash equivalents.

2. Summary of Significant Accounting Policies: (continued)

d. Contributions Receivable

It is the policy of TWP to record for the period contributions considered to be in transit at the close of the period, that is, those dated in December and received during January, as contributions receivable.

e. Contributions

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

f. Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the organization. These services are valued based on the estimated cost of services that would have otherwise had to have been purchased.

TWP also receives a significant amount of donated services from unpaid volunteers who assist in various other program and supporting services. No amounts have been recognized in the statement of activities for these other unpaid volunteers because the criteria for recognition under generally accepted accounting principles have not been satisfied.

g. Allocation of Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Development and Public Relations and Management and General expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

h. Tax Exempt Status

TWP is exempt from tax under Section 501(c)(3) of the Internal Revenue Code and from state and local taxes under comparable laws.

i. Use of Estimates

The preparation of financial statements conform with generally accepted accounting principles requiring management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Contributions Receivable

Contributions receivable totaling \$5,738.00 were received in the following year.

4. Contributions

TWP is underwritten by donors who support the advertising, public relations, 3rd party fundraising expenses and administrative costs of the organization through unrestricted donations, as well as through sponsorships and in-kind gifts. As a specific example, private individuals pay all costs associated with "The Water Challenge" fundraiser. These private donors pay for the bracelets and postage to mail them to participating groups. This allows 100% of the money raised by groups and individuals giving toward water projects to directly fund freshwater projects, wells and basic sanitation projects in the poorest communities in Africa and India. Currently, these funds support operations in Kenya, Cameroon, India, and Zambia. Other donors have donated the cost of advertising, web site hosting, legal fees and travel expenses.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

General Water Projects	– \$ 10,118.30
Well Repair: Zambia	– \$ 500.00
Road to Change: Kalimani Well	– \$ 2,128.93
Wells for Life: India	– \$ 3,000.00

These funds are being released for their intended purposes during 2009 through grants made to TWP's partner organizations.

6. Concentration of Risk

TWP's cash accounts are located in multiple institutions. As of December 31, 2008, no amount deposited in any institution exceeded the \$100,000 federal depository insurance limit.

The Water Project, Inc.

Board of Directors

R. Peter Chasse
President & Founder

Michael D. Ballou
Secretary

Andrew Scott
Volunteer

In 2008, The Water Project, Inc. was a 100% volunteer organization. We had no paid staff.

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