

**THE WATER PROJECT, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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HESSION & PARE, PC.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' 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, 2013 and 2012, the related statements of activities 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 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 of 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, 2013 and 2012, 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.

Prior year summarized comparative information has been derived from The Water Project Inc.'s 2012 financial statements, and in our report dated May 29, 2013, we expressed an unqualified opinion on those financial statements.

Hession, PAZK, P.C.

Manchester, New Hampshire  
June 10, 2014

THE WATER PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 243,403	\$ 345,612
Contributions receivable	40,375	39,078
Inventory	-	4,036
Deposit	740	740
	<hr/>	<hr/>
Total current assets	284,518	389,466
Property and equipment		
Furniture and equipment	6,893	6,893
Software	6,425	6,425
	<hr/>	<hr/>
	13,318	13,318
Less accumulated depreciation	<u>(5,856)</u>	<u>(2,236)</u>
	<hr/>	<hr/>
Property and equipment, net	7,462	11,082
	<hr/>	<hr/>
Total assets	<u>\$ 291,980</u>	<u>\$ 400,548</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 599	\$ 8,903
Accrued expenses	8,027	4,604
	<hr/>	<hr/>
Total current liabilities	8,626	13,507
Net assets		
Unrestricted	283,354	372,651
Temporarily restricted	-	14,390
	<hr/>	<hr/>
Total net assets	283,354	387,041
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 291,980</u>	<u>\$ 400,548</u>

See notes to financial statements.

## THE WATER PROJECT, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013</u>	<u>2012</u>
Support and revenues				
Contributions	\$ 1,832,740	\$ -	\$ 1,832,740	\$ 1,680,824
Product sales	1,579	-	1,579	6,493
Interest income	32	-	32	404
Net assets released from restrictions	14,390	(14,390)	-	-
	<u>1,848,741</u>	<u>(14,390)</u>	<u>1,834,351</u>	<u>1,687,721</u>
Total support and revenues				
Expenses				
Program	1,647,704	-	1,647,704	1,422,269
Fundraising and development	119,017	-	119,017	119,719
Management and general	171,317	-	171,317	145,863
	<u>1,938,038</u>	<u>-</u>	<u>1,938,038</u>	<u>1,687,851</u>
Total expenses				
(Decrease) in net assets	(89,297)	(14,390)	(103,687)	(130)
Net assets, beginning of year	<u>372,651</u>	<u>14,390</u>	<u>387,041</u>	<u>387,171</u>
Net assets, end of year	<u>\$ 283,354</u>	<u>\$ -</u>	<u>\$ 283,354</u>	<u>\$ 387,041</u>

See notes to financial statements.

THE WATER PROJECT, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (103,687)	\$ (130)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,620	1,059
(Increase) decrease in contributions receivable	(1,297)	27,177
Decrease in inventory	4,036	634
Increase (decrease) in accounts payable	(8,304)	744
Increase in accrued expenses	3,423	693
	<u>(102,209)</u>	<u>30,177</u>
Net cash provided by (used in) operating activities		
	<u>(102,209)</u>	<u>30,177</u>
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>-</u>	<u>(9,018)</u>
Net increase (decrease) in cash and cash equivalents	(102,209)	21,159
Cash and cash equivalents, beginning of year	<u>345,612</u>	<u>324,453</u>
Cash and cash equivalents, end of year	<u>\$ 243,403</u>	<u>\$ 345,612</u>

See notes to financial statements.

THE WATER PROJECT, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2013 and 2012

	<u>Program</u>	<u>Fundraising and Development</u>	<u>Management and General</u>	<u>2013</u>	<u>2012</u>
Salaries and wages	\$ 143,932	\$ 69,287	\$ 73,968	\$ 287,187	\$ 202,639
Employee benefits	27,810	5,637	12,242	45,689	38,137
Payroll taxes	12,129	5,839	6,233	24,201	17,364
Total salaries and related expenses	183,871	80,763	92,443	357,077	258,140
Program grants	1,393,459	-	-	1,393,459	1,239,011
Contract services	23,370	6,550	-	29,920	65,517
Bank fees	-	-	26,357	26,357	25,399
Facilities and equipment	12,648	6,500	6,089	25,237	17,668
Website services	13,566	4,522	4,522	22,610	24,059
Travel	18,990	-	-	18,990	4,638
Legal and professional	-	-	18,768	18,768	18,326
Printing	-	6,414	6,414	12,828	11,214
Postage and shipping	-	4,817	1,204	6,021	5,852
Telephone and internet	1,800	1,800	1,855	5,455	3,725
Cost of product sales	-	-	4,863	4,863	2,097
Licenses and permits	-	4,239	-	4,239	3,975
Public relations and development	-	3,412	-	3,412	1,069
Insurance	-	-	2,542	2,542	1,005
Other	-	-	966	966	2,525
Subscriptions and publications	-	-	869	869	267
Supplies	-	-	805	805	2,305
Total expenses before depreciation	1,647,704	119,017	167,697	1,934,418	1,686,792
Depreciation	-	-	3,620	3,620	1,059
Total expenses	<u>\$ 1,647,704</u>	<u>\$ 119,017</u>	<u>\$ 171,317</u>	<u>\$ 1,938,038</u>	<u>\$ 1,687,851</u>

See auditors' report on supplementary information.



## 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, which was incorporated on December 5, 2007. The Organization is an independent organization based in Concord, New Hampshire that aims to bring relief to communities throughout the world who suffer needlessly from a lack of access to clean water. Specifically, the Organization distributes contributed funds directly to national and international organizations that assist underdeveloped communities in gaining access to clean drinking water. The Organization’s major sources of support and revenue are contributions from the general public.

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

##### **Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis and in accordance with the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC) 958-205 and subsections.

This Topic establishes standards for general-purpose external financial statements of not-for-profit organizations, including a statement of financial position, statement of activities and statement of cash flows. This Topic further requires classification of net assets and its revenues, expenses, gains and losses into three categories, based on the existence or absence of externally imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets. The categories 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.

##### **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.

THE WATER PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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, 2012, from which the summarized information was derived.

**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.

**Inventory**

Inventory of saleable supplies are stated at the lower of cost or market determined by the first-in, first-out method.

**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
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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.

## THE WATER PROJECT, INC.

### NOTES TO FINANCIAL STATEMENTS

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

##### **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, 2013 and 2012, the Organization has not recorded an allowance for doubtful accounts.

##### **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 2010 are no longer subject to examination by federal and state taxing authorities.

##### **Reclassification**

Certain 2012 amounts have been reclassified to conform to 2013 classification. These reclassifications had no effect on the increase in net assets for 2012.

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**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.

**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. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purpose as of December 31:

	<u>2013</u>	<u>2012</u>
100 option income	<u>\$ -</u>	<u>\$ 14,390</u>

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. LEASE COMMITMENT**

During 2011, the Organization entered into an agreement to lease office space in Concord, New Hampshire under a noncancelable agreement that expires in July 2015 with the option to renew on a month to month basis. Total rent expense for the years ended December 31, 2013 and 2012 amounted to \$16,920 and \$12,080, respectively.

Future minimum lease payments are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2014	\$19,200
2015	<u>11,200</u>
Total	<u>\$30,400</u>

**Note 7. CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially subject the Organization to concentrations of credit risk consisted 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 8. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through June 10, 2014, 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, 2013.