

THE WATER PROJECT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

TABLE OF CONTENTS

Independent auditor's report 1

Statements of financial position..... 4

Statements of activities and changes in net assets 5

Statements of functional expenses 6

Statements of cash flows..... 7

Notes to financial statements 8



HESSION & PARE, PC.

CERTIFIED PUBLIC ACCOUNTANTS

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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 financial statements of The Water Project, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, 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.

Basis for Opinion

We conducted our audits 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 audits. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Board of Directors
The Water Project, Inc.

In preparing the 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 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, including omissions, 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 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 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 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 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 time 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hessiod & Park, P.C.

Manchester, New Hampshire
June 24, 2021

THE WATER PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 5,291,899	\$ 2,890,171
Contributions receivable	291,578	98,202
Deposit	871	1,771
Prepaid expense	<u>16,149</u>	<u>23,009</u>
Total current assets	5,600,497	3,013,153
Property and equipment		
Building	285,000	285,000
Furniture and equipment	44,014	42,244
Software	<u>6,425</u>	<u>6,425</u>
	335,439	333,669
Less accumulated depreciation	<u>58,185</u>	<u>47,202</u>
Property and equipment, net	<u>277,254</u>	<u>286,467</u>
Total assets	<u>\$ 5,877,751</u>	<u>\$ 3,299,620</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 714	\$ 4,630
Accrued expenses	<u>38,084</u>	<u>30,816</u>
Total current liabilities	38,798	35,446
Net assets		
Without donor restrictions	5,779,506	3,248,632
With donor restrictions	<u>59,447</u>	<u>15,542</u>
Total net assets	<u>5,838,953</u>	<u>3,264,174</u>
Total liabilities and net assets	<u>\$ 5,877,751</u>	<u>\$ 3,299,620</u>

See notes to financial statements.

THE WATER PROJECT, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2020 and 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>2020</u>	<u>2019</u>
Support and revenues				
Contributions	\$ 4,764,471	\$ 441,542	\$ 5,206,013	\$ 3,266,234
Interest income	23,992	-	23,992	39,515
Other income	194,900	-	194,900	-
Net assets released from restrictions	<u>397,637</u>	<u>(397,637)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>\$ 5,381,000</u>	<u>\$ 43,905</u>	<u>\$ 5,424,905</u>	<u>\$ 3,305,749</u>
Expenses				
Program	2,235,367	-	2,235,367	2,808,520
Development and public relations	376,423	-	376,423	395,137
Management and general	<u>238,336</u>	<u>-</u>	<u>238,336</u>	<u>272,159</u>
Total expenses	<u>2,850,126</u>	<u>-</u>	<u>2,850,126</u>	<u>3,475,816</u>
Increase (decrease) in net assets	2,530,874	43,905	2,574,779	(170,067)
Net assets, beginning of year	<u>3,248,632</u>	<u>15,542</u>	<u>3,264,174</u>	<u>3,434,241</u>
Net assets, end of year	<u>\$ 5,779,506</u>	<u>\$ 59,447</u>	<u>\$ 5,838,953</u>	<u>\$ 3,264,174</u>

See notes to financial statements.

THE WATER PROJECT, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020
(with comparative totals for 2019)

	Program by Region					Total Program	Development & Public Relations		Management & General	2020	2019
	Kenya	Sierra Leone	Uganda	Middle East	Uganda		Relations	Management & General			
Salaries and wages	\$ 320,634	\$ 73,815	\$ 57,668	\$ 55,361	\$ 507,478	\$ 195,379	\$ 123,158	\$ 826,015	\$ 860,945		
Employee benefits	65,937	15,180	11,859	11,385	104,361	25,800	20,588	150,749	179,481		
Payroll taxes	25,703	5,917	4,623	4,438	40,681	15,731	9,842	66,254	65,919		
Total salaries and related expenses	412,274	94,912	74,150	71,184	652,520	236,910	153,588	1,043,018	1,106,345		
Partner program support	962,242	350,161	72,651	-	1,385,054	-	-	1,385,054	1,932,149		
Contract services	64,111	-	-	-	64,111	81,692	648	146,451	122,517		
Legal and professional	15,156	3,489	2,726	2,617	23,988	2,116	22,746	48,850	37,189		
Facilities and equipment	20,171	4,644	3,628	3,483	31,926	7,207	4,222	43,355	49,385		
Bank fees	215	49	39	37	340	5	41,593	41,938	50,523		
Website services	8,061	1,856	1,450	1,392	12,759	7,773	2,331	22,863	24,916		
Software and cloud services	8,529	1,964	1,534	1,473	13,500	6,495	1,845	21,840	18,985		
Travel	8,132	1,872	1,463	1,404	12,871	4,697	772	18,340	44,543		
Supplies	9,748	2,244	1,753	1,683	15,428	366	180	15,974	9,277		
Telephone and internet	6,054	1,394	1,089	1,045	9,582	2,613	1,277	13,472	12,918		
Printing	31	7	6	5	49	12,477	-	12,526	19,671		
Postage and shipping	274	63	49	47	433	8,863	63	9,359	14,201		
Licenses and permits	975	224	175	168	1,542	-	5,148	6,690	6,885		
Other expenses	1,374	316	248	238	2,176	388	92	2,656	4,390		
Workers' compensation insurance	1,056	243	190	182	1,671	625	305	2,601	2,819		
Insurance	-	-	-	-	-	-	2,173	2,173	2,173		
Subscriptions and publications	229	53	41	39	362	709	64	1,135	1,135		
Public relations and development	-	-	-	-	-	849	-	849	4,210		
Expenses before depreciation	1,518,632	463,491	161,192	84,997	2,228,312	373,785	237,047	2,839,144	3,464,231		
Depreciation	4,457	1,026	802	770	7,055	2,638	1,289	10,982	11,585		
Total expenses	\$ 1,523,089	\$ 464,517	\$ 161,994	\$ 85,767	\$ 2,235,367	\$ 376,423	\$ 238,336	\$ 2,850,126	\$ 3,475,816		

See auditor's report on supplementary information.

THE WATER PROJECT, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 2,574,779	\$ (170,067)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	10,982	11,584
(Increase) in contributions receivable	(193,376)	(27,787)
Decrease in deposit	900	-
Decrease (increase) in prepaid expenses	6,860	(8,928)
(Decrease) increase in accounts payable	(3,916)	280
Increase (decrease) in accrued expenses	<u>7,268</u>	<u>(27,210)</u>
Net cash provided by (used in) operating activities	<u>2,403,497</u>	<u>(222,128)</u>
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(1,769)</u>	<u>(4,556)</u>
Net increase (decrease) in cash and cash equivalents	2,401,728	(226,684)
Cash and cash equivalents, beginning of year	<u>2,890,171</u>	<u>3,116,855</u>
Cash and cash equivalents, end of year	<u>\$ 5,291,899</u>	<u>\$ 2,890,171</u>

See notes to financial statements.

THE WATER PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. NATURE OF OPERATIONS

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

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

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

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

Net assets

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

THE WATER PROJECT, INC.

NOTES TO 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, 2019, 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

THE WATER PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

federally insured amounts. At December 31, 2020, the Organization's uninsured cash balance totaled \$4,502,308.

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.

Property and equipment

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

Furniture and equipment	3 - 7 years
Building	39 years

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

Contributions

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

The Organization provides an allowance for doubtful collections when deemed necessary, which is based upon a review of prior collection history, type of contribution, and the nature of the fundraising activity. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the allowance for doubtful accounts. At December 31, 2020 and 2019, the Organization did not record an allowance for doubtful accounts.

THE WATER PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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, 2020.

The income tax filings for the tax years before 2017 are no longer subject to examination by federal and state taxing authorities.

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>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 5,291,899	\$ 2,890,171
Contributions receivable	<u>291,578</u>	<u>98,202</u>
Total financial assets	5,583,477	2,988,373
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 8)	(15,542)	(15,542)
Time-restricted net assets (Note 8)	<u>(43,905)</u>	<u>-</u>
Amount available for general expenditures within one year	<u>\$ 5,524,030</u>	<u>\$ 2,972,831</u>

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

THE WATER PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Note 5. CONTRIBUTIONS RECEIVABLE

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

Note 6. LINE OF CREDIT

The Organization entered into a \$200,000 line of credit with a bank. The line of credit carries interest at the Wall Street Journal Prime Rate plus 1%, currently 5.75%. The line of credit is unsecured. At December 31, 2020, there was no outstanding borrowing on the line of credit.

THE WATER PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7. BOARD DESIGNATED NET ASSETS

At the end of 2020 and 2019, the Organization held approximately \$1,554,670 and \$1,588,917, 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 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 2020, this initiative provided ongoing service and support programs to 1,533 communities/schools through regular monitoring, maintenance, and repair programs. In 2020, these programs included 6,369 monitoring events and 595 service/monitoring/repair visits. Additionally, in response to the global pandemic, and in partnership with the local government's efforts to stop the spread of Covid-19 within each of our program areas, the Organization was positioned to implement regional awareness campaigns, as well as 745 front-line health and training programs, within communities being actively supported by the initiative.

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

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

Note 8. 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 Water Project 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 WATER PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020, 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 2020 for 2021	<u>43,905</u>
Total net assets with donor restrictions	<u>\$ 59,447</u>

At December 31, 2019, 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	<u>\$ 15,542</u>
Total net assets with donor restrictions	<u>\$ 15,542</u>

Note 10. 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, 2020 and 2019, the Organization contributed \$40,958 and \$41,079 to the plan, respectively.

Note 11. MAJOR PARTNERS

For the years ended December 31, 2020 and 2019, the Organization awarded grants to two major partners, representing 59% and 70%, respectively, of total partner program support. At December 31, 2020 and 2019, there was no amount due to these major partners.

Note 12. PAYROLL PROTECTION PROGRAM LOAN

The Water Project applied for and received a Payroll Protection Program Loan in April 2020 in the amount of \$194,900. This loan was forgiven in November 2020 in accordance with the requirements for loan forgiveness.

THE WATER PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13. COVID-19 IMPACT

In March of 2020, the World Health Organization recognized the novel strain of the coronavirus, COVID-19, as a global pandemic. The Water Project's WaSH programs are – and continue to be – a first line of defense against the spread of COVID-19.

The spread of the coronavirus has caused significant global market volatility, uncertainty around the extent and duration of global disruptions, as well as impact on global economies. The Water Project is unable to determine what impact COVID-19 might have on future operations.

Note 14. SUBSEQUENT EVENTS

WASH Technical Solutions Limited, an organization incorporated in Kenya, 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, an organization incorporated in Kenya, was formed as a subsidiary of WASH Technical Solutions Limited to act as the operating company in Kenya.

The Organization has evaluated subsequent events through June 24, 2021, the date which the financial statements were available to be issued, and has not evaluated subsequent events after that date.