

THE WATER PROJECT, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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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, 2021, 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, 2021, 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 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 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 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 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 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 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HESSION, PARK, P.C.

Manchester, New Hampshire
June 15, 2022

THE WATER PROJECT, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 5,915,607	\$ 5,291,899
Contributions receivable	215,225	291,578
Deposit	871	871
Prepaid expense	<u>28,361</u>	<u>16,149</u>
Total current assets	6,160,064	5,600,497
Investments	1,999,696	-
Property and equipment		
Building	285,000	285,000
Furniture and equipment	82,369	44,014
Vehicles	90,391	-
Software	<u>6,425</u>	<u>6,425</u>
	464,185	335,439
Less accumulated depreciation	<u>85,156</u>	<u>58,185</u>
Property and equipment, net	<u>379,029</u>	<u>277,254</u>
Total assets	<u>\$ 8,538,789</u>	<u>\$ 5,877,751</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 1,692	\$ 714
Accrued expenses	<u>86,830</u>	<u>38,084</u>
Total current liabilities	88,522	38,798
Net assets		
Without donor restrictions	8,298,732	5,779,506
With donor restrictions	<u>151,535</u>	<u>59,447</u>
Total net assets	<u>8,450,267</u>	<u>5,838,953</u>
Total liabilities and net assets	<u>\$ 8,538,789</u>	<u>\$ 5,877,751</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, 2021 and 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>2021</u>	<u>2020</u>
Support and revenues				
Contributions	\$ 4,146,874	\$ 135,993	\$ 4,282,867	\$ 3,135,966
In-kind donations	2,947,174	-	2,947,174	2,070,047
Interest income	9,911	-	9,911	23,992
Other income	1,748	-	1,748	-
Net assets released from restrictions	43,905	(43,905)	-	-
Total support and revenues	<u>7,149,612</u>	<u>92,088</u>	<u>7,241,700</u>	<u>5,230,005</u>
Expenses				
Program	3,792,667	-	3,792,667	2,235,367
Development and public relations	553,788	-	553,788	376,423
Management and general	283,627	-	283,627	238,336
Total expenses	<u>4,630,082</u>	<u>-</u>	<u>4,630,082</u>	<u>2,850,126</u>
Increase in net assets from operations	2,519,530	92,088	2,611,618	2,379,879
Nonoperating income (expense)				
Net investment (loss)	(1,717)	-	(1,717)	-
Unrealized gain	1,413	-	1,413	-
Forgiveness of Paycheck Protection Program loan	-	-	-	194,900
Total nonoperating income (expense)	<u>(304)</u>	<u>-</u>	<u>(304)</u>	<u>194,900</u>
Increase in net assets	2,519,226	92,088	2,611,314	2,574,779
Net assets, beginning of year	<u>5,779,506</u>	<u>59,447</u>	<u>5,838,953</u>	<u>3,264,174</u>
Net assets, end of year	<u>\$ 8,298,732</u>	<u>\$ 151,535</u>	<u>\$ 8,450,267</u>	<u>\$ 5,838,953</u>

See notes to financial statements.

THE WATER PROJECT, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021
(with comparative totals for 2020)

	Program by Region						Total Program	Development & Public Relations & General Management	2021	2020
	Kenya	Sierra Leone	Uganda	Middle East						
Salaries and wages	\$ 473,088	\$ 119,784	\$ 87,519	\$ 45,575	\$ 725,966	\$ 311,023	\$ 133,642	\$ 1,170,631	\$ 826,015	
Employee benefits	100,783	25,518	18,644	9,709	154,654	52,890	20,386	227,930	150,749	
Payroll taxes	36,873	9,336	6,821	3,552	56,582	22,402	11,348	90,332	66,254	
Total salaries and related expenses	610,744	154,638	112,984	58,836	937,202	386,315	165,376	1,488,893	1,043,018	
Partner program support	1,795,825	682,269	127,971	-	2,606,065	-	-	2,606,065	1,385,054	
Contract services	36,528	-	-	-	36,528	57,178	3,018	96,724	146,451	
Legal and professional	16,480	4,173	3,049	1,588	25,290	3,586	17,009	45,885	48,850	
Facilities and equipment	31,300	7,925	5,790	3,015	48,030	14,213	5,921	68,164	43,355	
Bank fees	856	217	159	83	1,315	-	74,960	76,275	41,938	
Website services	7,665	1,941	1,418	738	11,762	10,608	1,624	23,994	22,863	
Software and cloud services	13,116	3,321	2,426	1,263	20,126	23,311	2,627	46,064	21,840	
Travel	13,798	3,494	2,553	1,329	21,174	4,793	355	26,322	18,340	
Supplies	15,390	3,896	2,847	1,483	23,616	765	256	24,637	15,974	
Telephone and internet	7,138	1,808	1,321	688	10,955	3,458	1,159	15,572	13,472	
Printing	502	127	93	48	770	33,010	-	33,780	12,526	
Postage and shipping	295	75	55	28	453	3,601	25	4,079	9,359	
Licenses and permits	1,008	255	186	97	1,546	-	4,984	6,530	6,690	
Other expenses	7,451	1,887	1,379	718	11,435	2,675	823	14,933	2,656	
Workers' compensation insurance	1,498	379	277	144	2,298	947	317	3,562	2,601	
Insurance	5,823	1,474	1,077	561	8,935	-	2,173	11,108	2,173	
Vehicle expense	2,149	544	398	207	3,298	-	-	3,298	1,135	
Subscriptions and publications	294	74	54	28	450	564	62	1,076	849	
Public relations and development	2,620	663	485	252	4,020	1,595	535	6,150		
Expenses before depreciation	2,570,480	869,160	264,522	71,106	3,775,268	546,619	281,224	4,603,111	2,839,144	
Depreciation	11,338	2,871	2,098	1,092	17,399	7,169	2,403	26,971	10,982	
Total expenses	\$ 2,581,818	\$ 872,031	\$ 266,620	\$ 72,198	\$ 3,792,667	\$ 553,788	\$ 283,627	\$ 4,630,082	\$ 2,850,126	

See auditor's report on supplementary information.

THE WATER PROJECT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 2,611,314	\$ 2,574,779
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	26,971	10,982
Unrealized (gain)	(1,413)	-
Decrease (increase) in contributions receivable	76,353	(193,376)
Decrease in deposit	-	900
(Increase) decrease in prepaid expenses	(12,212)	6,860
Increase (decrease) in accounts payable	978	(3,916)
Increase in accrued expenses	48,746	7,268
	<u>2,750,737</u>	<u>2,403,497</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of investments	(1,998,283)	-
Purchase of property and equipment	(128,746)	(1,769)
	<u>(2,127,029)</u>	<u>(1,769)</u>
Net cash (used in) investing activities		
Cash flows provided by financing activities		
Paycheck Protection Program loan		194,900
Forgiveness of Paycheck Protection Program loan	-	(194,900)
	<u>-</u>	<u>-</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	623,708	2,401,728
Cash and cash equivalents, beginning of year	<u>5,291,899</u>	<u>2,890,171</u>
Cash and cash equivalents, end of year	<u>\$ 5,915,607</u>	<u>\$ 5,291,899</u>
Noncash investing activity		
Forgiveness of Paycheck Protection Program loan	<u>\$ -</u>	<u>\$ 194,900</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 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 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, 2020, 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 CONSOLIDATED FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

federally insured amounts. At December 31, 2021, the Organization's uninsured cash balance totaled \$5,192,093.

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.

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 (concluded)

In-kind contributions

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

	<u>2021</u>	<u>2020</u>
Crypto	\$ 2,807,572	\$ 2,002,497
Stock	139,602	67,525
Other	<u>-</u>	<u>25</u>
	<u>\$ 2,947,174</u>	<u>\$ 2,070,047</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, 2021.

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

The income tax filings for the tax years before 2018 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 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>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 5,915,607	\$ 5,291,899
Investments	1,999,696	-
Contributions receivable	<u>215,225</u>	<u>291,578</u>
 Total financial assets	 8,130,528	 5,583,477
 Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 10)	(15,542)	(15,542)
Time-restricted net assets (Note 10)	(135,993)	(43,905)
 Less board-designated endowment fund	 <u>(1,999,696)</u>	 <u>-</u>
 Amount available for general expenditures within one year	 <u>\$ 5,979,297</u>	 <u>\$ 5,524,030</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's endowment funds consist of funds designated by the Board as an endowment. The endowment of \$1,999,696 is subject to an annual spending rate as described in Note 9. 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.

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. FAIR VALUE MEASUREMENTS (concluded)

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. INVESTMENTS

Investments consisted of the following at December 31:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 1,069,695	\$ 1,069,696	\$ -	\$ -
Equities	412,268	414,525	-	-
Fixed income	<u>516,320</u>	<u>515,475</u>	-	-
Total	<u>\$ 1,998,283</u>	<u>\$ 1,999,696</u>	<u>\$ -</u>	<u>\$ -</u>

For the years ended December 31, 2021 and 2020, investment fees were \$2,259 and \$0, 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, 2021.

Note 7. 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 4.25%. The line of credit is unsecured. At December 31, 2021, there was no outstanding borrowing on the line of credit.

Note 8. BOARD DESIGNATED NET ASSETS

At the end of 2021 and 2020, the Organization held approximately \$1,456,234 and \$1,554,670, 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 2021, this initiative provided ongoing service and support programs to 1,831 communities/schools through regular monitoring, maintenance, and repair programs. In 2021, these programs included 7,489 monitoring events and 869 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 WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. BOARD DESIGNATED NET ASSETS (concluded)

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 9. 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 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 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, 2021.

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 WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. THE WATER PROMISE ENDOWMENT (concluded)

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, 2019	\$ -	\$ -	\$ -
Contribution	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Endowment net assets as of December 31, 2020	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>
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>

Investment Net Asset Composition by Fund Type

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
December 31, 2021			
Board designated	<u>\$ 1,999,696</u>	<u>\$ -</u>	<u>\$ 1,999,696</u>
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
December 31, 2020			
Board designated	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>

THE WATER PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. NET ASSETS WITH DONOR RESTRICTIONS

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>

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>

Note 11. 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, 2021 and 2020, the Organization contributed \$54,508 and \$40,958 to the plan, respectively.

Note 12. MAJOR PARTNERS

For the years ended December 31, 2021 and 2020, the Organization awarded grants to two major partners, representing 59% of total partner program support. At December 31, 2021 and 2020, there was no amount due to these major partners.

Note 13. 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 CONSOLIDATED FINANCIAL STATEMENTS

Note 14. 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 COVID-19 pandemic has resulted in significant global market volatility, uncertainty around the extent and duration of global disruptions, impact on global economies, and surging inflation. The Water Project is unable to determine what impact COVID-19 might have on future operations.

Note 15. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from December 31st, 2021 through June 15th, 2022, the date at which the financial statements were available to be issued, and has not evaluated subsequent events after that date.