

**THE WATER PROJECT, INC.**  
**REPORT ON FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**THE WATER PROJECT, INC.**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors  
The Water Project, Inc.  
Charlotte, North Carolina

We have audited the accompanying statement of financial position of The Water Project, Inc. as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Elliott Davis* PLLC

Charlotte, North Carolina  
May 28, 2010

**THE WATER PROJECT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2009**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 187,077
Contributions receivable	47,878
Total current assets	<u>\$ 234,955</u>

**NET ASSETS**

**NET ASSETS**

Unrestricted	\$ 55,031
Temporarily restricted	179,924
Permanently restricted	-
Total net assets	<u>\$ 234,955</u>

The accompanying notes are an integral part of these financial statements.

**THE WATER PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 70,890	\$ 355,852	\$ -	\$ 426,742
Product sales	11,191	-	-	11,191
Gifts in kind	3,888	-	-	3,888
Interest income	51	-	-	51
	<u>86,020</u>	<u>355,852</u>	<u>-</u>	<u>441,872</u>
Net assets released from purpose restrictions	<u>191,676</u>	<u>(191,676)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>277,696</u>	<u>164,176</u>	<u>-</u>	<u>441,872</u>
<b>EXPENSES</b>				
Cost of product sales	3,888	-	-	3,888
Program grants	191,676	-	-	191,676
Legal and professional	13,447	-	-	13,447
Travel	555	-	-	555
Postage and shipping	3,405	-	-	3,405
Printing	4,630	-	-	4,630
Facilities and equipment	1,594	-	-	1,594
Telephone and internet	2,372	-	-	2,372
Insurance	1,597	-	-	1,597
Licenses and permits	2,020	-	-	2,020
Supplies	861	-	-	861
Subscriptions and publications	80	-	-	80
Public relations and development	1,302	-	-	1,302
Bank fees	1,675	-	-	1,675
Other	105	-	-	105
Total expenses	<u>229,207</u>	<u>-</u>	<u>-</u>	<u>229,207</u>
<b>INCREASE IN NET ASSETS</b>	48,489	164,176	-	212,665
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>6,542</u>	<u>15,748</u>	<u>-</u>	<u>22,290</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 55,031</u>	<u>\$ 179,924</u>	<u>\$ -</u>	<u>\$ 234,955</u>

The accompanying notes are an integral part of these financial statements.

**THE WATER PROJECT, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2009**

<b>OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 212,665
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Contributions receivable	<u>(42,390)</u>
Net cash provided by operating activities	<u>170,275</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	170,275
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>16,802</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 187,077</u></u>

The accompanying notes are an integral part of these financial statements.

**THE WATER PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES**

**Nature of operations**

The Water Project (the "Organization") is a North Carolina not-for-profit corporation, which was incorporated on December 5, 2007. The Organization is an independent organization based in Charlotte, North Carolina, 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.

**Basis of accounting**

The financial statements of the Organization have been prepared on the accrual basis.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

**Cash and cash equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include \$13,996 of money market funds at December 31, 2009.

**Contributions receivable**

Contributions receivable are recorded at the written pledged amount less an estimate made for doubtful accounts. The Company 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 fund-raising activity. The Organization has not recorded an allowance for uncollectible accounts at December 31, 2009. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts.

**Net Assets**

The Organization is required to report information regarding its financial position according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are composed of all resources not included in the below categories. Donor restricted contributions that are received and expended in the same year are classified as unrestricted.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued**

Temporarily restricted net assets carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets are released from restriction.

Permanently restricted net assets are contributed to be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

**Income taxes**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements.

**Contributions and unearned contributions**

Contributions are recognized as revenue when received as unrestricted, temporarily or permanently restricted, depending on the existence and nature of donor restrictions. Pledges are recognized as revenue upon receipt of evidence of an unconditional promise to give. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Contributed assets are recorded at their estimated fair value when the Organization obtains possession of donated goods or evidence of an unconditional promise to give. Contributed services for voluntary donations of services are recognized in the financial statements when these services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation.

**Recently adopted accounting pronouncements**

Beginning in 2009, the Organization adopted an accounting pronouncement in conformity with accounting principles generally accepted in the United States of America which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of this accounting standard had no impact on the Organization's financial statements.

**Subsequent Events**

These financial statements have not been updated for subsequent events occurring after May 28, 2010, which is the date these financial statements were available to be issued.



**NOTE 2 - CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist 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.

At December 31, 2009, \$45,000 (11 percent) of contribution revenue was contributed by one donor and \$40,000 (84 percent) of contributions receivable was due from an additional single donor.

**NOTE 3 - CONTRIBUTED GOODS**

During 2009, the Organization received inventory donated by an unrelated for-profit corporation. This inventory was sold to third party consumers during the year ended December 31, 2009. The Organization recorded donations in kind for contributed product of \$3,888 and a corresponding charge to cost of product sales for the year ended December 31, 2009.

**NOTE 4 - FUNCTIONAL EXPENSES**

The Organization aims to bring relief to communities throughout the world who suffer needlessly from a lack of access to clean water through partnerships with qualified and deserving not-for-profits. Expenses related to providing these services for the year ended December 31, 2009 are summarized as follows:

Program	\$ 198,013
Management and general	17,526
Development and public relations	<u>13,668</u>
	<b><u>\$ 229,207</u></b>