

WaterAid America, Inc.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

MARCH 31, 2016 AND 2015

WaterAid America, Inc.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors
WaterAid America, Inc.
New York, New York**

We have audited the accompanying consolidated financial statements of WaterAid America, Inc. (the **“Organization”**), which comprise the statement of financial position as of March 31, 2016 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management 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 from 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 organization’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 Organization’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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

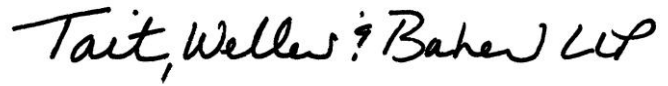
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WaterAid America, Inc. as of March 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Directors
WaterAid America
New York, New York**

Report on Summarized Comparative Information

We have previously audited WaterAid America, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Tait, Weller & Baker LLP". The signature is written in a cursive, flowing style.

TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
October 28, 2016**

WaterAid America, Inc.

STATEMENTS OF FINANCIAL POSITION

March 31, 2016 And 2015

ASSETS		2016	2015
ASSETS			
Cash and cash equivalents		\$ 1,779,248	\$ 3,213,995
Grants receivable		67,899	1,667,412
Prepaid expenses and other assets		153,406	66,322
Investments <i>(Note 3)</i>		988,601	1,132,329
Property and equipment (net) <i>(Note 4)</i>		32,361	14,629
Security deposit		<u>25,777</u>	<u>19,927</u>
Total Assets		<u>\$ 3,047,292</u>	<u>\$ 6,114,614</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES AND NET ASSETS			
Accounts payable and accrued expenses		\$ 102,172	\$ 30,671
Grants payable		<u>1,536,656</u>	<u>1,421,948</u>
Total Liabilities		<u>1,638,828</u>	<u>1,452,619</u>
NET ASSETS			
Unrestricted		1,408,464	1,751,058
Temporarily restricted <i>(Note 5)</i>		<u>-</u>	<u>2,910,937</u>
Total Net Assets		<u>1,408,464</u>	<u>4,661,995</u>
Total Liabilities and Net Assets		<u>\$ 3,047,292</u>	<u>\$ 6,114,614</u>

WaterAid America, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2016 And 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
REVENUE				
Contributions –				
Foundations and corporations	\$ 6,074,361	\$ -	\$ 6,074,361	\$11,303,560
Individuals and others	793,831	-	793,831	1,070,774
Government grants	290,667	-	290,667	1,860,772
Investment income	7,048	-	7,048	545
Miscellaneous income	4,357	-	4,357	1,218
Net assets released from restrictions	<u>2,910,937</u>	<u>(2,910,937)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>10,081,201</u>	<u>(2,910,937)</u>	<u>7,170,264</u>	<u>14,236,869</u>
EXPENSES				
Program services	8,280,070	-	8,280,070	10,048,213
Support services				
Management and general	852,892	-	852,892	1,075,447
Fundraising	<u>1,290,833</u>	<u>-</u>	<u>1,290,833</u>	<u>705,201</u>
Total expenses	<u>10,423,795</u>	<u>-</u>	<u>10,423,795</u>	<u>11,828,861</u>
Change in net assets	(342,594)	(2,910,937)	(3,253,531)	2,408,008
Net Assets				
Beginning of year	<u>1,751,058</u>	<u>2,910,937</u>	<u>4,661,995</u>	<u>2,253,987</u>
End of year	<u>\$ 1,408,464</u>	<u>\$ -</u>	<u>\$ 1,408,464</u>	<u>\$ 4,661,995</u>

WaterAid America, Inc.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$(3,253,531)	\$ 2,408,008
<i>Adjustments to reconcile change in net cash provided by (used in) operating activities</i>		
Depreciation	16,508	18,583
Net realized and unrealized losses on investments	1,716	813
(Increase) decrease in		
Contributions receivable	-	115,791
Grants receivable	1,599,513	(1,266,828)
Prepaid expenses	(87,084)	(23,094)
Security deposit	(5,850)	-
Increase (decrease) in		
Accounts payable and accrued expenses	71,501	(23,530)
Grants payable	<u>114,708</u>	<u>1,063,611</u>
Net cash provided by (used for) operating activities	<u>(1,542,519)</u>	<u>2,293,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(524,982)	(1,001,316)
Proceeds from sales of investments	666,994	878,020
Purchase of furniture, fixtures and equipment	<u>(34,240)</u>	<u>(1,315)</u>
Net cash provided by (used for) investing activities	<u>107,772</u>	<u>(124,611)</u>
Net increase (decrease) in cash	(1,434,747)	2,168,743
CASH		
Beginning of year	<u>3,213,995</u>	<u>1,045,252</u>
End of year	<u>\$ 1,779,248</u>	<u>\$ 3,213,995</u>

WaterAid America, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended March 31, 2016 With Summarized Information For 2015

	2016				2015
	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and benefits	\$ 945,962	\$ 477,795	\$ 753,626	\$ 2,177,383	\$ 1,666,723
Program and grant expenses	6,882,684	-	-	6,882,684	9,235,364
Outside services and professional fees	84,514	125,781	104,177	314,472	128,942
Communications, marketing, and outreach	50,120	13,065	208,632	271,817	241,567
General and administrative	146,248	73,868	116,512	336,628	143,285
Occupancy	55,322	27,942	44,074	127,338	103,868
Travel	84,959	76,684	28,044	189,687	121,334
Insurance	6,482	3,274	5,164	14,920	10,324
Telecommunications	22,115	11,170	17,619	50,904	41,866
Dues, subscriptions and service fees	1,664	26,805	12,985	41,454	117,005
Depreciation	-	16,508	-	16,508	18,583
Total expenses - 2016	<u>\$ 8,280,070</u>	<u>\$ 852,892</u>	<u>\$ 1,290,833</u>	<u>\$ 10,423,795</u>	
Total expenses - 2015	<u>\$ 10,048,213</u>	<u>\$ 1,075,447</u>	<u>\$ 705,201</u>		<u>\$ 11,828,861</u>

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016 And 2015

(1) ORGANIZATION

WaterAid America, Inc. (the “*Organization*”) was incorporated under the laws of Delaware on January 9, 2003 and currently has offices in New York, NY and Washington, D.C.

The Organization’s mission is to ensure the provision of water, sanitation and hygiene education to the world’s poorest people; we accomplish this mission by supporting partner organizations in low-income countries to deliver water and sanitation services, by educating the United States (“*U.S.*”) public about this issue and the urgent need for solutions, and through outreach and advocacy with key audiences in the U.S.

On November 17, 2015, the Organization’s Board of Directors agreed to acquire Aguayuda, Inc., a U.S. based nonprofit organization incorporated in Maryland, with operations in Columbia, South America. Aguayuda aims to improve life and health in poor rural communities in Columbia, South America, through clean water, sanitation and education. On February 8, 2016, the Organization and Aguayuda signed a formal agreement to merge operations, with all assets of Aguayuda being transferred to WaterAid America for one dollar (U.S.). The transfer of assets, with a value of approximately \$21,000 as of March 31, 2016, is to take place after approval by the Attorney General of State of Maryland.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCRUAL BASIS OF ACCOUNTING

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and conform to generally accepted accounting principles as applicable to not-for-profit organizations.

INCOME TAXES

WaterAid America, Inc. is a not-for-profit organization exempt from U.S. Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been recognized as a public charity under Section 509(a)(1) of the Internal Revenue Code.

Management has reviewed the tax positions for the open tax years (2013 – 2015) or expected to be taken in the Organization’s 2015 tax return and has concluded that there are no significant uncertain tax position that could require recognition in the financial statements.

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2016 And 2015

CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“ASC”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

INVESTMENTS

Investments are recorded at fair value with the resulting gains and losses reported in the statement of activity as increases in unrestricted net assets unless the use of the assets or proceeds from the sale of assets is limited by donor imposed restrictions.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, less accumulated depreciation. The Organization’s policy is to capitalize property and equipment with a cost of \$1,000 or more with a useful life of two years or more.

CONTRIBUTIONS

Unconditional promises to give are recognized as revenues or gains in the period received. Contributions that are restricted by the donor are recorded as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other contributions are recorded as temporarily restricted if they are received with donor stipulations that limit the use of such contributions. When the donor restrictions are met, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities and changes in net assets as “net assets released from restrictions.”

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and the related contribution revenue is recorded in the unrestricted and temporarily restricted net assets.

NET ASSETS

A description of the net asset categories follows:

Unrestricted net assets – Unrestricted net assets include the net assets that are associated with the principal mission of the Organization.

Temporarily restricted net assets – include contributions and other assets received with the donor stipulations that limit the use of the donated asset. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “*net assets released from restriction.*”

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2016 And 2015

(3) INVESTMENTS

Cost and market values at March 31 are summarized as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market	\$ 988,601	\$ 988,601	\$ 631,099	\$ 631,099
Bank Certificates of Deposit	-	-	500,000	501,230
	<u>\$ 988,601</u>	<u>\$ 988,601</u>	<u>\$ 1,131,099</u>	<u>\$ 1,132,329</u>

As of March 31, 2016 and 2015, net unrealized gains consisted of \$0 and \$1,230, respectively.

The Organization utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The summary of inputs used to value the Organization's assets that are carried at fair value as of March 31, 2016 and 2015 are as follows:

<u>Investments</u>	<u>2016</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 988,601	\$ 988,601	\$ -	\$ -
Bank Certificates	-	-	-	-
	<u>\$ 988,601</u>	<u>\$ 988,601</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Investments</u>	<u>2015</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 631,099	\$ 631,099	\$ -	\$ -
Bank Certificates	501,230	-	501,230	-
	<u>\$ 1,132,329</u>	<u>\$ 631,099</u>	<u>\$ 501,230</u>	<u>\$ -</u>

There were no transfers between Level 1 and 2 during the years ended March 31, 2016 and 2015.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2016 And 2015

(4) PROPERTY AND EQUIPMENT

At March 31, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Furniture, computers and software	\$ 107,160	\$ 73,748
Construction in progress	<u>828</u>	<u>-</u>
	107,988	73,748
Less: accumulated depreciation	<u>75,627</u>	<u>59,119</u>
	<u>\$ 32,361</u>	<u>\$ 14,629</u>

(5) NET ASSETS

Temporarily restricted net assets were subject to the following restrictions as of March 31:

	<u>2016</u>	<u>2015</u>
Program services and time restrictions	<u>\$ -</u>	<u>\$2,910,937</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors in the amount of \$2,910,937 and \$7,486,691 for the years ended March 31, 2016 and 2015, respectively.

(6) COMMITMENTS

The Organization leases office space for its New York and Washington DC offices under noncancellable leases ending June 2016 and January 2016, respectively. The Organization did not renew the lease on the Washington DC office. The Organization also leases office equipment under operating leases expiring in December 2016. In January 2016, the Organization signed a noncancellable lease for new office space in New York. The new lease commences on May 25, 2016 and runs through September 25, 2026. The minimum rental commitments on these noncancellable leases are as follows:

<u>Year Ending March 31,</u>	<u>Office Space</u>	<u>Office Equipment</u>	<u>Total</u>
2017	\$ 157,087	\$ 2,602	\$ 159,689
2018	171,750	-	171,750
2019	176,044	-	176,044
2020	183,058	-	183,058
2021	188,157	-	188,157
2022 and thereafter	<u>1,133,166</u>	<u>-</u>	<u>1,133,166</u>
	<u>\$2,009,262</u>	<u>\$2,602</u>	<u>\$2,011,864</u>

Rent expense for the year ended March 31, 2016 and 2015 was approximately \$102,700 and \$91,500, respectively.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2016 And 2015

(7) CONDITIONAL PROMISES TO GIVE

At March 31, 2016 the Organization has received conditional promises to give (including amounts accounted for as exchange transactions), which are subject to annual review of project performance, as follows:

Year Ending March 31,

2017	<u>\$3,601,358</u>
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(8) RETIREMENT PLAN

The Organization has a defined contribution pension plan which covers full time employees after one full year of service. Employees may contribute up to 5% of their gross annual salary on a voluntary basis. The Organization will match each employee's voluntary contribution up to a maximum of 5% of the employee's gross annual salary. The plan is administered by TIAA-CREF. Contributions to this plan for the years ended March 31, 2016 and 2015 totaled approximately \$80,000 and \$69,600, respectively.

(9) GRANTS

During the years ended March 31, 2016 and 2015, the Organization awarded grants and incurred program costs for sanitation and hygiene projects, as follows:

	<u>2016</u>	<u>2015</u>
Australia	\$ 5,000	\$ -
Bangladesh	152,151	1,748,673
Burkina Faso	436,794	550,309
Colombia	38,028	-
Ethiopia	2,577	215,423
Ghana	607,908	440,868
Global Advocacy	86,464	65,608
India	157,694	98,654
Mali	1,257,376	1,024,246
Nepal	286,047	-
Nicaragua	614,078	691,801
Niger	267,363	189,902
Nigeria	681,846	3,914,338
Tanzania	-	10,787
Timor Leste	150,000	-
West Africa	242,195	271,175
Zambia	<u>1,897,163</u>	<u>13,580</u>
Total	<u>\$ 6,882,684</u>	<u>\$ 9,235,364</u>

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, October 28, 2016, have been evaluated in the preparation of the financial statements.