

WaterAid America, Inc.

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

MARCH 31, 2017 AND 2016

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, 2017 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.

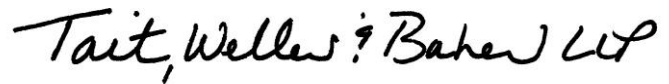
Opinion

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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 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 5, 2017**

WaterAid America, Inc.

STATEMENTS OF FINANCIAL POSITION

March 31, 2017 And 2016

| | ASSETS | |
|--|-----------------------------------|----------------------------|
| | <u>2017</u> | <u>2016</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 1,362,616 | \$ 1,779,248 |
| Grants receivable | 290,000 | 67,899 |
| Prepaid expenses and other assets | 314,149 | 153,406 |
| Investments (<i>Note 3</i>) | 351,548 | 988,601 |
| Property and equipment (net) (<i>Note 4</i>) | 33,393 | 32,361 |
| Security deposit | <u>2,925</u> | <u>25,777</u> |
| Total Assets | <u>\$ 2,354,631</u> | <u>\$ 3,047,292</u> |
| | | |
| | LIABILITIES AND NET ASSETS | |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable and accrued expenses | \$ 53,644 | \$ 102,172 |
| Grants payable | 105,218 | 1,536,656 |
| Deferred lease credit | <u>72,030</u> | <u>-</u> |
| Total Liabilities | <u>230,892</u> | <u>1,638,828</u> |
| NET ASSETS | | |
| Unrestricted | 1,336,699 | 1,408,464 |
| Temporarily restricted (<i>Note 5</i>) | <u>787,040</u> | <u>-</u> |
| Total Net Assets | <u>2,123,739</u> | <u>1,408,464</u> |
| Total Liabilities and Net Assets | <u>\$ 2,354,631</u> | <u>\$ 3,047,292</u> |

WaterAid America, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2017 And 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2017</u> | <u>2016</u> |
|------------------------------|---------------------|-----------------------------------|---------------------|---------------------|
| REVENUE | | | | |
| Contributions – | | | | |
| Foundations and corporations | \$ 8,399,207 | \$ 1,910,070 | \$ 10,309,277 | \$ 6,074,361 |
| Individuals and others | 1,032,580 | - | 1,032,580 | 793,831 |
| Government grants | - | - | - | 290,667 |
| Investment income | 9,211 | - | 9,211 | 7,048 |
| Miscellaneous income | 6,019 | - | 6,019 | 4,357 |
| Released from restriction | <u>1,123,030</u> | <u>(1,123,030)</u> | <u>-</u> | <u>-</u> |
| Total revenue | <u>10,570,047</u> | <u>787,040</u> | <u>11,357,087</u> | <u>7,170,264</u> |
| EXPENSES | | | | |
| Program services | 8,311,730 | - | 8,311,730 | 8,280,070 |
| Support services | | | | |
| Management and general | 910,264 | - | 910,264 | 852,892 |
| Fundraising | <u>1,419,818</u> | <u>-</u> | <u>1,419,818</u> | <u>1,290,833</u> |
| Total expenses | <u>10,641,812</u> | <u>-</u> | <u>10,641,812</u> | <u>10,423,795</u> |
| Change in net assets | (71,765) | 787,040 | 715,275 | (3,253,531) |
| Net Assets | | | | |
| Beginning of year | <u>1,408,464</u> | <u>-</u> | <u>1,408,464</u> | <u>4,661,995</u> |
| End of year | <u>\$ 1,336,699</u> | <u>\$ 787,040</u> | <u>\$ 2,123,739</u> | <u>\$ 1,408,464</u> |

WaterAid America, Inc.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2017 And 2016

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Change in net assets</i> | \$ 715,275 | \$(3,253,531) |
| <i>Adjustments to reconcile change in net cash provided by (used in) operating activities</i> | | |
| Depreciation | 16,153 | 16,508 |
| Net realized and unrealized losses on investments | 580 | 1,716 |
| (Increase) decrease in | | |
| Grants receivable | (222,101) | 1,599,513 |
| Prepaid expenses | (160,743) | (87,084) |
| Security deposit | 22,852 | (5,850) |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | (48,528) | 71,501 |
| Grants payable | (1,431,438) | 114,708 |
| Deferred lease credit | <u>72,030</u> | <u>-</u> |
| Net cash used for operating activities | <u>(1,035,920)</u> | <u>(1,542,519)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (29,444) | (524,982) |
| Proceeds from sales of investments | 665,917 | 666,994 |
| Purchase of furniture, fixtures and equipment | <u>(17,185)</u> | <u>(34,240)</u> |
| Net cash provided by investing activities | <u>619,288</u> | <u>107,772</u> |
| Net decrease in cash | (416,632) | (1,434,747) |
| CASH | | |
| Beginning of year | <u>1,779,248</u> | <u>3,213,995</u> |
| End of year | <u>\$ 1,362,616</u> | <u>\$ 1,779,248</u> |

WaterAid America, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended March 31, 2017 With Summarized Information For 2016

| | 2017 | | | 2016 | |
|---|-----------------------------|---------------------------------------|--------------------|---------------------|---------------------|
| | <u>Program Services</u> | <u>Management And General</u> | <u>Fundraising</u> | <u>Total</u> | <u>Total</u> |
| Salaries and benefits | \$ 1,021,749 | \$ 567,849 | \$ 748,751 | \$ 2,338,349 | \$ 2,177,383 |
| Program and grant expenses | 6,899,566 | - | - | 6,899,566 | 6,882,684 |
| Outside services and professional fees | 52,724 | 112,109 | 29,696 | 194,529 | 314,472 |
| Communications, marketing, and outreach | 70,793 | - | 413,376 | 484,169 | 271,817 |
| General and administrative | 90,976 | 50,563 | 66,668 | 208,207 | 336,628 |
| Occupancy | 105,552 | 58,662 | 77,350 | 241,564 | 127,338 |
| Travel | 45,729 | 55,548 | 53,659 | 154,936 | 189,687 |
| Insurance | 7,634 | 4,243 | 5,594 | 17,471 | 14,920 |
| Telecommunications | 16,214 | 9,011 | 11,882 | 37,107 | 50,904 |
| Dues, subscriptions and service fees | 793 | 36,126 | 12,842 | 49,761 | 41,454 |
| Depreciation | - | 16,153 | - | 16,153 | 16,508 |
| Total expenses - 2017 | <u>\$8,311,730</u> | <u>\$ 910,264</u> | <u>\$1,419,818</u> | <u>\$10,641,812</u> | |
| Total expenses - 2016 | <u>\$8,280,070</u> | <u>\$ 852,892</u> | <u>\$1,290,833</u> | | <u>\$10,423,795</u> |

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 And 2016

(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 of approximately \$23,000 is expected to be completed in fiscal 2018.

(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 2016 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.

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.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2017 And 2016

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 revenue when received.

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, 2017 And 2016

(3) INVESTMENTS

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

| | <u>2017</u> | | <u>2016</u> | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Cost</u> | <u>Market</u> | <u>Cost</u> | <u>Market</u> |
| Money Market | \$ 351,548 | \$ 351,548 | \$ 988,601 | \$ 988,601 |
| | <u>\$ 351,548</u> | <u>\$ 351,548</u> | <u>\$ 988,601</u> | <u>\$ 988,601</u> |

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, 2017 and 2016 are as follows:

| <u>Investments</u> | <u>2017</u> | | | |
|--------------------|-------------------|-------------------|----------------|----------------|
| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Money Market | \$ 351,548 | \$ 351,548 | \$ - | \$ - |
| | <u>\$ 351,548</u> | <u>\$ 351,548</u> | <u>\$ -</u> | <u>\$ -</u> |
| <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 | \$ - | \$ - |
| | <u>\$ 988,601</u> | <u>\$ 988,601</u> | <u>\$ -</u> | <u>\$ -</u> |

There were no transfers between Level 1 and 2 during the years ended March 31, 2017 and 2016.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2017 And 2016

(4) PROPERTY AND EQUIPMENT

At March 31, 2017 and 2016, property and equipment consisted of the following:

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------|------------------|------------------|
| Furniture, computers and software | \$ 125,173 | \$ 107,160 |
| Construction in progress | <u>-</u> | <u>828</u> |
| | 125,173 | 107,988 |
| Less: accumulated depreciation | <u>91,780</u> | <u>75,627</u> |
| | <u>\$ 33,393</u> | <u>\$ 32,361</u> |

(5) NET ASSETS

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

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------|
| Program services – Colombia and Nicaragua | \$ 687,040 | \$ - |
| Time restrictions | <u>100,000</u> | <u>-</u> |
| | <u>\$ 787,040</u> | <u>\$ -</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 \$1,123,030 for the year ended March 31, 2017.

(6) COMMITMENTS

The Organization leases office space in New York under a noncancellable leases ending September 2026. The Organization also leases office equipment under operating leases expiring in September 2021. The Organization received free rent in connection with this lease and rent is being recorded on a straight-line basis over the term of the lease. A deferred lease credit of \$ 72,030 is included in liabilities at March 31,2017. In connection with this lease, the Organization has a letter of credit outstanding in the amount of \$62,235 at March 31,2017. 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> |
|------------------------------|-------------------------|-----------------------------|--------------------|
| 2018 | \$ 171,750 | \$ 4,203 | \$ 175,953 |
| 2019 | 176,044 | 4,203 | 180,247 |
| 2020 | 183,058 | 4,203 | 187,261 |
| 2021 | 188,157 | 4,203 | 192,360 |
| 2022 | 192,861 | 2,102 | 194,963 |
| 2023 and thereafter | <u>940,305</u> | <u>-</u> | <u>940,305</u> |
| | <u>\$1,852,175</u> | <u>\$18,914</u> | <u>\$1,871,089</u> |

Rent expense for the year ended March 31, 2017 and 2016 was approximately \$127,850 and \$102,700, respectively.

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2017 And 2016

(7) CONDITIONAL PROMISES TO GIVE

At March 31, 2017 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,

| | |
|------|--------------------|
| 2018 | \$1,740,660 |
| 2019 | <u>910,943</u> |
| | <u>\$2,651,603</u> |

(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, 2017 and 2016 totaled approximately \$92,000 and \$80,000, respectively.

(9) GRANTS

During the years ended March 31, 2017 and 2016, the Organization awarded grants and incurred program costs for sanitation and hygiene projects, as follows:

| | <u>2017</u> | <u>2016</u> |
|-----------------|--------------------|--------------------|
| Australia | \$ 44,485 | \$ 5,000 |
| Bangladesh | 705,403 | 152,151 |
| Burkina Faso | 1,241,880 | 436,794 |
| Canada | 45,569 | - |
| Colombia | 184,439 | 38,028 |
| Ethiopia | - | 2,577 |
| Ghana | 312,230 | 607,908 |
| Global Advocacy | 222,890 | 86,464 |
| India | 22,609 | 157,694 |
| Mali | 1,465,608 | 1,257,376 |
| Nepal | 107,748 | 286,047 |
| Nicaragua | 792,936 | 614,078 |
| Niger | 275,066 | 267,363 |
| Nigeria | - | 681,846 |
| South Asia | 187,542 | - |
| Timor Leste | - | 150,000 |
| West Africa | 312,348 | 242,195 |
| Zambia | <u>978,813</u> | <u>1,897,163</u> |
| Total | <u>\$6,899,566</u> | <u>\$6,882,684</u> |

WaterAid America, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

March 31, 2017 And 2016

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, October 5, 2017, have been evaluated in the preparation of the financial statements.