

**THE WATER PROJECT, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

## TABLE OF CONTENTS

Independent auditor's report.....	1
Statements of financial position .....	3
Statements of activities and changes in net assets.....	4
Statements of cash flows .....	5
Notes to financial statements.....	6
Statements of functional expenses.....	12



HESSION & PARE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

62 Stark Street, Manchester, New Hampshire 03101  
603-669-5477 FAX 603-669-0197

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Water Project, Inc.  
Concord, New Hampshire

We have audited the accompanying financial statements of The Water Project, Inc., (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's 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 audits. We conducted our audits 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 entity'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 entity'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.

Board of Directors  
The Water Project, Inc.

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 The Water Project, Inc. as of December 31, 2016 and 2015, 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.

Prior year summarized comparative information has been derived from The Water Project, Inc.'s 2015 financial statements, and in our report dated April 19, 2016, we expressed an unqualified opinion on those financial statements.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hession, Paige, P.C.

Manchester, New Hampshire  
April 13, 2017

**THE WATER PROJECT, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**As of December 31, 2016 and 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 671,078	\$ 550,673
Contributions receivable	81,148	78,252
Deposit	3,200	3,940
Prepaid expense	<u>6,897</u>	<u>8,287</u>
Total current assets	762,323	641,152
Property and equipment		
Furniture and equipment	26,034	14,468
Software	<u>6,425</u>	<u>6,425</u>
	32,459	20,893
Less accumulated depreciation	<u>(18,951)</u>	<u>(14,428)</u>
Property and equipment, net	<u>13,508</u>	<u>6,465</u>
Total assets	<u>\$ 775,831</u>	<u>\$ 647,617</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 6,511	\$ 8,137
Accrued expenses	<u>28,217</u>	<u>22,275</u>
Total current liabilities	34,728	30,412
Unrestricted net assets		
Unrestricted net assets	635,393	447,205
Unrestricted - Board designated	<u>105,710</u>	<u>170,000</u>
Total unrestricted net assets	<u>741,103</u>	<u>617,205</u>
Total liabilities and unrestricted net assets	<u>\$ 775,831</u>	<u>\$ 647,617</u>

See notes to financial statements.

**THE WATER PROJECT, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Support and revenues		
Contributions	<u>\$ 2,402,979</u>	<u>\$ 2,155,485</u>
Expenses		
Program	1,803,303	1,645,797
Development and public relations	253,936	226,464
Management and general	<u>221,842</u>	<u>179,053</u>
Total expenses	<u>2,279,081</u>	<u>2,051,314</u>
Increase in net assets	123,898	104,171
Unrestricted net assets, beginning of year	<u>617,205</u>	<u>513,034</u>
Unrestricted net assets, end of year	<u><u>\$ 741,103</u></u>	<u><u>\$ 617,205</u></u>

See notes to financial statements.

**THE WATER PROJECT, INC.**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Increase in net assets	\$ 123,898	\$ 104,171
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,522	4,726
(Increase) decrease in contributions receivable	(2,896)	92,886
Decrease (increase) in deposit	740	(3,200)
Decrease (increase) in prepaid expenses	1,390	(8,287)
(Decrease) in accounts payable	(1,626)	(1,281)
Increase in accrued expenses	5,942	4,500
	<u>131,970</u>	<u>193,515</u>
Net cash provided by operating activities		
	<u>131,970</u>	<u>193,515</u>
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(11,565)</u>	<u>(4,712)</u>
	<u>(11,565)</u>	<u>(4,712)</u>
Net increase in cash and cash equivalents	120,405	188,803
Cash and cash equivalents, beginning of year	<u>550,673</u>	<u>361,870</u>
Cash and cash equivalents, end of year	<u>\$ 671,078</u>	<u>\$ 550,673</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 operates in sub-Saharan Africa to develop lasting water, sanitation and health programs for communities who suffer needlessly from a lack of access to clean water and sanitation. The Organization develops 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 and sanitation 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 online donor reporting, links every public donation/donor to specific projects within those programs.

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 categories, unrestricted, temporarily restricted and permanently restricted net assets are defined as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the Organization. There were no temporarily restricted net assets at December 31, 2016 and 2015.



## THE WATER PROJECT, INC.

### NOTES TO FINANCIAL STATEMENTS

#### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently Restricted – Reflects the historical cost of gifts (and in certain circumstances, the earnings from those gifts), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes. There were no permanently restricted net assets at December 31, 2016 and 2015.

#### **Use of estimates**

The Organization uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles in the United States of America. 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, 2015, 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 federally insured amounts. At December 31, 2016, the Organization's uninsured cash balance totaled \$167,212.

#### **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.

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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
-------------------------	-------------

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 receivable 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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 nature of 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, 2016 and 2015, 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)

##### Income taxes

The Water Project, Inc. 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. The Water Project, Inc. currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The income tax filings for the tax years before 2013 are no longer subject to examination by federal and state taxing authorities.

##### Reclassification

Certain 2015 amounts have been reclassified to conform to 2016 classification. These reclassifications had no effect on the increase in net assets for 2015.

#### Note 3. 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.

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. 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 5. NOTE PAYABLE**

During 2016, 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 4.75%. The line of credit is unsecured. At December 31, 2016, there was no outstanding borrowing on the line of credit.

**Note 6. UNRESTRICTED, BOARD DESIGNATED NET ASSETS**

The Water Project held approximately \$105,710 in temporarily restricted reserves, in addition to normal unrestricted operating reserves, at the end of 2016. The Board restricted funds are intended for the funding of future operations and maintenance of water points in Western Kenya as part of public support of its "Water Promise" initiative (<https://thewaterproject.org/waterpromise>). This is a 5 year service initiative that includes mobile monitoring of 50 water points through sensor technology.

**Note 7. LEASE COMMITMENT**

During 2015, the Organization entered into an agreement to lease office space in Concord, New Hampshire under a noncancelable agreement that expires in June 2018, with the option to purchase at \$285,000. Total rent expense for the years ended December 31, 2016 and 2015 amounted to \$40,000 and \$33,600, respectively.

Future minimum lease payments are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2017	\$ 44,352
2018	<u>23,232</u>
Total	<u>\$ 67,584</u>

**THE WATER PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. 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, 2016 and 2015, the Organization contributed \$19,170 and \$19,881 to the plan, respectively.

**Note 9. 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.

**Note 10. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through April 13, 2017, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended December 31, 2016.

THE WATER PROJECT, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016  
(with comparative totals for 2015)

	<u>Program by Region</u>					<u>Total Program</u>	<u>Development &amp; Public Relations</u>	<u>Management &amp; General</u>	<u>2016</u>	<u>2015</u>
	<u>Kenya</u>	<u>Sierra Leone</u>	<u>Uganda</u>	<u>Burkina Faso</u>	<u>Other Programs</u>					
Salaries and wages	\$ 215,518	\$ 39,826	\$ 33,076	\$ 11,102	\$ 9,350	\$ 308,872	\$ 134,685	\$ 106,973	\$ 550,530	\$ 549,133
Employee benefits	50,140	8,998	7,540	2,336	2,110	71,124	24,435	23,643	119,202	127,365
Payroll taxes	16,553	3,059	2,540	853	718	23,723	10,345	8,216	42,284	43,728
<b>Total salaries and related expenses</b>	<b>282,211</b>	<b>51,883</b>	<b>43,156</b>	<b>14,291</b>	<b>12,178</b>	<b>403,719</b>	<b>169,465</b>	<b>138,832</b>	<b>712,016</b>	<b>720,226</b>
Partner program support	895,621	239,267	98,478	4,800	1,800	1,239,966	-	-	1,239,966	1,076,245
Contract services	54,600	-	-	-	-	54,600	11,600	-	66,200	18,859
Facilities and equipment	21,166	5,027	4,233	794	529	31,749	10,995	13,844	56,588	42,483
Website services	26,330	3,490	1,903	-	-	31,723	7,931	-	39,654	43,198
Travel	21,443	304	304	152	152	22,355	11,609	4,507	38,471	28,646
Bank fees	1,546	413	170	8	3	2,140	713	31,823	34,676	35,277
Legal and professional	1,004	238	201	38	25	1,506	11,413	9,065	21,984	18,952
Software and cloud services	7,198	954	520	-	-	8,672	2,891	2,891	14,454	8,877
Printing	-	-	-	-	-	-	6,692	6,692	13,384	17,912
Telephone and internet	4,001	950	800	150	100	6,001	2,617	2,079	10,697	9,703
Postage and shipping	-	-	-	-	-	-	6,872	1,718	8,590	9,424
Public relations and development	-	-	-	-	-	-	5,537	-	5,537	2,173
Licenses and permits	-	-	-	-	-	-	4,928	-	4,928	4,243
Insurance	-	-	-	-	-	-	-	2,173	2,173	2,173
Other expenses	-	-	-	-	-	-	-	1,672	1,672	2,966
Worker's comp insurance	581	138	116	22	15	872	380	302	1,554	1,717
Supplies	-	-	-	-	-	-	-	1,112	1,112	2,901
Subscriptions and publications	-	-	-	-	-	-	-	562	562	451
Staff development	-	-	-	-	-	-	293	48	341	162
<b>Expenses before depreciation</b>	<b>1,315,701</b>	<b>302,664</b>	<b>149,881</b>	<b>20,255</b>	<b>14,802</b>	<b>1,803,303</b>	<b>253,936</b>	<b>217,320</b>	<b>2,274,559</b>	<b>2,046,588</b>
Depreciation	-	-	-	-	-	-	-	4,522	4,522	4,726
<b>Total expenses</b>	<b>\$ 1,315,701</b>	<b>\$ 302,664</b>	<b>\$ 149,881</b>	<b>\$ 20,255</b>	<b>\$ 14,802</b>	<b>\$ 1,803,303</b>	<b>\$ 253,936</b>	<b>\$ 221,842</b>	<b>\$ 2,279,081</b>	<b>\$ 2,051,314</b>

See auditor's report on supplementary information.