

Water.org, Inc.

Accountants' Reports and Financial Statements

September 30, 2012 and 2011



Water.org, Inc.
September 30, 2012 and 2011

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Independent Accountants' Report on Financial Statements

Board of Directors
Water.org, Inc.
Kansas City, Missouri

We have audited the accompanying statements of financial position of Water.org, Inc. as of September 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Water.org, Inc. as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

Kansas City, Missouri
December 19, 2012

Water.org, Inc.
Statements of Financial Position
September 30, 2012 and 2011

Assets

	<u>2012</u>	<u>2011</u>
Cash	\$ 8,436,447	\$ 6,467,848
Contributions and grants receivable	2,233	17,543
Prepaid expenses	54,691	46,219
Investments	600,473	85,562
Property and equipment, net of accumulated depreciation; 2012 - \$260,300, 2011 - \$193,621	<u>100,816</u>	<u>110,976</u>
Total assets	<u><u>\$ 9,194,660</u></u>	<u><u>\$ 6,728,148</u></u>

Liabilities and Net Assets

	<u>2012</u>	<u>2011</u>
Liabilities		
Accounts payable	\$ 121,321	\$ 130,467
Accrued expenses	236,569	129,783
Note payable	-	3,051
Grants payable	-	80,405
Refundable advances	<u>899,194</u>	<u>1,145,298</u>
Total liabilities	<u>1,257,084</u>	<u>1,489,004</u>
Net Assets		
Unrestricted	4,765,717	3,435,054
Temporarily restricted	<u>3,171,859</u>	<u>1,804,090</u>
Total net assets	<u>7,937,576</u>	<u>5,239,144</u>
Total liabilities and net assets	<u><u>\$ 9,194,660</u></u>	<u><u>\$ 6,728,148</u></u>

Water.org, Inc.
Statement of Activities
Year Ended September 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions and grants			
Foundations	\$ 473,930	\$ 4,129,919	\$ 4,603,849
Corporations and other organizations	692,098	829,256	1,521,354
Individuals	2,195,758	753,133	2,948,891
Federated/workplace campaigns	80,041	127	80,168
In-kind contributions	166,834	203,792	370,626
Water bottle sales, net of direct costs - \$16,148	5,869		5,869
Investment return	19,185		19,185
Net assets released from restrictions	4,548,458	(4,548,458)	-
	<u>8,182,173</u>	<u>1,367,769</u>	<u>9,549,942</u>
Total revenues, gains and other support			
Expenses and Losses			
Program services			
Sustainable water projects			
Water Programs	3,143,403		3,143,403
Advocacy	291,179		291,179
Outreach	900,730		900,730
New Ventures	634,883		634,883
	<u>4,970,195</u>		<u>4,970,195</u>
Total program services			
Management and general	936,236		936,236
Fundraising	945,079		945,079
	<u>6,851,510</u>		<u>6,851,510</u>
Total expenses and losses			
Change in Net Assets	1,330,663	1,367,769	2,698,432
Net Assets, Beginning of Year	<u>3,435,054</u>	<u>1,804,090</u>	<u>5,239,144</u>
Net Assets, End of Year	<u>\$ 4,765,717</u>	<u>\$ 3,171,859</u>	<u>\$ 7,937,576</u>

Water.org, Inc.
Statement of Activities
Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions and grants			
Foundations	\$ 373,183	\$ 4,166,723	\$ 4,539,906
Corporations and other organizations	1,640,865	304,723	1,945,588
Individuals	1,504,983	99,125	1,604,108
Federated/workplace campaigns	31,394	264	31,658
In-kind contributions	141,126	416,755	557,881
Water bottle sales, net of direct costs - \$453,583	264,355		264,355
Investment return	6,247		6,247
Other	1,391		1,391
Net assets released from restrictions	4,674,300	(4,674,300)	-
	<u>8,637,844</u>	<u>313,290</u>	<u>8,951,134</u>
Expenses and Losses			
Program services			
Sustainable water projects			
Water programs	3,658,988		3,658,988
Advocacy	930,439		930,439
Outreach	399,935		399,935
	<u>4,989,362</u>		<u>4,989,362</u>
Management and general	821,990		821,990
Fundraising	729,173		729,173
	<u>6,540,525</u>		<u>6,540,525</u>
Change in Net Assets	2,097,319	313,290	2,410,609
Net Assets, Beginning of Year	<u>1,337,735</u>	<u>1,490,800</u>	<u>2,828,535</u>
Net Assets, End of Year	<u>\$ 3,435,054</u>	<u>\$ 1,804,090</u>	<u>\$ 5,239,144</u>

Water.org, Inc.
Statement of Functional Expenses
Year Ended September 30, 2012

	Program Services					Management and General	Fundraising	Total
	Water Programs	Advocacy	Outreach	New Ventures	Subtotal			
Salaries and wages	\$ 654,824	\$ 33,113	\$ 396,032	\$ 241,637	\$ 1,325,606	\$ 552,063	\$ 500,131	\$ 2,377,800
Payroll taxes	26,956	2,466	25,798	14,132	69,352	38,376	33,366	141,094
Employee benefits	76,755	2,307	28,145	18,178	125,385	51,027	37,619	214,031
Staff training	7,207	-	298	-	7,505	2,110	376	9,991
Contractors	117,698	210,502	193,523	228,767	750,490	93,603	61,649	905,742
Occupancy related	40,350	15,458	20,986	550	77,344	31,556	41,103	150,003
Office supplies	11,645	1,389	1,811	56	14,901	2,212	2,285	19,398
Postage and shipping	2,045	2	10,199	328	12,574	1,276	6,916	20,766
Printing and reproduction	1,779	168	7,435	841	10,223	1,271	8,003	19,497
Telephone and related communications	10,988	3,143	20,617	1,987	36,735	4,814	4,872	46,421
Office equipment, rental and maintenance	18,744	360	13,988	812	33,904	18,439	41,253	93,596
Travel	159,598	8,573	104,454	103,092	375,717	40,680	93,231	509,628
Grants to other organizations	1,982,740	-	-	-	1,982,740	-	-	1,982,740
Program fees and supplies	446	-	-	-	446	-	-	446
Special event supplies	-	-	-	(44)	(44)	-	10,587	10,543
Advertising and marketing	394	1,300	759	-	2,453	-	157	2,610
Directors and officer insurance	2,326	-	2,126	-	4,452	2,946	2,689	10,087
Bank and credit card fees	1,972	-	725	558	3,255	978	45,922	50,155
Accounting and legal fees	11,306	-	10,362	2,510	24,178	35,317	13,104	72,599
Other professional fees	24,511	11,900	32,438	21,457	90,306	29,685	3,724	123,715
Dues and subscriptions	2,236	-	12,279	-	14,515	3,818	13,406	31,739
Provision for credit losses	-	-	-	-	-	9,240	-	9,240
Foreign exchange gain	(31,011)	-	-	-	(31,011)	(9,227)	-	(40,238)
Other operating expenses	4,383	498	2,904	22	7,807	4,093	2,056	13,956
Depreciation	15,511	-	15,851	-	31,362	21,959	22,630	75,951
	<u>\$ 3,143,403</u>	<u>\$ 291,179</u>	<u>\$ 900,730</u>	<u>\$ 634,883</u>	<u>\$ 4,970,195</u>	<u>\$ 936,236</u>	<u>\$ 945,079</u>	<u>\$ 6,851,510</u>

Water.org, Inc.
Statement of Functional Expenses
Year Ended September 30, 2011

	Program Services				Management and General	Fundraising	Total
	Water Programs	Advocacy	Outreach	Subtotal			
Salaries and wages	\$ 735,861	\$ 260,580	\$ 133,073	\$ 1,129,514	\$ 506,044	\$ 359,287	\$ 1,994,845
Payroll taxes	35,535	19,839	7,869	63,243	37,342	25,182	125,767
Employee benefits	67,341	17,963	9,293	94,597	42,439	27,752	164,788
Staff training	5,229	-	167	5,396	818	457	6,671
Contractors	70,343	434,166	86,121	590,630	36,467	33,642	660,739
Occupancy related	46,789	42,829	7,670	97,288	29,774	21,045	148,107
Office supplies	4,433	167	776	5,376	3,257	1,884	10,517
Postage and shipping	2,890	1,619	7,735	12,244	2,440	6,908	21,592
Printing and reproduction	1,718	796	9,673	12,187	234	9,553	21,974
Telephone and related communications	14,491	7,702	21,480	43,673	15,760	10,274	69,707
Office equipment, rental and maintenance	14,133	1,870	2,183	18,186	10,689	28,910	57,785
Travel	143,170	33,011	81,235	257,416	24,399	67,527	349,342
Grants to other organizations	2,366,635	-	-	2,366,635	-	-	2,366,635
Program fees and supplies	36,107	-	-	36,107	-	-	36,107
Advertising and marketing	1,683	300	1,678	3,661	-	500	4,161
Directors and officer insurance	2,558	-	611	3,169	2,379	1,675	7,223
Bank and credit card fees	3,978	-	508	4,486	1,952	51,400	57,838
Accounting and legal fees	53,875	-	11,728	65,603	61,352	32,180	159,135
Other professional fees	6,488	107,810	7,448	121,746	9,709	1,488	132,943
Dues and subscriptions	4,464	-	1,299	5,763	4,047	2,757	12,567
Provision for credit losses	(12,654)	-	-	(12,654)	-	23,900	11,246
Foreign exchange loss	22,408	-	-	22,408	-	-	22,408
Other operating expenses	3,853	1,787	2,123	7,763	4,573	2,704	15,040
Depreciation	27,660	-	7,265	34,925	28,315	20,148	83,388
	<u>\$ 3,658,988</u>	<u>\$ 930,439</u>	<u>\$ 399,935</u>	<u>\$ 4,989,362</u>	<u>\$ 821,990</u>	<u>\$ 729,173</u>	<u>\$ 6,540,525</u>

Water.org, Inc.
Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Change in net assets	\$ 2,698,432	\$ 2,410,609
Items not requiring (providing) operating activities cash flows		
Depreciation	75,951	83,388
Net realized and unrealized gains on investments	(14,884)	(1,350)
Loss on disposal of property and equipment	-	135
Provision for credit losses	9,240	11,246
WaterCredit foreign exchange (gain) loss	(9,227)	5,841
Changes in		
Contributions and grants receivable	15,297	435,543
Prepaid expenses	(8,472)	(1,793)
Accounts payable	(10,570)	73,550
Accrued expenses	106,786	28,156
Grants payable	(80,405)	266
Refundable advances	(246,104)	992,622
	<u>2,536,044</u>	<u>4,038,213</u>
Net cash provided by operating activities		
	<u>2,536,044</u>	<u>4,038,213</u>
Investing Activities		
Purchase of property and equipment	(64,677)	(26,497)
Proceeds from disposition of property and equipment	310	-
Purchase of investments	(500,027)	(597)
Repayment of WaterCredit loans	-	236,052
	<u>(564,394)</u>	<u>208,958</u>
Net cash provided by (used in) investing activities		
	<u>(564,394)</u>	<u>208,958</u>
Financing Activities		
Principal payments on note payable	(3,051)	(15,104)
	<u>(3,051)</u>	<u>(15,104)</u>
Net cash used in financing activities		
	<u>(3,051)</u>	<u>(15,104)</u>
Increase in Cash	1,968,599	4,232,067
Cash, Beginning of Year	<u>6,467,848</u>	<u>2,235,781</u>
Cash, End of Year	<u>\$ 8,436,447</u>	<u>\$ 6,467,848</u>
Supplemental Cash Flows Information		
Fixed assets included in accounts payable	\$ 1,424	\$ -

Water.org, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Water.org, Inc. is a non-profit corporation whose primary purpose is to provide technical and financial support for implementing water supply and sanitation projects in developing countries, and to raise awareness of the drinking water and sanitation crisis in developing countries. Water.org, Inc. maintains its headquarters in Kansas City, Missouri. In 2006, Water.org, Inc. established local branch offices in Kenya and India. In 2012 and 2011, Water.org, Inc. has supported projects in Bangladesh, Ethiopia, Ghana, Haiti, Honduras, India, Kenya and Uganda.

Water Programs – Consist of the following programs:

Grant Program – Water.org, Inc. identifies and evaluates partner organizations in developing countries which implement sustainable water supply and sanitation projects, and then Water.org, Inc. provides technical and financial support to these partner organizations. Grant community recipients must agree to contribute in-kind labor to construct the water system, which provides the community with the first-hand knowledge required to maintain the system over the long-term.

WaterCredit Initiative™ – WaterCredit was launched in 2005 and seeks to establish a revolving loan fund to provide credit to poor communities and individuals to construct water systems and sanitation facilities. Repayments are reinvested in new projects.

New Ventures – The New Ventures initiative was launched in 2011 to accelerate the pace in the search for and launch of the next round of big ideas that will change the face of the water crisis. This initiative catalyzes an "Idea Lab" to support Water.org teams and partners to generate new ideas, develop hypothesis, and to pilot, monitor, and take solutions to scale. In addition, it will support a portfolio of innovations experimental in nature creating things like mobile apps, financing mechanisms and citizen engagement tools.

Outreach and Advocacy – Water.org, Inc. seeks to raise awareness of the water supply crisis through presentations to schools and community groups, the Water.org, Inc. website (www.water.org) and media coverage.

Management and General and Fundraising – Provides oversight of programs and business management, record keeping, budgeting, financing and other administrative and fundraising activities for the Organization.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Water.org, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2012 and 2011, the Organization did not have any cash equivalents.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000 on interest bearing accounts. At September 30, 2012, the Organization's interest-bearing cash accounts exceeded federally insured limits by approximately \$3,816,000.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all non-interest bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

Investments and Investment Return

Investments are carried at fair value. Investment return includes dividend, interest and realized and unrealized gains and losses and is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

WaterCredit Loans Receivable

WaterCredit loans receivable are stated at their outstanding principal amount, plus accrued interest, net of allowance for uncollectible notes. The Organization provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective notes agreements. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. Provisions for credit losses are charged to expense in amounts sufficient to maintain the allowance at a level considered adequate to cover the losses of principal and interest in the existing portfolio.

As of September 30, 2012 and 2011, the loan outstanding to the Kenya partner organization has been fully reserved or written off as uncollectible and is not presented on the Statements of Financial Position.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. The estimated useful lives for all property and equipment range from 3 – 5 years.

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset

Water.org, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2012 and 2011.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Contributions and Contributions Receivable

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts are expected to be collected within one year and are reported at their net realizable value.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of goods and services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in the financial statements, and similarly increase contribution revenue by a like amount. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

Water.org, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

Grant Revenues

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant funds received in excess of related program expenses are recorded as refundable advances. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on actual time expended and other methods.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were available to be issued.

Note 2: Investments and Investment Return

Investments at September 30 consisted of the following:

	<u>2012</u>	<u>2011</u>
Mutual funds	\$ 600,473	\$ 85,562

Water.org, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

Total investment return is comprised of the following:

	2012	2011
Interest and dividend income	\$ 4,301	\$ 4,897
Net realized and unrealized gains	14,884	1,350
	\$ 19,185	\$ 6,247

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The Organization's investments consist of mutual funds, which are valued using quoted prices in an active market and are therefore classified within Level 1 of the valuation hierarchy. The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
September 30, 2012	\$ 600,473	\$ 600,473	\$ -	\$ -
September 30, 2011	85,562	85,562	-	-

Water.org, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

Note 3: Conditional Gifts

The Organization has received conditional promises to give that are not recognized in the financial statements. The Organization must meet certain milestones as defined in the related grant agreements in order to recognize these grants as revenue. These conditions are expected to be met over the next three years. Conditional promises at September 30 were for the following purposes:

	<u>2012</u>	<u>2011</u>
Establishment of the Haiti Initiative (through 2012)	\$ -	\$ 100,000
Southeast Asia Initiative (through 2014)	1,822,625	-
Haiti Initiative (through 2013)	219,760	-
India Initiative (through 2015)	4,250,000	6,000,000
Kenya Initiative (through 2014)	1,676,024	1,676,024
	<u>\$ 7,968,409</u>	<u>\$ 7,776,024</u>

Note 4: Property and Equipment

Property and equipment at September 30 consists of:

	<u>2012</u>	<u>2011</u>
Office equipment	\$ 183,059	\$ 135,564
Computer software	178,057	169,033
	<u>361,116</u>	<u>304,597</u>
Less accumulated depreciation	<u>260,300</u>	<u>193,621</u>
	<u>\$ 100,816</u>	<u>\$ 110,976</u>

Note 5: Grants Payable

Grants authorized and unpaid at year end are reported as liabilities in the statement of financial position. Grants payable at September 30, 2012 and 2011 were \$0 and \$80,405, respectively.

The Organization has entered into contracts and agreements with Partner Organizations to implement water projects. Funding for the related projects is generally conditional upon meeting certain milestones and submission of support for related expenditures. The grants will be considered unconditional and expensed when the contingency requirements have been met.

Water.org, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

Outstanding conditional commitments as of September 30 are expected to be funded within the next three years and are for the following programs:

	<u>2012</u>	<u>2011</u>
Grant programs	\$ 1,595,122	\$ 290,303
WaterCredit	<u>4,919,992</u>	<u>3,753,933</u>
	<u>\$ 6,515,114</u>	<u>\$ 4,044,236</u>

Note 6: Line of Credit

The Organization has a \$500,000 revolving bank line of credit expiring on October 24, 2013. At September 30, 2012 and 2011, there were no borrowings against this line. The interest rate is variable based on the current BBA LIBOR Daily Floating Rate plus 3%.

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Grant and WaterCredit programs		
India	\$ 2,324,843	\$ 1,417,962
Bangladesh	105,531	119,316
Kenya	-	1,163
Ethiopia	31,710	65,953
Haiti	-	1,440
Africa	-	100
Honduras	17,982	9,307
Peru	-	12,503
Asia	334,721	-
Other	12,106	19,887
WASH Advocacy	65,064	156,459
New Ventures	<u>279,902</u>	<u>-</u>
	<u>\$ 3,171,859</u>	<u>\$ 1,804,090</u>

Water.org, Inc.
Notes to Financial Statements
September 30, 2012 and 2011

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2012</u>	<u>2011</u>
Grant and WaterCredit programs		
India	\$ 1,543,902	\$ 2,021,236
Bangladesh	171,828	96,064
Kenya	250,384	745,038
Ethiopia	100,244	76,492
Uganda	599	153,313
Ghana	-	614
Africa	37,053	115,502
Haiti	584,561	340,840
Honduras	1,234	339
Peru	12,503	17,497
Asia	842,654	-
Other	15,878	84,290
WASH Advocacy	295,186	835,296
New Ventures	692,432	-
Capacity building	-	187,779
	<u>\$ 4,548,458</u>	<u>\$ 4,674,300</u>

Note 8: Operating Leases

Noncancellable operating leases for office space expire in various years through 2015. Rental expense was \$98,036 and \$124,307 in 2012 and 2011, respectively. Future minimum lease payments under operating leases are:

2013	\$ 98,109
2014	96,779
2015	<u>83,340</u>
Total minimum lease payments	<u>\$ 278,228</u>

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Note 9: Employee Benefit Plan

The Organization has a 401(k) retirement plan covering substantially all employees. The Organization matches voluntary contributions to the plan up to 4% of the employee's compensation. Contributions to the plan were \$77,913 and \$73,177 for 2012 and 2011, respectively.

The Organization implemented a new incentive compensation plan as of July 1, 2012. The plan provides a range of organizational and personal goals to determine incentive compensation per employee. The incentive compensation payment is expected in late December upon the finalization of the year's financial results and completion of the annual audit. As of September 30, 2012, the Organization recorded approximately \$133,000 of accrued incentive compensation expense in accrued expenses on the Statement of Financial Position.

Note 10: Significant Concentrations and Uncertainties

Accounting principles generally accepted in the United States of America require disclosure of certain current vulnerabilities due to certain concentrations and uncertainties. Those matters include the following:

Contributions

Approximately 33% and 34% of all contributions were received from two donors in 2012 and 2011, respectively.