

# **Water.org, Inc.**

Accountants' Reports and Financial Statements

September 30, 2010 and 2009



**Water.org, Inc.**  
**September 30, 2010 and 2009**

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## Independent Accountants' Report on Financial Statements

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

We have audited the accompanying statement of financial position of Water.org, Inc. as of September 30, 2010, and the related statements of activities, functional expenses 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 these financial statements based on our audit. The financial statements of Water.org, Inc. as of and for the year ended September 30, 2009, were audited by other accountants whose report dated February 5, 2010, expressed an unqualified opinion on those statements.

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 statement referred to above presents fairly, in all material respects, the financial position of Water.org, Inc. as of September 30, 2010, 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.

*BKD, LLP*

Kansas City, Missouri  
February 8, 2011

**Water.org, Inc.**  
**Statements of Financial Position**  
**September 30, 2010 and 2009**

**Assets**

	<u>2010</u>	<u>2009</u>
Cash	\$ 2,235,781	\$ 3,637,713
Contribution and other receivables	476,986	413,674
Prepaid expenses	44,426	39,548
Investments	83,615	75,724
Water credit loans receivable, net of allowance; 2010 - \$75,479, 2009 - \$87,000	229,239	256,286
Property and equipment, net of accumulated depreciation; 2010 - \$130,818, 2009 - \$64,710	<u>168,002</u>	<u>217,103</u>
Total assets	<u>\$ 3,238,049</u>	<u>\$ 4,640,048</u>

**Liabilities and Net Assets**

	<u>2010</u>	<u>2009</u>
<b>Liabilities</b>		
Accounts payable	\$ 56,917	\$ 263,753
Accrued expenses	101,627	70,737
Note payable	18,155	39,667
Grants payable	80,139	80,139
Refundable advances	<u>152,676</u>	<u>393,363</u>
Total liabilities	<u>409,514</u>	<u>847,659</u>
<b>Net Assets</b>		
Unrestricted	1,337,735	924,950
Temporarily restricted	<u>1,490,800</u>	<u>2,867,439</u>
Total net assets	<u>2,828,535</u>	<u>3,792,389</u>
Total liabilities and net assets	<u>\$ 3,238,049</u>	<u>\$ 4,640,048</u>

**Water.org, Inc.**  
**Statement of Activities**  
**Year Ended September 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains and Other Support</b>			
Contributions and grant revenues			
Foundations	\$ 54,447	\$ 2,183,869	\$ 2,238,316
Corporations and other organizations	105,119	140,164	245,283
Individuals	1,378,812	102,335	1,481,147
Federated/workplace campaigns	18,299	10,337	28,636
In-kind contributions	29,006		29,006
Special event revenue	1,250		1,250
Investment return	22,270		22,270
Other	18,663		18,663
Net assets released from restrictions	<u>3,813,344</u>	<u>(3,813,344)</u>	<u>-</u>
Total revenues, gains and other support	<u>5,441,210</u>	<u>(1,376,639)</u>	<u>4,064,571</u>
<b>Expenses and Losses</b>			
Program services			
Sustainable water projects:			
Grant program	2,191,099		2,191,099
WaterCredit	1,008,270		1,008,270
Partner development	48,624		48,624
Outreach	<u>622,401</u>		<u>622,401</u>
Total program services	3,870,394		3,870,394
Management and general	666,655		666,655
Fundraising	<u>491,376</u>		<u>491,376</u>
Total expenses and losses	<u>5,028,425</u>		<u>5,028,425</u>
<b>Change in Net Assets</b>	412,785	(1,376,639)	(963,854)
<b>Net Assets, Beginning of Year</b>	<u>924,950</u>	<u>2,867,439</u>	<u>3,792,389</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,337,735</u>	<u>\$ 1,490,800</u>	<u>\$ 2,828,535</u>

**Water.org, Inc.**  
**Statement of Activities**  
**Year Ended September 30, 2009**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Contributions and grant revenues			
Foundations	\$ 196,070	\$ 4,128,720	\$ 4,324,790
Corporations and other organizations	172,203	262,307	434,510
Individuals	877,172	52,486	929,658
Federated/workplace campaigns	17,562		17,562
In-kind contributions	75,256		75,256
Special event revenue	61,923		61,923
Governmental grants and contracts	64,931		64,931
Investment return	47,157		47,157
Other	1,577		1,577
Net assets released from restrictions	4,354,416	(4,354,416)	-
	<u>5,868,267</u>	<u>89,097</u>	<u>5,957,364</u>
<b>Expenses and Losses</b>			
Program services			
Sustainable water projects:			
Grant program	2,740,529		2,740,529
WaterCredit	666,691		666,691
Partner development	56,898		56,898
Outreach	715,769		715,769
	<u>4,179,887</u>		<u>4,179,887</u>
Management and general	568,955		568,955
Fundraising	464,805		464,805
Direct benefit to donors	11,244		11,244
	<u>5,224,891</u>		<u>5,224,891</u>
<b>Change in Net Assets</b>	643,376	89,097	732,473
<b>Net Assets, Beginning of Year</b>	<u>281,574</u>	<u>2,778,342</u>	<u>3,059,916</u>
<b>Net Assets, End of Year</b>	<u>\$ 924,950</u>	<u>\$ 2,867,439</u>	<u>\$ 3,792,389</u>

**Water.org, Inc.**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2010**

	Grant Program	Program Services				Subtotal	Management and General	Fundraising	Total
		WaterCredit	Partner Development	Outreach					
Salaries and wages	\$ 456,825	\$ 220,794	\$ 34,083	\$ 336,264	\$ 1,047,966	\$ 393,882	\$ 164,239	\$ 1,606,087	
Payroll taxes	13,580	16,846	2,934	25,820	59,180	35,217	9,976	104,373	
Employee benefits	44,754	15,361	3,349	26,303	89,767	30,094	17,104	136,965	
Staff training	4,159	476	79	1,309	6,023	994	506	7,523	
Contractors	80,561	11,775	1,868	56,242	150,446	60,576	146,529	357,551	
Occupancy related	28,956	14,261	2,362	22,597	68,176	23,041	15,146	106,363	
Office supplies	3,322	1,524	177	2,415	7,438	2,566	2,226	12,230	
Postage and shipping	3,575	415	144	2,068	6,202	1,167	4,849	12,218	
Printing and reproduction	1,193	53	9	15,555	16,810	569	15,389	32,768	
Telephone and related communications	14,211	3,985	399	10,255	28,850	10,239	4,783	43,872	
Office equipment, rental and maintenance	12,479	1,377	153	4,618	18,627	7,103	16,757	42,487	
Travel	103,727	19,224	99	56,992	180,042	21,757	50,167	251,966	
Grants to other organizations	1,217,889	601,743	-	-	1,819,632	-	-	1,819,632	
Program fees and supplies	158,237	23,981	-	-	182,218	-	-	182,218	
Advertising and marketing	398	-	-	3,842	4,240	-	1,017	5,257	
Directors and officer insurance	554	610	101	967	2,232	986	649	3,867	
Bank and credit card fees	1,986	527	59	575	3,147	569	20,022	23,738	
Accounting and legal fees	4,188	6,079	690	6,598	17,555	29,310	4,428	51,293	
Other professional fees	6,308	19,398	173	30,816	56,695	3,533	6,068	66,296	
Dues and subscriptions	1,809	2,002	328	3,475	7,614	10,897	2,163	20,674	
Provision for credit losses	-	(11,520)	-	-	(11,520)	-	-	(11,520)	
Foreign exchange loss	5,879	49,574	-	-	55,453	-	-	55,453	
Other operating expenses	2,332	769	123	1,403	4,627	2,083	968	7,678	
Depreciation	24,177	9,016	1,494	14,287	48,974	32,072	8,390	89,436	
	\$ 2,191,099	\$ 1,008,270	\$ 48,624	\$ 622,401	\$ 3,870,394	\$ 666,655	\$ 491,376	\$ 5,028,425	

**Water.org, Inc.**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2009**

	Grant Program	Program Services				Subtotal	Management and General	Fundraising	Direct Benefits To Donors	Total
		WaterCredit	Partner Development	Outreach						
Salaries and wages	\$ 314,254	\$ 143,773	\$ 29,278	\$ 245,648	\$ 732,953	\$ 296,884	\$ 154,857	\$ 11,244	\$ 1,184,694	
Payroll taxes	15,629	9,623	2,124	17,339	44,715	24,494	10,186	-	79,395	
Employee benefits	44,532	10,291	2,761	18,569	76,153	20,358	12,817	-	109,328	
Staff training	6,042	406	85	4,198	10,731	6,194	1,756	-	18,681	
Contractors	105,352	3,683	794	37,942	147,771	57,659	113,537	-	318,967	
Occupancy related	18,726	9,297	2,004	16,030	46,057	20,296	10,030	-	76,383	
Office supplies	4,023	1,105	230	2,975	8,333	3,441	2,442	-	14,216	
Postage and shipping	2,146	417	-	4,503	7,066	1,545	3,330	-	11,941	
Printing and reproduction	3,081	93	20	15,175	18,369	242	11,039	-	29,650	
Telephone and related communications	11,147	2,117	591	13,824	27,679	10,732	3,154	-	41,565	
Office equipment, rental and maintenance	19,057	1,696	365	8,324	29,442	8,699	20,107	-	58,248	
Travel	99,093	19,336	11,132	112,230	241,791	26,076	28,046	-	295,913	
Grants to other organizations	1,796,436	432,924	-	-	2,229,360	-	-	-	2,229,360	
Program fees and supplies	220,301	-	-	-	220,301	-	-	-	220,301	
Special event supplies and insurance	-	-	-	-	-	-	6,362	11,244	17,606	
Advertising and marketing	-	-	-	10,587	10,587	-	-	-	10,587	
Directors and officer insurance	4,303	471	101	809	5,684	1,001	497	-	7,182	
Bank and credit card fees	1,655	266	57	456	2,434	565	7,691	-	10,690	
Accounting and legal fees	29,721	22,519	3,331	26,548	82,119	53,860	16,300	-	152,279	
Other professional fees	8,225	11,337	1,817	163,242	184,621	13,059	47,085	-	244,765	
Dues and subscriptions	4,053	1,691	364	2,904	9,012	4,601	2,183	-	15,796	
Provision for credit losses	-	(16,724)	-	-	(16,724)	-	2,525	-	(14,199)	
Foreign exchange loss	10,142	4,125	-	-	14,267	-	-	-	14,267	
Other operating expenses	6,623	1,944	486	3,643	12,696	5,858	4,216	-	22,770	
Depreciation	15,988	6,301	1,358	10,823	34,470	13,391	6,645	-	54,506	
	\$ 2,740,529	\$ 666,691	\$ 56,898	\$ 715,769	\$ 4,179,887	\$ 568,955	\$ 464,805	\$ 11,244	\$ 5,224,891	



**Water.org, Inc.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Activities</b>		
Change in net assets	\$ (963,854)	\$ 732,473
Items not requiring (providing) operating activities cash flows		
Depreciation	89,436	54,506
Net realized and unrealized gains on investments	(7,019)	(2,863)
Contribution of investment securities	-	(73,323)
Contribution of office furniture	-	(16,469)
(Gain) loss on disposal of property and equipment	(18,580)	12,283
Provision for credit losses	(11,520)	(14,836)
WaterCredit foreign exchange (gain) loss	49,574	2,995
Changes in		
Contribution and other receivables	(63,312)	(240,964)
Prepaid expenses	(4,878)	(12,489)
WaterCredit loans receivable	(11,007)	-
Accounts payable and accrued expenses	(175,946)	269,584
Grants payable	-	4,511
Refundable advances	(240,687)	341,991
	<u>(1,357,793)</u>	<u>1,057,399</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(72,881)	(138,417)
Proceeds from disposition of property and equipment	51,126	920
Purchase of investments	(872)	-
Proceeds from disposition of investments	-	73,464
Issuance of WaterCredit loans	-	(24,286)
Repayment of WaterCredit loans	-	14,373
	<u>(22,627)</u>	<u>(73,946)</u>
<b>Financing Activities</b>		
Principal payments on note payable	(21,512)	(15,256)
	<u>(21,512)</u>	<u>(15,256)</u>
<b>Increase (Decrease) in Cash</b>	(1,401,932)	968,197
<b>Cash, Beginning of Year</b>	<u>3,637,713</u>	<u>2,669,516</u>
<b>Cash, End of Year</b>	<u>\$ 2,235,781</u>	<u>\$ 3,637,713</u>
<b>Supplemental Cash Flows Information</b>		
Notes payable issued for property and equipment	\$ -	\$ 54,923
Property received in settlement of WaterCredit loan	-	14,020

**Water.org, Inc.**  
**Notes to Financial Statements**  
**September 30, 2010 and 2009**

**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 2010 and 2009, Water.org, Inc. has supported projects in Bangladesh, Ethiopia, Ghana, Haiti, Honduras, India, Kenya and Uganda.

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<sup>TM</sup> – 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.

Partner Development – This program provides the support and oversight structure for identifying and evaluating partner organizations. Potential partner organizations undergo a rigorous screening process to ensure that the donor funds provided to communities provide the necessary tools to implement long-term, sustainable projects. Partner Organizations are typically Non-Governmental Organizations (“NGO”) located in the project country.

Outreach - 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](http://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, 2010 and 2009**

***Cash***

The financial institutions holding the Organization's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2012, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At September 30, 2010, the Organization's interest-bearing cash accounts exceeded federally insured limits by approximately \$1,645,000.

***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 note 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.

***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 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, 2010 and 2009.

**Water.org, Inc.**  
**Notes to Financial Statements**  
**September 30, 2010 and 2009**

***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 expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

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.

***Contributed Services***

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, 2010 and 2009**

***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 2007.

***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 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on the change in net assets.

***Subsequent Events***

Subsequent events have been evaluated through February 8, 2011, 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>2010</u>	<u>2009</u>
Mutual funds	<u>\$ 83,615</u>	<u>\$ 75,724</u>

**Water.org, Inc.**  
**Notes to Financial Statements**  
**September 30, 2010 and 2009**

Total investment return is comprised of the following:

	<b>2010</b>	<b>2009</b>
Interest and dividend income	\$ 15,251	\$ 46,013
Net realized and unrealized gains	7,019	1,144
	\$ 22,270	\$ 47,157

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:

		<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Fair Value</b>				
<b>September 30, 2010</b>				
Mutual funds	\$ 83,615	\$ 83,615	\$ -	\$ -
<b>September 30, 2009</b>				
Mutual funds	\$ 75,724	\$ 75,724	\$ -	\$ -

**Water.org, Inc.**  
**Notes to Financial Statements**  
**September 30, 2010 and 2009**

**Note 3: Contribution and Other Receivables**

Contribution and other receivables consisted of the following at September 30:

	<u>2010</u>	<u>2009</u>
Contributions and grants receivable	\$ 476,986	\$ 404,845
Amounts due on government contracts	-	8,829
	<u>\$ 476,986</u>	<u>\$ 413,674</u>

All amounts are considered collectible within the next year.

**Note 4: 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 two years. Conditional promises at September 30 were for the following purposes:

	<u>2010</u>	<u>2009</u>
Establishment of the Haiti Initiative (through 2012)	\$ 200,000	\$ 300,000
India Initiative (through 2010)	-	1,351,000
Establishment of the Kenya Initiative (through 2010)	-	731,000
	<u>\$ 200,000</u>	<u>\$ 2,382,000</u>

**Water.org, Inc.**  
**Notes to Financial Statements**  
**September 30, 2010 and 2009**

**Note 5: WaterCredit Loans Receivable**

WaterCredit loans receivable consisted of the following at September 30:

	<u>2010</u>	<u>2009</u>
WaterCredit loans receivable	\$ 351,641	\$ 340,634
Allowance for credit losses	(75,479)	(86,999)
Foreign exchange translation adjustment	<u>(46,923)</u>	<u>2,651</u>
	<u>\$ 229,239</u>	<u>\$ 256,286</u>

The first WaterCredit loans were made to two partner organizations in Kenya in the amount of approximately \$260,000 in 2006. In 2007, a second loan in the amount of \$35,000 was funded. The loans were repayable over a three year period and earned interest at 5%. The loans were denominated in Kenya Schillings, and the foreign exchange translation adjustment result from translating the loans receivable into US Dollars at the September 30 exchange rate. As of September 30, 2010, the loans made to the Kenya partner organizations have been fully reserved or written off as uncollectible.

In 2008, an additional loan in the amount of \$242,000 was made to a micro finance organization in India. The loan is due in December 2010, and is repayable in a single payment of principal and accrued interest at maturity. The loan bears interest at 5%. Water.org, Inc. has agreed to provide a risk guarantee to the borrower to cover delinquent loans in the amount of \$10,000. As of September 30, 2010, accrued interest has been recognized on this loan of approximately \$35,000. Subsequent to year end, this note receivable was collected in full.

**Note 6: Property and Equipment**

Property and equipment at September 30 consists of:

	<u>2010</u>	<u>2009</u>
Office equipment	\$ 137,452	\$ 162,248
Computer software	<u>161,368</u>	<u>119,565</u>
	298,820	281,813
Less accumulated depreciation	<u>130,818</u>	<u>64,710</u>
	<u>\$ 168,002</u>	<u>\$ 217,103</u>



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**Notes to Financial Statements**  
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**Note 7: Grants Payable**

Grants authorized and unpaid at year end are reported as liabilities in the statement of financial position. Grants payable at September 30, 2010 and 2009 was \$80,139 for both years and are expected to be paid within one year.

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. Outstanding conditional commitments as of September 30 are expected to be funded within the next 18 months and are for the following programs:

	2010	2009
Grant programs	\$ 682,242	\$ 834,436
WaterCredit loans	763,538	1,539,584
	\$ 1,445,780	\$ 2,374,020

**Note 8: Line of Credit**

The Organization has a \$500,000 revolving bank line of credit expiring on October 24, 2011. At September 30, 2010 and 2009, there were no borrowings against this line. The interest rate is variable based on the current BBA LIBOR Daily Floating Rate plus 3%.

**Note 9: Note Payable**

The Organization has a non-interest bearing note payable that is secured by certain computer software and is due in monthly installments of \$1,526 through December 2012. The note payable balance at September 30, 2010 and 2009 was \$18,155 and \$39,667, respectively.

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**Note 10: Temporarily Restricted Net Assets**

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

	<u>2010</u>	<u>2009</u>
Grant and WaterCredit programs		
India	\$ 1,033,159	\$ 1,133,395
Bangladesh	34,216	24,105
Kenya	93	8,975
Ethiopia	3,033	13,291
Ghana	-	249
Africa	182,180	1,057,685
Honduras	9,046	61,404
Other	41,293	165,966
Capacity building	<u>187,780</u>	<u>402,369</u>
	<u>\$ 1,490,800</u>	<u>\$ 2,867,439</u>

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

	<u>2010</u>	<u>2009</u>
Grant and WaterCredit programs		
India	\$ 1,468,783	\$ 1,439,756
Bangladesh	48,745	162,095
Kenya	579,697	1,104,499
Ethiopia	249,047	278,309
Uganda	80,965	-
Ghana	68,001	143,805
Africa	369,393	427,469
Haiti	287,021	5,483
Honduras	36,578	41,425
Other	173,821	54,705
Capacity building	<u>451,293</u>	<u>696,870</u>
	<u>\$ 3,813,344</u>	<u>\$ 4,354,416</u>

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**Note 11: Operating Leases**

Noncancellable operating leases for office space expire in various years through 2015. Rental expense was \$79,622 and \$59,478 in 2010 and 2009, respectively. Future minimum lease payments under operating leases are:

2011	\$ 92,484
2012	92,518
2013	79,750
2014	81,327
2015	<u>83,340</u>
Total minimum lease payments	<u><u>\$ 429,419</u></u>

**Note 12: 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 \$62,909 and \$45,437 for 2010 and 2009, respectively.

**Note 13: 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 46% of all contributions were received from two donors in 2010.