

Water.org, Inc.

Auditor's Report and Financial Statements

September 30, 2013 and 2012



Water.org, Inc.
September 30, 2013 and 2012

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Independent Auditor's Report on Financial Statements

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

We have audited the accompanying financial statements of Water.org, Inc., which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses 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.

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

Board of Directors
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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, 2013 and 2012, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The condensed financial statements and selected ratios included in the Report to the Audit Committee and Board of Directors are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Kansas City, Missouri
January 24, 2014

Water.org, Inc.
Statements of Financial Position
September 30, 2013 and 2012

Assets

	<u>2013</u>	<u>2012</u>
Cash	\$ 11,176,262	\$ 8,436,447
Grants receivable	250,000	101
Other receivables	36,475	2,132
Prepaid expenses	86,922	54,691
Investments	676,068	600,473
Property and equipment, net of accumulated depreciation; 2013 - \$309,111; 2012 - \$260,300	<u>79,387</u>	<u>100,816</u>
Total assets	<u><u>\$ 12,305,114</u></u>	<u><u>\$ 9,194,660</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 227,585	\$ 121,321
Accrued expenses	482,109	236,569
Refundable advances	<u>675,353</u>	<u>899,194</u>
Total liabilities	<u>1,385,047</u>	<u>1,257,084</u>

Net Assets

Unrestricted	4,236,516	4,765,717
Temporarily restricted	<u>6,683,551</u>	<u>3,171,859</u>
Total net assets	<u>10,920,067</u>	<u>7,937,576</u>
Total liabilities and net assets	<u><u>\$ 12,305,114</u></u>	<u><u>\$ 9,194,660</u></u>

Water.org, Inc.
Statement of Activities
Year Ended September 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions and grants			
Foundations	\$ 293,064	\$ 6,536,765	\$ 6,829,829
Corporations and other organizations	467,157	2,271,464	2,738,621
Individuals	1,752,289	763,450	2,515,739
Federated/workplace campaigns	110,167		110,167
In-kind contributions	83,200		83,200
Investment return	77,460		77,460
Other	1,304		1,304
Net assets released from restrictions	6,059,987	(6,059,987)	-
Total revenues, gains and other support	8,844,628	3,511,692	12,356,320
Expenses and Losses			
Program services			
Water programs	5,388,674		5,388,674
Outreach	1,252,057		1,252,057
New ventures	199,769		199,769
Total program services	6,840,500		6,840,500
Management and general	1,316,710		1,316,710
Fundraising	1,216,619		1,216,619
Total expenses and losses	9,373,829		9,373,829
Change in Net Assets	(529,201)	3,511,692	2,982,491
Net Assets, Beginning of Year	4,765,717	3,171,859	7,937,576
Net Assets, End of Year	\$ 4,236,516	\$ 6,683,551	\$ 10,920,067

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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	<u>4,548,458</u>	<u>(4,548,458)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>8,182,173</u>	 <u>1,367,769</u>	 <u>9,549,942</u>
Expenses and Losses			
Program services			
Water programs	3,143,403		3,143,403
Advocacy	291,179		291,179
Outreach	900,730		900,730
New ventures	<u>634,883</u>		<u>634,883</u>
 Total program services	 4,970,195		 4,970,195
Management and general	936,236		936,236
Fundraising	<u>945,079</u>		<u>945,079</u>
 Total expenses and losses	 <u>6,851,510</u>		 <u>6,851,510</u>
 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 Functional Expenses
Year Ended September 30, 2013

	Program Services				Management and General	Fundraising	Total
	Water Programs	Outreach	New Ventures	Subtotal			
Salaries and wages	\$ 978,773	\$ 674,342	\$ 103,514	\$ 1,756,629	\$ 782,188	\$ 725,623	\$ 3,264,440
Payroll taxes	45,890	48,070	7,075	101,035	50,697	49,554	201,286
Employee benefits	102,099	45,646	7,997	155,742	62,236	62,398	280,376
Staff training	5,628	2,640	-	8,268	2,437	3,398	14,103
Contractors	314,987	254,935	53,681	623,603	145,888	97,459	866,950
Occupancy related	48,535	23,825	-	72,360	24,871	27,706	124,937
Office supplies	4,308	2,546	15	6,869	2,231	3,261	12,361
Postage and shipping	1,723	3,452	220	5,395	1,970	9,186	16,551
Printing and reproduction	1,503	169	-	1,672	2,365	12,209	16,246
Telephone and related communications	17,214	20,878	377	38,469	14,764	9,958	63,191
Office equipment, rental and maintenance	16,197	4,497	-	20,694	11,462	27,125	59,281
Travel	304,111	96,284	20,414	420,809	132,797	94,192	647,798
Grants to other organizations	3,416,301	-	-	3,416,301	-	-	3,416,301
Program fees and supplies	60,377	-	-	60,377	-	-	60,377
Special event supplies	343	356	-	699	268	383	1,350
Advertising and marketing	-	5,249	-	5,249	-	1,091	6,340
Directors and officer insurance	3,513	3,224	-	6,737	2,421	3,460	12,618
Bank and credit card fees	4,255	2,226	175	6,656	1,638	48,340	56,634
Accounting and legal fees	5,074	2,197	6,301	13,572	23,435	7,684	44,691
Other professional fees	7,994	38,870	-	46,864	6,572	6,012	59,448
Dues and subscriptions	3,496	2,732	-	6,228	25,054	3,272	34,554
Foreign exchange loss	27,266	-	-	27,266	-	-	27,266
Other operating expenses	7,029	7,396	-	14,425	14,011	8,284	36,720
Depreciation	12,058	12,523	-	24,581	9,405	16,024	50,010
	<u>\$ 5,388,674</u>	<u>\$ 1,252,057</u>	<u>\$ 199,769</u>	<u>\$ 6,840,500</u>	<u>\$ 1,316,710</u>	<u>\$ 1,216,619</u>	<u>\$ 9,373,829</u>

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See Notes to Financial Statements

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.
Statements of Cash Flows
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Activities		
Change in net assets	\$ 2,982,491	\$ 2,698,432
Items not requiring (providing) operating activities cash flows		
Depreciation	50,010	75,951
Net realized and unrealized gains on investments	(65,081)	(14,884)
Provision for credit losses	-	9,240
WaterCredit foreign exchange gain	-	(9,227)
Changes in		
Grants and other receivables	(284,242)	15,297
Prepaid expenses	(32,231)	(8,472)
Accounts payable	107,688	(10,570)
Accrued expenses	245,540	106,786
Grants payable	-	(80,405)
Refundable advances	(223,841)	(246,104)
	<u>2,780,334</u>	<u>2,536,044</u>
Net cash provided by operating activities		
	<u>2,780,334</u>	<u>2,536,044</u>
Investing Activities		
Purchase of property and equipment	(30,005)	(64,677)
Proceeds from disposition of property and equipment	-	310
Purchase of investments	(10,514)	(500,027)
	<u>(40,519)</u>	<u>(564,394)</u>
Net cash used in investing activities		
	<u>(40,519)</u>	<u>(564,394)</u>
Financing Activities		
Principal payments on note payable	-	(3,051)
	<u>-</u>	<u>(3,051)</u>
Net cash used in financing activities		
	<u>-</u>	<u>(3,051)</u>
Increase in Cash	2,739,815	1,968,599
Cash, Beginning of Year	<u>8,436,447</u>	<u>6,467,848</u>
Cash, End of Year	<u>\$ 11,176,262</u>	<u>\$ 8,436,447</u>
Supplemental Cash Flows Information		
Fixed assets included in accounts payable	\$ -	\$ 1,424

Water.org, Inc.
Notes to Financial Statements
September 30, 2013 and 2012

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 2013 and 2012, Water.org, Inc. has supported projects in Bangladesh, Ethiopia, Ghana, Haiti, Honduras, India, Kenya, Uganda, Peru, Indonesia and Philippines.

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 InitiativeTM – 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, 2013 and 2012

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2013 and 2012, the Organization did not have any cash equivalents.

At September 30, 2013, the Organization's cash accounts exceeded federally insured limits by approximately \$10,654,000.

Investments and Investment Return

Investments are carried at fair value. Investment return includes dividend, interest and realized and unrealized gains and losses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return 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.

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, 2013 and 2012.

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

Water.org, Inc.
Notes to Financial Statements
September 30, 2013 and 2012

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.

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.

Foreign Currency Translation and Transactions

Assets recorded in functional currencies other than U. S. dollars are translated into U. S. dollars at the year-end rate of exchange. Revenue and expense transactions are recorded using a monthly rate of exchange. The net currency translation and the gains and losses from foreign currency transactions are recorded in the change in net assets.

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.

Water.org, Inc.
Notes to Financial Statements
September 30, 2013 and 2012

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 2010.

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 2012 financial statements to conform to the 2013 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 Auditor's Report, which is the date the financial statements were available to be issued.

Note 2: Grant Receivable

The Organization receives its grant support through periodic reports filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of September 30, 2013, have been recorded as receivables.

The Organization had been awarded and earned a grant totaling \$500,000, in which \$250,000 had not been received as of September 30, 2013.

Note 3: Investments and Investment Return

Investments at September 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Mutual funds	<u>\$ 676,068</u>	<u>\$ 600,473</u>

Water.org, Inc.
Notes to Financial Statements
September 30, 2013 and 2012

Total investment return is comprised of the following:

	2013	2012
Interest and dividend income	\$ 12,379	\$ 4,301
Net realized and unrealized gains	65,081	14,884
	\$ 77,460	\$ 19,185

Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities 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, 2013 and 2012:

	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, 2013	\$ 676,068	\$ 676,068	\$ -	\$ -
September 30, 2012	600,473	600,473	-	-

Water.org, Inc.
Notes to Financial Statements
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Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2013.

Investments

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.

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 four years. Conditional promises at September 30 were for the following purposes:

	<u>2013</u>	<u>2012</u>
Southeast Asia Initiative (through 2014)	\$ 820,240	\$ 1,822,625
Haiti Initiative (through 2014)	400,000	219,760
India Initiative (through 2015)	2,400,000	4,250,000
Kenya Initiative (through 2015)	1,142,395	1,676,024
Bangladesh Initiative (through 2017)*	3,773,553	-
Indonesia Initiative (through 2017)	2,313,933	-
Philippines Initiative (through 2017)	2,488,967	-
Peru Initiative (through 2017)	2,441,043	-
	<u>\$ 15,780,131</u>	<u>\$ 7,968,409</u>

*Funds are awarded to the Organization in a foreign currency (Euros). Using the currency exchange rate effective for September 30, 2013, the Euros were converted to U.S. Dollars (USD).

Note 5: Grants Commitments

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, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>
Grant programs	\$ 388,599	\$ 1,595,122
WaterCredit	<u>3,344,207</u>	<u>4,919,992</u>
	<u>\$ 3,732,806</u>	<u>\$ 6,515,114</u>

Note 6: Property and Equipment

Property and equipment at September 30 consists of:

	<u>2013</u>	<u>2012</u>
Office equipment	\$ 210,441	\$ 183,059
Computer software	<u>178,057</u>	<u>178,057</u>
	388,498	361,116
Less accumulated depreciation	<u>309,111</u>	<u>260,300</u>
	<u>\$ 79,387</u>	<u>\$ 100,816</u>

Note 7: Line of Credit

The Organization has a \$500,000 revolving bank line of credit expiring on October 24, 2014. At September 30, 2013 and 2012, there were no borrowings against this line. The interest rate is variable based on the current BBA LIBOR Daily Floating Rate plus 3%.

Water.org, Inc.
Notes to Financial Statements
September 30, 2013 and 2012

Note 8: Temporarily Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Grant and WaterCredit programs		
India	\$ 2,221,163	\$ 2,324,843
Bangladesh	1,592,309	105,531
Kenya	273,161	-
Ethiopia	-	31,710
Uganda	139,886	-
Ghana	273,798	-
Haiti	309,465	-
Peru	390,625	-
Asia	264,977	334,721
Indonesia	321,685	-
Philippines	207,471	-
Other	19,633	30,088
WASH Advocacy	65,064	65,064
New Ventures	604,314	279,902
	<u>\$ 6,683,551</u>	<u>\$ 3,171,859</u>

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

	<u>2013</u>	<u>2012</u>
Grant and WaterCredit programs		
India	\$ 1,954,400	\$ 1,543,902
Bangladesh	198,534	171,828
Kenya	760,018	250,384
Ethiopia	85,590	100,244
Uganda	60,414	599
Ghana	1,827	-
Haiti	1,412,740	584,561
Peru	69,395	12,503
Asia	1,072,129	842,654
Indonesia	45,016	-
Philippines	35,612	-
Other	22,391	54,165
WASH Advocacy	-	295,186
New Ventures	341,921	692,432
	<u>\$ 6,059,987</u>	<u>\$ 4,548,458</u>

Note 9: Operating Leases

Noncancellable operating leases for office space expire in various years through 2015. Rental expense was \$83,079 and \$98,036 in 2013 and 2012, respectively. Future minimum lease payments under operating leases are:

2014	\$ 96,779
2015	83,340
	<u> </u>
Total minimum lease payments	<u>\$ 180,119</u>

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Note 10: 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 \$94,654 and \$77,913 for 2013 and 2012, 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, 2013 and 2012, the Organization recorded approximately \$375,000 and \$133,000, respectively, of accrued incentive compensation expense in accrued expenses on the statements of financial position.

Note 11: Significant Estimates and Concentrations

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

Contributions

Approximately 42% and 33% of all contributions were received from three donors in 2013 and two donors in 2012, respectively.

Conditional Gifts

Estimates related to conditional gifts are described in Note 4.