

Water.org, Inc.

Accountants' Reports and Financial Statements

September 30, 2011 and 2010



Water.org, Inc.
September 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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
January 10, 2012

Water.org, Inc.
Statements of Financial Position
September 30, 2011 and 2010

Assets

	<u>2011</u>	<u>2010</u>
Cash	\$ 6,467,848	\$ 2,235,781
Contributions and grants receivable	17,543	476,986
Prepaid expenses	46,219	44,426
Investments	85,562	83,615
WaterCredit loans receivable, net of allowance; 2011 - \$52,825, 2010 - \$75,479	-	229,239
Property and equipment, net of accumulated depreciation; 2011 - \$193,621, 2010 - \$130,818	<u>110,976</u>	<u>168,002</u>
Total assets	<u><u>\$ 6,728,148</u></u>	<u><u>\$ 3,238,049</u></u>

Liabilities and Net Assets

	<u>2011</u>	<u>2010</u>
Liabilities		
Accounts payable	\$ 130,467	\$ 56,917
Accrued expenses	129,783	101,627
Note payable	3,051	18,155
Grants payable	80,405	80,139
Refundable advances	<u>1,145,298</u>	<u>152,676</u>
Total liabilities	<u>1,489,004</u>	<u>409,514</u>
Net Assets		
Unrestricted	3,435,054	1,337,735
Temporarily restricted	<u>1,804,090</u>	<u>1,490,800</u>
Total net assets	<u>5,239,144</u>	<u>2,828,535</u>
Total liabilities and net assets	<u><u>\$ 6,728,148</u></u>	<u><u>\$ 3,238,049</u></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	<u>4,674,300</u>	<u>(4,674,300)</u>	<u>-</u>
Total revenues, gains and other support	<u>8,637,844</u>	<u>313,290</u>	<u>8,951,134</u>
Expenses and Losses			
Program services			
Sustainable water projects			
Grant program	1,062,880		1,062,880
WaterCredit	2,596,108		2,596,108
Advocacy	930,439		930,439
Outreach	<u>399,935</u>		<u>399,935</u>
Total program services	4,989,362		4,989,362
Management and general	821,990		821,990
Fundraising	<u>729,173</u>		<u>729,173</u>
Total expenses and losses	<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 Activities
Year Ended September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions and grants			
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>
Expenses and Losses			
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>
 Change in Net Assets	 412,785	 (1,376,639)	 (963,854)
 Net Assets, Beginning of Year	 <u>924,950</u>	 <u>2,867,439</u>	 <u>3,792,389</u>
 Net Assets, End of Year	 <u>\$ 1,337,735</u>	 <u>\$ 1,490,800</u>	 <u>\$ 2,828,535</u>

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

	Program Services					Management and General	Fundraising	Total
	Grant Program	WaterCredit	Advocacy	Outreach	Subtotal			
Salaries and wages	\$ 247,669	\$ 488,192	\$ 260,580	\$ 133,073	\$ 1,129,514	\$ 506,044	\$ 359,287	\$ 1,994,845
Payroll taxes	13,541	21,994	19,839	7,869	63,243	37,342	25,182	125,767
Employee benefits	24,845	42,496	17,963	9,293	94,597	42,439	27,752	164,788
Staff training	1,148	4,081		167	5,396	818	457	6,671
Contractors	5,695	64,648	434,166	86,121	590,630	36,467	33,642	660,739
Occupancy related	12,367	34,422	42,829	7,670	97,288	29,774	21,045	148,107
Office supplies	1,113	3,320	167	776	5,376	3,257	1,884	10,517
Postage and shipping	999	1,891	1,619	7,735	12,244	2,440	6,908	21,592
Printing and reproduction	402	1,316	796	9,673	12,187	234	9,553	21,974
Telephone and related communications	6,561	7,930	7,702	21,480	43,673	15,760	10,274	69,707
Office equipment, rental and maintenance	2,961	11,172	1,870	2,183	18,186	10,689	28,910	57,785
Travel	50,313	92,857	33,011	81,235	257,416	24,399	67,527	349,342
Grants to other organizations	641,517	1,725,118	-	-	2,366,635	-	-	2,366,635
Program fees and supplies	2,658	33,449	-	-	36,107	-	-	36,107
Advertising and marketing	-	1,683	300	1,678	3,661	-	500	4,161
Directors and officer insurance	902	1,656	-	611	3,169	2,379	1,675	7,223
Bank and credit card fees	1,696	2,282	-	508	4,486	1,952	51,400	57,838
Accounting and legal fees	16,909	36,966	-	11,728	65,603	61,352	32,180	159,135
Other professional fees	1,316	5,172	107,810	7,448	121,746	9,709	1,488	132,943
Dues and subscriptions	1,778	2,686	-	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	16,567	5,841	-	-	22,408	-	-	22,408
Other operating expenses	1,130	2,723	1,787	2,123	7,763	4,573	2,704	15,040
Depreciation	10,793	16,867	-	7,265	34,925	28,315	20,148	83,388
	<u>\$ 1,062,880</u>	<u>\$ 2,596,108</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.
Statement of Functional Expenses
Year Ended September 30, 2010

	Program Services					Management and General	Fundraising	Total
	Grant Program	WaterCredit	Partner Development	Outreach	Subtotal			
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
	<u>\$ 2,191,099</u>	<u>\$ 1,008,270</u>	<u>\$ 48,624</u>	<u>\$ 622,401</u>	<u>\$ 3,870,394</u>	<u>\$ 666,655</u>	<u>\$ 491,376</u>	<u>\$ 5,028,425</u>

Water.org, Inc.
Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Activities		
Change in net assets	\$ 2,410,609	\$ (963,854)
Items not requiring (providing) operating activities cash flows		
Depreciation	83,388	89,436
Net realized and unrealized gains on investments	(1,350)	(7,019)
(Gain) loss on disposal of property and equipment	135	(18,580)
Provision for credit losses	11,246	(11,520)
WaterCredit foreign exchange loss	5,841	49,574
Changes in		
Contributions and grants receivable	435,543	(63,312)
Prepaid expenses	(1,793)	(4,878)
WaterCredit loans receivable	-	(11,007)
Accounts payable	73,550	(206,836)
Accrued expenses	28,156	30,890
Grants payable	266	-
Refundable advances	992,622	(240,687)
	<u>4,038,213</u>	<u>(1,357,793)</u>
Net cash provided by (used in) operating activities		
	<u>4,038,213</u>	<u>(1,357,793)</u>
Investing Activities		
Purchase of property and equipment	(26,497)	(72,881)
Proceeds from disposition of property and equipment	-	51,126
Purchase of investments	(597)	(872)
Repayment of WaterCredit loans	236,052	-
	<u>208,958</u>	<u>(22,627)</u>
Net cash provided by (used in) investing activities		
	<u>208,958</u>	<u>(22,627)</u>
Financing Activities		
Principal payments on note payable	(15,104)	(21,512)
	<u>(15,104)</u>	<u>(21,512)</u>
Net cash used in financing activities		
	<u>(15,104)</u>	<u>(21,512)</u>
Increase (Decrease) in Cash	4,232,067	(1,401,932)
Cash, Beginning of Year	<u>2,235,781</u>	<u>3,637,713</u>
Cash, End of Year	<u>\$ 6,467,848</u>	<u>\$ 2,235,781</u>

Water.org, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

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 2011 and 2010, 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 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.

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 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, 2011 and 2010

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, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At September 30, 2011, the Organization's interest-bearing cash accounts exceeded federally insured limits by approximately \$4,071,000.

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, 2011 and 2010.

Water.org, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

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.

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.

Water.org, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

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 2008.

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 2010 financial statements to conform to the 2011 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>2011</u>	<u>2010</u>
Mutual funds	\$ 85,562	\$ 83,615

Total investment return is comprised of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 4,897	\$ 15,251
Net realized and unrealized gains	1,350	7,019
	<u>\$ 6,247</u>	<u>\$ 22,270</u>

Water.org, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

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	Fair Value Measurements Using		
		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, 2011	\$ 85,562	\$ 85,562	\$ -	\$ -
September 30, 2010	83,615	83,615	-	-

Water.org, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

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

	<u>2011</u>	<u>2010</u>
Establishment of the Haiti Initiative (through 2012)	\$ 100,000	\$ 200,000
India Initiative (through 2013)	6,000,000	-
Establishment of the Kenya Initiative (through 2015)	1,676,024	-
	<u>\$ 7,776,024</u>	<u>\$ 200,000</u>

Note 4: WaterCredit Loans Receivable

WaterCredit loans receivable consisted of the following at September 30:

	<u>2011</u>	<u>2010</u>
WaterCredit loans receivable	\$ 74,348	\$ 351,641
Allowance for credit losses	(52,825)	(75,479)
Foreign exchange translation adjustment	(21,523)	(46,923)
	<u>\$ -</u>	<u>\$ 229,239</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 U.S. Dollars at the September 30 exchange rate. As of September 30, 2011, 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 was due in December 2010 and was repayable in a single payment of principal and accrued interest at 5%. During 2011, this loan was paid in full.

Water.org, Inc.
Notes to Financial Statements
September 30, 2011 and 2010

Note 5: Property and Equipment

Property and equipment at September 30 consists of:

	<u>2011</u>	<u>2010</u>
Office equipment	\$ 135,564	\$ 137,452
Computer software	169,033	161,368
	<u>304,597</u>	<u>298,820</u>
Less accumulated depreciation	<u>193,621</u>	<u>130,818</u>
	<u>\$ 110,976</u>	<u>\$ 168,002</u>

Note 6: Grants Payable

Grants authorized and unpaid at year end are reported as liabilities in the statement of financial position. Grants payable at September 30, 2011 and 2010 were \$80,405 and \$80,139, respectively, 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 four years and are for the following programs:

	<u>2011</u>	<u>2010</u>
Grant programs	\$ 290,303	\$ 682,242
WaterCredit	3,753,933	763,538
	<u>\$ 4,044,236</u>	<u>\$ 1,445,780</u>

Note 7: Line of Credit

The Organization has a \$500,000 revolving bank line of credit expiring on October 24, 2012. At September 30, 2011 and 2010, there were no borrowings against this line. The interest rate is variable based on the current BBA LIBOR Daily Floating Rate plus 3%.

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Note 8: 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 2011. The note payable balance at September 30, 2011 and 2010 was \$3,051 and \$18,155, respectively.

Note 9: Temporarily Restricted Net Assets

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

	<u>2011</u>	<u>2010</u>
Grant and WaterCredit programs		
India	\$ 1,417,962	\$ 1,033,159
Bangladesh	88,738	34,216
Kenya	1,163	93
Ethiopia	65,953	3,033
Haiti	1,440	-
Africa	100	182,180
Honduras	9,307	9,046
WASH Advocacy	156,459	-
Peru	12,503	-
Other	50,465	41,293
Capacity building	-	187,780
	<u>\$ 1,804,090</u>	<u>\$ 1,490,800</u>

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

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	<u>2011</u>	<u>2010</u>
Grant and WaterCredit programs		
India	\$ 2,021,236	\$ 1,468,783
Bangladesh	96,064	48,745
Kenya	745,038	579,697
Ethiopia	76,492	249,047
Uganda	153,313	80,965
Ghana	614	68,001
Africa	115,502	369,393
Haiti	340,840	287,021
Honduras	339	36,578
Peru	17,497	-
WASH Advocacy	835,296	-
Other	84,290	173,821
Capacity building	<u>187,779</u>	<u>451,293</u>
	<u>\$ 4,674,300</u>	<u>\$ 3,813,344</u>

Note 10: Operating Leases

Noncancellable operating leases for office space expire in various years through 2015. Rental expense was \$124,307 and \$79,622 in 2011 and 2010, respectively. Future minimum lease payments under operating leases are:

2012	\$ 106,298
2013	79,750
2014	81,327
2015	<u>83,340</u>
Total minimum lease payments	<u>\$ 350,715</u>

Note 11: 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 \$73,177 and \$62,909 for 2011 and 2010, respectively.

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Note 12: 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 34% and 46% of all contributions were received from two donors in 2011 and 2010, respectively.