

THE WATER TRUST, INC. AND AFFILIATE

CONSOLIDATING FINANCIAL STATEMENTS

MARCH 31, 2019



LUTZ AND GARR

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Water Trust, Inc.

We have audited the accompanying consolidating financial statements of The Water Trust, Inc. (a nonprofit organization) and Affiliate, which comprise the consolidating statement of financial position as of March 31, 2019, and the related consolidating statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We did not audit the financial statements of The Water Trust Limited, a foreign affiliate, which statements reflect total assets of \$149,988 as of March 31, 2019 and total support and revenue of \$546,256 for the year then ended. Those statements, which were prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities as issued by the International Accounting Standards Board, were audited by other auditors in accordance with International Standards on Auditing, whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for The Water Trust Limited, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by, the other auditors. We have applied audit procedures on the conversion adjustments to the financial statements of The Water Trust Limited, which conform those financial statements to accounting principles generally accepted in the United States of America. 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 consolidating financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of The Water Trust, Inc. and Affiliate as of March 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the consolidating financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.



New York, New York
February 11, 2021

THE WATER TRUST, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

	<u>The Water Trust, Inc.</u>	<u>The Water Trust Limited</u>	<u>Consolidating Entries</u>	<u>Consolidated Totals</u>
Assets				
Cash (Notes 1c and 9)	\$ 611,409	\$ 21,799	\$ -	\$ 633,208
Unconditional promises to give (Notes 1d and 5)				
Without donor restrictions	35,856	-	-	35,856
With donor restrictions	85,000	-	-	85,000
Accounts receivable	2,902	11,376	-	14,278
Prepaid expenses and other assets	-	5,717	-	5,717
Water pump inventory	-	72,399	-	72,399
Property and equipment, net of accumulated depreciation (Notes 1e and 6)	-	38,697	-	38,697
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 735,167</u>	<u>\$ 149,988</u>	<u>\$ -</u>	<u>\$ 885,155</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	<u>\$ 4,428</u>	<u>\$ 101,351</u>	<u>\$ -</u>	<u>\$ 105,779</u>
Commitment and Contingency (Notes 8 and 11)				
Net Assets				
Without donor restrictions	363,781	48,637	-	412,418
With donor restrictions (Note 3)	366,958	-	-	366,958
Total Net Assets	<u>730,739</u>	<u>48,637</u>	<u>-</u>	<u>779,376</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 735,167</u>	<u>\$ 149,988</u>	<u>\$ -</u>	<u>\$ 885,155</u>

See notes to consolidating financial statements.

THE WATER TRUST, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2019

	<u>The Water Trust, Inc.</u>	<u>The Water Trust Limited</u>	<u>Consolidating Entries</u>	<u>Consolidated Totals</u>
Changes in Net Assets Without Donor Restrictions				
Revenue and Support				
Contributions (Notes 4 and 7)	\$ 178,154	\$ 26,673	\$ -	\$ 204,827
Other income	21,478	1,909	-	23,387
Net investment income	3,120	-	-	3,120
Net assets released from restrictions				
Satisfaction of time and program restrictions	<u>639,311</u>	<u>554,440</u>	<u>(517,674)</u>	<u>676,077</u>
Total Revenue and Support	<u>842,063</u>	<u>583,022</u>	<u>(517,674)</u>	<u>907,411</u>
Expenses				
Program Services	<u>615,226</u>	<u>667,696</u>	<u>(519,717)</u>	<u>763,205</u>
Supporting Services				
Management and general	35,148	-	-	35,148
Fundraising	55,133	-	-	55,133
Total Supporting Services	<u>90,281</u>	<u>-</u>	<u>-</u>	<u>90,281</u>
Total Expenses	<u>705,507</u>	<u>667,696</u>	<u>(519,717)</u>	<u>853,486</u>
Increase (Decrease) in Net Assets Without Donor Restrictions Before Item Below	136,556	(84,674)	2,043	53,925
Foreign currency translation adjustment	<u>-</u>	<u>(333)</u>	<u>(2,043)</u>	<u>(2,376)</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>136,556</u>	<u>(85,007)</u>	<u>-</u>	<u>51,549</u>
Changes in Net Assets With Donor Restrictions				
Contributions (Notes 4 and 7)	556,657	517,674	(517,674)	556,657
Net assets released from restrictions	<u>(639,311)</u>	<u>(554,440)</u>	<u>517,674</u>	<u>(676,077)</u>
Decrease in Net Assets With Donor Restrictions	<u>(82,654)</u>	<u>(36,766)</u>	<u>-</u>	<u>(119,420)</u>
Increase (Decrease) in Net Assets	<u>53,902</u>	<u>(121,773)</u>	<u>-</u>	<u>(67,871)</u>
Net assets, beginning of year, as previously reported	676,837	109,799	-	786,636
Prior period adjustment (Note 10)	<u>-</u>	<u>60,611</u>	<u>-</u>	<u>60,611</u>
Net assets, beginning of year, as restated	<u>676,837</u>	<u>170,410</u>	<u>-</u>	<u>847,247</u>
Net Assets, End of Year	<u><u>\$ 730,739</u></u>	<u><u>\$ 48,637</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 779,376</u></u>

See notes to consolidating financial statements.

THE WATER TRUST, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2019

	<u>The Water Trust, Inc.</u>			<u>The Water Trust Limited</u>				<u>Consolidating</u>	<u>Consolidated</u>	
	<u>Supporting Services</u>			<u>Supporting Services</u>						
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>	<u>Entries</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>			<u>Services</u>	<u>and General</u>				<u>Expenses</u>
Salaries, payroll taxes and benefits	\$ 73,487	\$ 8,165	\$ 20,413	\$102,065	\$261,780	\$ -	\$ -	\$261,780	\$ -	\$ 363,845
Direct program construction costs	-	-	-	-	246,640	-	-	246,640	-	246,640
Vehicular expenses	-	-	-	-	18,479	-	-	18,479	-	18,479
Contract and professional services	3,852	25,750	24,663	54,265	54,900	-	-	54,900	-	109,165
Marketing	738	82	290	1,110	1,702	-	-	1,702	-	2,812
Travel and conferences	9,232	170	424	9,826	22,484	-	-	22,484	-	32,310
Grant expense	519,717	-	-	519,717	-	-	-	-	(519,717)	-
Rent, office and phone expenses	6,303	700	1,752	8,755	33,119	-	-	33,119	-	41,874
Event expense	-	-	6,675	6,675	-	-	-	-	-	6,675
Bank fees and miscellaneous expenses	1,897	281	916	3,094	13,010	-	-	13,010	-	16,104
Depreciation expense	-	-	-	-	15,582	-	-	15,582	-	15,582
Total Expenses	<u>\$615,226</u>	<u>\$ 35,148</u>	<u>\$ 55,133</u>	<u>\$705,507</u>	<u>\$667,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$667,696</u>	<u>\$ (519,717)</u>	<u>\$ 853,486</u>

See notes to consolidating financial statements.

THE WATER TRUST, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

	<u>The Water Trust, Inc.</u>	<u>The Water Trust Limited</u>	<u>Consolidating Entries</u>	<u>Consolidated Totals</u>
Cash Flows From Operating Activities				
Increase (decrease) in net assets	\$ 53,902	\$ (121,773)	\$ -	\$ (67,871)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:				
Effect of exchange rate changes on property and equipment	-	(126)	-	(126)
Depreciation	-	15,582	-	15,582
(Increase) decrease in:				
Unconditional promises to give	180,618	-	-	180,618
Accounts receivable	3,621	(6,959)	-	(3,338)
Prepaid expenses and other assets	1,579	1,050	-	2,629
Water pump inventory	-	2,211	-	2,211
Increase (decrease) in accounts payable and accrued expenses	(987)	66,705	-	65,718
Net Cash Provided (Used) By Operating Activities	<u>238,733</u>	<u>(43,310)</u>	<u>-</u>	<u>195,423</u>
Cash Flows From Investing Activities				
Purchase of property and equipment	-	(17,517)	-	(17,517)
Net increase (decrease) in cash	238,733	(60,827)	-	177,906
Cash, beginning of year	<u>372,676</u>	<u>82,626</u>	<u>-</u>	<u>455,302</u>
Cash, End of Year	<u>\$ 611,409</u>	<u>\$ 21,799</u>	<u>\$ -</u>	<u>\$ 633,208</u>

See notes to consolidating financial statements.

THE WATER TRUST, INC. AND AFFILIATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
MARCH 31, 2019

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Water Trust, Inc. was incorporated as a not-for-profit corporation in Connecticut on June 18, 2007. The Water Trust Limited was incorporated in The Republic of Uganda in 2012 as a non-governmental organization to conduct program activities in Africa. The mission of The Water Trust, Inc. and The Water Trust Limited (together the "Organization") is to develop and implement sustainable access to clean water, improved sanitation, and proper hygiene knowledge in partnership with the rural poor in Africa.

b - Principles of Consolidation

The accompanying consolidating financial statements include the accounts of The Water Trust, Inc. and The Water Trust Limited, which are under common control through an overlapping board of directors. All significant intercompany transactions have been eliminated.

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

d - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidating statement of activities as net assets released from restrictions.

e - Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets.

f - Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars, the reporting currency, at exchange rates in effect at the consolidating statement of financial position date, and revenue and expenses are translated at rates which approximate those in effect on transactions dates. Net transaction and translation gains and losses are included as foreign currency exchange gain or loss in the accompanying consolidating statements of activities.

THE WATER TRUST, INC. AND AFFILIATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
MARCH 31, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

g - Financial Statement Presentation

The consolidating financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time.

h - Estimates

The preparation of consolidating financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i - Functional Allocation of Expenses

The consolidating financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. The expenses that are allocated include depreciation, general office expenses, salaries, payroll taxes and employee benefits which are allocated based on employee time and effort.

j - Tax Status

The Water Trust, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

The Water Trust Limited was formed as a non-governmental organization under the laws of the Republic of Uganda. Accordingly, it is subject to separate filing and reporting requirements in its country of formation.

THE WATER TRUST, INC. AND AFFILIATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
MARCH 31, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

k - Subsequent Events

The Organization has evaluated subsequent events through February 11, 2021, the date that the consolidating financial statements are considered available to be issued.

l - New Accounting Pronouncements

The Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

THE WATER TRUST, INC. AND AFFILIATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
MARCH 31, 2019

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization's consolidating financial assets as of March 31, 2019 available within one year to meet cash needs for general expenditures are summarized as follows:

Financial Assets at Year End:	
Cash	\$633,208
Unconditional promises to give	120,856
Accounts receivable	<u>14,278</u>
Total Financial Assets	768,342
Less: Amounts not Available to be Used within One Year:	
Net assets with donor restrictions	(366,958)
Plus: Net assets with restrictions to be met within one year	<u>366,958</u>
Financial Assets Available to Meet General Expenditures within One Year	<u><u>\$768,342</u></u>

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are subject to expenditure for the specific purpose of water, sanitation and hygiene projects in Uganda.

Note 4 - Concentrations

For the year ended March 31, 2019, the Organization received approximately 63% of total contributions from two donors.

THE WATER TRUST, INC. AND AFFILIATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
MARCH 31, 2019

Note 5 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises to give are expected to be insignificant.

Note 6 - Property and Equipment

Property and equipment at March 31, 2019 consist of the following:

	<u>Life</u>	<u>The Water Trust, Inc.</u>	<u>The Water Trust Limited</u>	<u>Total</u>
Vehicles	4 years	\$ -	\$ 80,180	\$ 80,180
Machinery and equipment	5-7 years	-	14,319	14,319
Website and software	3 years	32,689	-	32,689
Computer equipment	3-5 years	3,163	11,215	14,378
Office equipment	3-5 years	1,143	11,569	12,712
Office furniture	5-7 years	-	4,408	4,408
		<u>36,995</u>	<u>121,691</u>	<u>158,686</u>
Less: Accumulated depreciation		<u>(36,995)</u>	<u>(82,994)</u>	<u>(119,989)</u>
		<u>\$ -</u>	<u>\$ 38,697</u>	<u>\$ 38,697</u>

Note 7 - Contribution Revenue

The following summarizes contribution revenue (excluding intercompany transactions) for the year ended March 31, 2019:

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	
	<u>The Water Trust, Inc.</u>	<u>The Water Trust Limited</u>	<u>The Water Trust, Inc.</u>	<u>Total</u>
Foundations	\$ 76,000	\$26,673	\$556,657	\$659,330
Individuals	85,760	-	-	85,760
Corporations	<u>16,394</u>	<u>-</u>	<u>-</u>	<u>16,394</u>
	<u>\$178,154</u>	<u>\$26,673</u>	<u>\$556,657</u>	<u>\$761,484</u>

THE WATER TRUST, INC. AND AFFILIATE
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
MARCH 31, 2019

Note 8 - Commitment

The Water Trust Limited leases various office spaces in Uganda. Minimum rental commitments are as follows:

<u>Year Ending March 31,</u>	
2020	\$5,260
2021	2,575

Rent expense for the year ended March 31, 2019 was \$10,093.

Note 9 - Concentration of Credit Risk

Water Trust, Inc. maintains its cash balances in a financial institution located in New York, New York, which at times exceeds federally insured limits.

Note 10 - Prior Period Adjustment

The Water Trust Limited net assets as of April 1, 2018 have been restated to reflect \$60,611 in inventory which had not been properly recorded in a prior year.

Note 11 - Subsequent Events

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended some of its program activities at the direction of state and local governmental authorities. While management is currently evaluating the potential impact that the resulting economic uncertainties may have on the Organization, it believes that its current financial assets are sufficient to support the Organization's operations on an ongoing basis.