

**THE WATER TRUST, INC.**

**Combined Financial Statements and Supplemental Schedules  
Together with Report of Independent Public Accountants**

**For the Year Ended March 31, 2020**



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**MARCH 31, 2020**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Board of Directors  
The Water Trust, Inc.

### **Report on the Audit of the Combined Financial Statements**

We have audited the accompanying combined statement of financial position of The Water Trust, Inc. and its affiliate (The Water Trust Limited) (together, TWT), as of March 31, 2020, the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audit. We did not audit the financial statements of The Water Trust Limited, a foreign affiliate, whose statements reflect 20% of combined total assets as of March 31, 2020, and less than 1% of combined total revenue, for the year then ended. Those statements, which were prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities, 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. 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. Our opinion, insofar as it relates to the amounts included for The Water Trust Limited, prior to those conversion adjustments, is based solely on the report of the other auditors.

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 combined statements are free from material misstatement.



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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the combined 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 controls. 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 combined 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 accompanying combined financial statements referred to above present fairly, in all material respects, the financial position of TWT as of March 31, 2020, 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.

### ***Other Matter***

Our audit was conducted for the purpose of forming an opinion, on the combining financial statements that comprise TWT's combined financial statements. The supplemental combining statement of financial position and activities and changes in net assets (the Schedules) are presented for purposes of additional analysis and are not a required part of the combined financial statements. The Schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Owings Mills, Maryland  
October 27, 2021

*SB & Company, LLC*

**THE WATER TRUST, INC.**

**Combined Statement of Financial Position  
As of March 31, 2020**

Cash and cash equivalents	\$	664,992
Accounts receivable		125,822
Inventory		21,973
Prepaid expenses		19,689
Furniture and equipment, net		30,123
<b>Total Assets</b>	<b>\$</b>	<b>862,599</b>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	\$	128,322
<b>Total Liabilities</b>		<b>128,322</b>

**Net Assets**

Without donor restrictions		298,505
With donor restrictions		435,772
<b>Total Net Assets</b>		<b>734,277</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>862,599</b>

The accompanying notes are an integral part of this combined financial statement.

**THE WATER TRUST, INC.**

**Combined Statement of Activities and Changes in Net Assets  
For the Year Ended March 31, 2020**

**Revenue and Other Support**

Contributions	\$	307,741
Grant revenue		44,980
Sponsorship		22,000
Interest income		575
Other income		1,140
Net assets released from restrictions		366,959
<b>Total Revenue and Other Support</b>		<u>743,395</u>

**Expenses**

Program services		769,478
Management and general		40,157
Fundraising		46,318
<b>Total Expenses</b>		<u>855,953</u>

<b>Foreign currency Transaction adjustment</b>		<u>(1,355)</u>
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<b>Change in Net Assets Without Donor Restrictions</b>		<u>(113,913)</u>
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**NET ASSETS WITH DONOR RESTRICTIONS**

Contributions		435,773
Net assets released from restrictions		(366,959)
<b>Change in Net Assets With Donor Restrictions</b>		<u>68,814</u>

Changes in total net assets		(45,099)
Net assets, beginning of year		779,376
<b>Net Assets, End of Year</b>	\$	<u>734,277</u>

The accompanying notes are an integral part of this combined financial statement.

**THE WATER TRUST, INC.**

**Combined Statement of Functional Expenses  
For the Year Ended March 31, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries, payroll taxes, and benefits	\$ 341,047	\$ 14,371	\$ 25,150	\$ 380,568
Contract and professional services	82,388	22,805	4,747	109,940
Direct construction and training costs	144,148	-	-	144,148
Marketing	-	-	656	656
Travel and conferences	58,561	1,167	2,139	61,867
Rent, office, and phone expenses	91,490	1,458	2,671	95,619
Vehicle expenses	38,224	-	-	38,224
Event expense	-	-	10,085	10,085
Bank fees and miscellaneous expenses	1,847	356	870	3,073
Depreciation expense	11,773	-	-	11,773
<b>Total Expenses</b>	<b>\$ 769,478</b>	<b>\$ 40,157</b>	<b>\$ 46,318</b>	<b>\$ 855,953</b>

The accompanying notes are an integral part of this combined financial statement.

**THE WATER TRUST, INC.**

**Combined Statement of Cash Flows  
For the Year Ended March 31, 2020**

**Cash Flows from Operating Activities**

Changes in net assets	\$ (45,099)
Adjustments to reconcile changes in net assets to net cash and cash equivalents from operating activities:	
Depreciation	11,773
Effects of exchange rate change on property and equipment in non-cash operating assets	769
Effects of changes in non-cash operating assets and liabilities:	
Accounts receivable	9,312
Inventory	50,426
Prepaid expenses and other assets	(13,972)
Accounts payable and accrued expenses	22,543
<b>Net Cash from Operating Activities</b>	<u>35,752</u>

**Cash Flows from Investing Activities**

Purchase of equipment	<u>(3,968)</u>
Net change in cash and cash equivalents	31,784
Cash and cash equivalents, beginning of year	633,208
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 664,992</u>

The accompanying notes are an integral part of this combined financial statement.



# **THE WATER TRUST, INC.**

## **Notes to the Combined Financial Statements March 31, 2020**

### **1. BACKGROUND OF THE ORGANIZATION**

The Water Trust, Inc. was incorporated as a not-for-profit corporation in Connecticut on June 08, 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 (collectively, “TWT”) is to develop and implement sustainable access to clean water, improved sanitation, and proper hygiene knowledge in partnership with the rural poor in Africa.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying combined financial statements of TWT as of and for the year ended March 31, 2020, are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Principles of Consolidation**

The accompanying combined financial statements include the account balances and transactions of The Water Trust, Inc. and The Water Trust Limited (collectively, TWT). These organizations have been combined due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America. All significant intercompany accounts and transactions have been eliminated.

#### **Use of Estimates**

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenue, support, and expenses during the reporting period. Actual results could differ from those estimates.

#### **Fair Value of Financial Instruments**

Financial instruments consist of receivables and payables. The carrying value of TWT’s financial instruments in the accompanying combined statement of financial position approximated their respective estimated fair values as of March 31, 2020. Fair values are estimated based on current market rates, prices, or liquidation value.

# **THE WATER TRUST, INC.**

## **Notes to the Combined Financial Statements March 31, 2020**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Cash and Cash Equivalents**

Cash and cash equivalents include amounts in short-term investments with original maturities of 90 days or less. Cash equivalents as of March 31, 2020 consisted of money market funds.

#### **Accounts Receivable**

Accounts receivable represent contributions and grants from foundations and individuals that have not been collected as of year-end and are reported at their net realizable value. Management assesses the collectability of receivables based on prior years' experience and its analysis of specific receivables. Management believes that receivables as of March 31, 2020, were fully collectible, and thus, no allowance for doubtful accounts was recorded.

#### **Furniture and Equipment**

Furniture and equipment are recorded at cost and depreciated over the estimated useful lives of the assets, ranging from 3 – 5 years, using the straight-line method. Gifts of long-lived assets are recorded at their fair values when donated. Expenditures for major repairs and improvements are capitalized, and expenditures for minor repairs and maintenance are expensed as incurred.

#### **Net Assets**

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by TWT has been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

Net assets with donor restrictions as of the year ended March 31, 2020 are restricted for the purpose of water, sanitation, and hygiene projects in Uganda.

# THE WATER TRUST, INC.

## Notes to the Combined Financial Statements March 31, 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying combined statement of activities and changes in net assets and in the combined statement of functional expenses. Expenses are applied directly to the programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of TWT's expenses is directly related to program services. The expenses are allocated based on employee's time and effort.

#### Income Taxes

The Water Trust, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and is recognized as such by the Internal Revenue Service.

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 provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's combined financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. TWT performed an evaluation of uncertain tax positions as of March 31, 2020, and determined that there were no matters that would require recognition in the combined financial statements or which may have any effect on its tax-exempt status. As of opinion date, as of October 27, 2021, the statute of limitations for fiscal years 2018 through 2021 remains open with the U.S. Federal jurisdiction. It is The Water Trust, Inc.'s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

# THE WATER TRUST, INC.

## Notes to the Combined Financial Statements March 31, 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Liquidity and Availability of Resources

The following reflects TWT's financial assets as of March 31, 2020, reduced by amounts not available for general use within one year because of donor-imposed restrictions:

Cash and cash equivalents	\$	664,992
Accounts receivable		<u>125,822</u>
Financial assets, at year-end		790,814
Less those unavailable for general expenditures within one year, due to:		
Donor restrictions		435,772
Financial assets available to meet cash needs for general expenses within one year	\$	<u>355,042</u>

TWT 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. TWT 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.

TWT 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.

#### 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 combining 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 combining statement of activities and changes in net assets and combined statement of functional expenses.

# THE WATER TRUST, INC.

## Notes to the Combined Financial Statements March 31, 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Recent Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires the presentation of contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash or other financial assets. This standard will be effective for periods beginning after June 15, 2021, and interim periods within periods beginning after June 15, 2022.

Management is evaluating the effect of this pronouncement on the combined financial statements and will implement this pronouncement by its effective date. Management does not believe the adoption of this pronouncement will have a material effect on the combined financial statements.

#### Subsequent Events

TWT's management evaluated the accompanying combined financial statements for subsequent events and transactions through October 27, 2021, the date these combined financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying combined financial statements or require additional disclosure.

## THE WATER TRUST, INC.

### Notes to the Combined Financial Statements March 31, 2020

#### 3. FURNITURE AND EQUIPMENT

As of March 31, 2020, furniture and equipment consisted of the following:

	<u>Amount</u>
Vehicles	\$ 78,588
Machinery and equipment	14,035
Website and software	32,689
Computer equipment	17,145
Office equipment	12,447
Office furniture	4,321
Furniture and equipment	<u>159,225</u>
Less: accumulated depreciation	<u>129,102</u>
<b>Furniture and Equipment, Net</b>	<b><u><u>\$ 30,123</u></u></b>

Depreciation expense for the year ended March 31, 2020, was \$11,773.

#### 4. LEASE COMMITMENT

TWT had a lease for its office space which expired on September 30, 2020, and is now month-to-month. Total rent expense for the year ended March 31, 2020 was \$3,288. The future minimum lease payments as of March 31, 2020 were \$2,250.

## **SUPPLEMENTAL INFORMATION**

**THE WATER TRUST, INC.**

**Combining Statement of Financial Position  
As of March 31, 2020**

	<u>The Water Trust Inc.</u>	<u>The Water Trust Limited</u>	<u>Elimination Entries</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 602,412	\$ 62,580	\$ -	\$ 664,992
Accounts receivable	83,185	42,637	-	125,822
Inventory	-	21,973	-	21,973
Prepaid expenses and other assets	2,851	16,838	-	19,689
Furniture and equipment, net	-	30,123	-	30,123
<b>Total Assets</b>	<b>\$ 688,448</b>	<b>\$ 174,151</b>	<b>\$ -</b>	<b>\$ 862,599</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 10,492	\$ 117,830	\$ -	\$ 128,322
<b>Total Liabilities</b>	<b>10,492</b>	<b>117,830</b>	<b>-</b>	<b>128,322</b>
<b>Net Assets</b>				
Without donor restrictions	242,184	56,321	-	298,505
With donor restrictions	435,772	-	-	435,772
<b>Total Net Assets</b>	<b>677,956</b>	<b>56,321</b>	<b>-</b>	<b>734,277</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 688,448</b>	<b>\$ 174,151</b>	<b>\$ -</b>	<b>\$ 862,599</b>



**THE WATER TRUST, INC.**

**Combining Statement of Activities and Changes in Net Assets  
For the Year Ended March 31, 2020**

	The Water Trust Inc.	The Water Trust Limited	Elimination Entries	Total
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
<b>Revenue and Other Support</b>				
Contributions	\$ 303,583	\$ 684,188	\$ (680,030)	\$ 307,741
Grant revenue	44,980	-	-	44,980
Sponsorship	22,000	-	-	22,000
Interest income	575	-	-	575
Other income	-	1,140	-	1,140
Net assets released from restrictions	366,959	-	-	366,959
<b>Total Revenue and Other Support</b>	<b>738,097</b>	<b>685,328</b>	<b>(680,030)</b>	<b>743,395</b>
<b>Expenses</b>				
Program services	773,219	676,289	(680,030)	769,478
Management and general	40,157	-	-	40,157
Fundraising	46,318	-	-	46,318
<b>Total Expenses</b>	<b>859,694</b>	<b>676,289</b>	<b>(680,030)</b>	<b>855,953</b>
<b>Foreign currency transaction adjustment</b>	<b>-</b>	<b>(1,355)</b>	<b>-</b>	<b>(1,355)</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(121,597)</b>	<b>7,684</b>	<b>-</b>	<b>(113,913)</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>				
Contributions	435,773	-	-	435,773
Net assets released from restrictions	(366,959)	-	-	(366,959)
<b>Change in Net Assets With Donor Restrictions</b>	<b>68,814</b>	<b>-</b>	<b>-</b>	<b>68,814</b>
Changes in total net assets	(52,783)	7,684	-	(45,099)
Net assets, beginning of year	730,739	48,637	-	779,376
<b>Net Assets, End of Year</b>	<b>\$ 677,956</b>	<b>\$ 56,321</b>	<b>\$ -</b>	<b>\$ 734,277</b>