

THE WATER TRUST, INC.

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

For the Years Ended March 31, 2021 and 2020



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MARCH 31, 2021 AND 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 statements of financial position of The Water Trust, Inc. and its affiliate (The Water Trust Limited) (together, TWT), as of March 31, 2021 and 2020, the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 21% and 20% of combined total assets as of March 31, 2021 and 2020, respectively, and less than 1% of combined total revenue for the years 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 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 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 combined financial position of TWT as of March 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance 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 TWT's combined financial statements. The supplemental combining statements 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
July 18, 2022

SB & Company, LLC

THE WATER TRUST, INC.

**Combined Statements of Financial Position
As of March 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 672,433	\$ 664,992
Accounts receivable	104,605	125,822
Inventory	20,238	21,973
Prepaid expenses	15,531	19,689
Furniture and equipment, net	48,994	30,123
Total Assets	\$ 861,801	\$ 862,599
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 68,556	\$ 128,322
Note payable - Paycheck Protection Program	20,832	-
Total Liabilities	89,388	128,322
Net Assets		
Without donor restrictions	500,929	298,505
With donor restrictions	271,484	435,772
Total Net Assets	772,413	734,277
Total Liabilities and Net Assets	\$ 861,801	\$ 862,599

The accompanying notes are an integral part of these combined financial statements.

THE WATER TRUST, INC.

**Combined Statements of Activities and Changes in Net Assets
For the Years Ended March 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Other Support		
Contributions	\$ 723,286	\$ 329,741
Grant revenue	34,985	44,980
Interest and other income	3,446	1,715
Net assets released from restrictions	435,772	366,959
Total Revenue and Other Support	<u>1,197,489</u>	<u>743,395</u>
Expenses		
Program services	898,851	769,478
Management and general	61,363	40,157
Fundraising	31,233	46,318
Total Expenses	<u>991,447</u>	<u>855,953</u>
Foreign Currency Transaction Adjustment	<u>(3,618)</u>	<u>(1,355)</u>
Change in Net Assets Without Donor Restrictions	<u>202,424</u>	<u>(113,913)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	271,484	435,773
Net assets released from restrictions	(435,772)	(366,959)
Change in Net Assets With Donor Restrictions	<u>(164,288)</u>	<u>68,814</u>
Changes in total net assets	38,136	(45,099)
Net assets, beginning of year	734,277	779,376
Net Assets, End of Year	<u>\$ 772,413</u>	<u>\$ 734,277</u>

The accompanying notes are an integral part of these combined financial statements.

THE WATER TRUST, INC.

**Combined Statements of Functional Expenses
For the Years Ended March 31, 2021 and 2020**

	2021			
	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	\$ 359,937	\$ 13,916	\$ 26,672	\$ 400,525
Contract and professional services	225,770	45,644	1,156	272,570
Direct construction and training costs	189,863	-	-	189,863
Rent, office, and phone expenses	59,880	1,268	2,424	63,572
Travel and conferences	30,404	109	209	30,722
Depreciation expense	21,294	-	-	21,294
Vehicle expenses	10,471	-	-	10,471
Bank fees and miscellaneous expenses	1,232	426	432	2,090
Marketing	-	-	282	282
Event expense	-	-	58	58
Total Expenses	\$ 898,851	\$ 61,363	\$ 31,233	\$ 991,447

	2020			
	Program Services	Management and General	Fundraising	Total
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
Rent, office, and phone expenses	91,490	1,458	2,671	95,619
Travel and conferences	58,561	1,167	2,139	61,867
Vehicle expenses	38,224	-	-	38,224
Depreciation expense	11,773	-	-	11,773
Event expense	-	-	10,085	10,085
Bank fees and miscellaneous expenses	1,847	356	870	3,073
Marketing	-	-	656	656
Total Expenses	\$ 769,478	\$ 40,157	\$ 46,318	\$ 855,953

The accompanying notes are an integral part of these combined financial statements.

THE WATER TRUST, INC.

**Combined Statements of Cash Flows
For the Years Ended March 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 38,136	\$ (45,099)
Adjustments to reconcile changes in net assets to net cash and cash equivalents from operating activities:		
Depreciation	21,294	11,773
Effects of exchange rate change on property and equipment in non-cash operating assets	(697)	769
Effects of changes in non-cash operating assets and liabilities:		
Accounts receivable	21,217	9,312
Inventory	1,735	50,426
Prepaid expenses and other assets	4,158	(13,972)
Accounts payable and accrued expenses	(59,766)	22,543
Net Cash from Operating Activities	<u>26,077</u>	<u>35,752</u>
Cash Flows from Investing Activities		
Purchase of equipment	<u>(39,468)</u>	<u>(3,968)</u>
Cash Flows from Financing Activities		
Proceeds from loan payable - Paycheck Protection Program	<u>20,832</u>	-
Net change in cash and cash equivalents	7,441	31,784
Cash and cash equivalents, beginning of year	664,992	633,208
Cash and Cash Equivalents, End of Year	<u>\$ 672,433</u>	<u>\$ 664,992</u>

The accompanying notes are an integral part of these combined financial statements.

THE WATER TRUST, INC.

Notes to the Combined Financial Statements March 31, 2021 and 2020

1. BACKGROUND OF THE ORGANIZATION

The Water Trust, Inc. was incorporated as a not-for-profit corporation in Connecticut on June 8, 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 years ended March 31, 2021 and 2020, are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Combination

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 statements of financial position approximated their respective estimated fair values as of March 31, 2021 and 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, 2021 and 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, 2021 and 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, 2021 and 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 years ended March 31, 2021 and 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, 2021 and 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 statements of activities and changes in net assets and in the combined statements 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. Any shared expenses are allocated based on employees' 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, 2021 and 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 March 31, 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, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources

The following reflects TWT's financial assets as of March 31, 2021, reduced by amounts not available for general use within one year because of donor-imposed restrictions:

	<u>2021</u>
Cash and cash equivalents	\$ 672,433
Accounts receivable	<u>104,605</u>
Financial assets, at year-end	777,038
Less: those unavailable for general expenditures within one year, due to:	
Donor restrictions	271,484
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 505,554</u>

TWT operates with a balanced budget for each fiscal year based on the revenue 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, 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 statements of financial position dates, and revenue and expenses are translated at rates which approximate those in effect on the transactions dates. Net transaction and translation gains and losses are included as foreign currency exchange gain or loss in the accompanying combining statements of activities and changes in net assets and combined statements of functional expenses.

THE WATER TRUST, INC.

Notes to the Combined Financial Statements March 31, 2021 and 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.

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 July 18, 2022, 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.

3. FURNITURE AND EQUIPMENT

As of March 31, 2021 and 2020, furniture and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 78,588	\$ 78,588
Machinery and equipment	54,200	14,035
Website and software	32,689	32,689
Computer equipment	17,145	17,145
Office equipment	12,447	12,447
Office furniture	4,321	4,321
Furniture and equipment	<u>199,390</u>	<u>159,225</u>
Less: accumulated depreciation	150,396	129,102
Furniture and Equipment, Net	<u>\$ 48,994</u>	<u>\$ 30,123</u>

Depreciation expense for the years ended March 31, 2021 and 2020, was \$21,294 and \$11,773, respectively.

THE WATER TRUST, INC.

Notes to the Combined Financial Statements March 31, 2021 and 2020

4. NOTE PAYABLE – PAYCHECK PROTECTION PROGRAM

During the year ended March 31, 2021, The Water Trust, Inc. received a Paycheck Protection Program (PPP) note in the amount of \$20,832, which is recorded as a liability in the accompanying combined statement of financial position as of March 31, 2021. The PPP note was received from the U.S. Federal government under the Coronavirus Aid, Relief and Economic Security (CARES) Act passed by Congress. The terms of the note require the proceeds to be spent on eligible expenses, which are primarily payroll related costs. Part or all of the note may be forgiven based on meeting certain conditions as set forth in the note agreement. Any portion of the PPP note that is not forgiven must be repaid over two years after a six-month deferral period at an interest rate of 1%. Subsequent to year-end, the note was fully forgiven and will be recognized as revenue in the year forgiveness was granted.

SUPPLEMENTAL INFORMATION

THE WATER TRUST, INC.

**Combining Statement of Financial Position
As of March 31, 2021**

	<u>The Water Trust, Inc.</u>	<u>The Water Trust Limited</u>	<u>Combined Total</u>
ASSETS			
Cash and cash equivalents	\$ 574,302	\$ 98,131	\$ 672,433
Accounts receivable	104,605	-	104,605
Inventory	-	20,238	20,238
Prepaid expenses and other assets	2,247	13,284	15,531
Furniture and equipment, net	-	48,994	48,994
Total Assets	\$ 681,154	\$ 180,647	\$ 861,801
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	\$ 12,282	\$ 56,274	\$ 68,556
Note payable - Paycheck Protection Program	20,832	-	20,832
Total Liabilities	33,114	56,274	89,388
Net Assets			
Without donor restrictions	376,556	124,373	500,929
With donor restrictions	271,484	-	271,484
Total Net Assets	648,040	124,373	772,413
Total Liabilities and Net Assets	\$ 681,154	\$ 180,647	\$ 861,801

THE WATER TRUST, INC.

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

	The Water Trust, Inc.	The Water Trust Limited	Combined Total
ASSETS			
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
Total Assets	\$ 688,448	\$ 174,151	\$ 862,599
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	\$ 10,492	\$ 117,830	\$ 128,322
Net Assets			
Without donor restrictions	242,184	56,321	298,505
With donor restrictions	435,772	-	435,772
Total Net Assets	677,956	56,321	734,277
Total Liabilities and Net Assets	\$ 688,448	\$ 174,151	\$ 862,599

THE WATER TRUST, INC.

**Combining Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2021**

	The Water Trust, Inc.	The Water Trust Limited	Elimination Entries	Combined Total
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenue and Other Support				
Contributions	\$ 698,563	\$ 885,604	\$ (860,881)	\$ 723,286
Grant revenue	34,985	-	-	34,985
Interest and other income	2,581	865	-	3,446
Net assets released from restrictions	435,772	-	-	435,772
Total Revenue and Other Support	1,171,901	886,469	(860,881)	1,197,489
Expenses				
Program services	944,933	814,799	(860,881)	898,851
Management and general	61,363	-	-	61,363
Fundraising	31,233	-	-	31,233
Total Expenses	1,037,529	814,799	(860,881)	991,447
Foreign Currency Transaction Adjustment	-	(3,618)	-	(3,618)
Change in Net Assets Without Donor Restrictions	134,372	68,052	-	202,424
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	271,484	-	-	271,484
Net assets released from restrictions	(435,772)	-	-	(435,772)
Change in Net Assets With Donor Restrictions	(164,288)	-	-	(164,288)
Changes in total net assets	(29,916)	68,052	-	38,136
Net assets, beginning of year	677,956	56,321	-	734,277
Net Assets, End of Year	\$ 648,040	\$ 124,373	\$ -	\$ 772,413

THE WATER TRUST, INC.

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

	<u>The Water Trust, Inc.</u>	<u>The Water Trust Limited</u>	<u>Elimination Entries</u>	<u>Combined Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenue and Other Support				
Contributions	\$ 303,583	\$ 684,188	\$ (680,030)	\$ 307,741
Grant revenue	44,980	-	-	44,980
Sponsorship	22,000	-	-	22,000
Interest and other income	575	1,140	-	1,715
Net assets released from restrictions	366,959	-	-	366,959
Total Revenue and Other Support	<u>738,097</u>	<u>685,328</u>	<u>(680,030)</u>	<u>743,395</u>
Expenses				
Program services	773,219	676,289	(680,030)	769,478
Management and general	40,157	-	-	40,157
Fundraising	46,318	-	-	46,318
Total Expenses	<u>859,694</u>	<u>676,289</u>	<u>(680,030)</u>	<u>855,953</u>
Foreign Currency Transaction Adjustment	<u>-</u>	<u>(1,355)</u>	<u>-</u>	<u>(1,355)</u>
Change in Net Assets Without Donor Restrictions	<u>(121,597)</u>	<u>7,684</u>	<u>-</u>	<u>(113,913)</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	435,773	-	-	435,773
Net assets released from restrictions	(366,959)	-	-	(366,959)
Change in Net Assets With Donor Restrictions	<u>68,814</u>	<u>-</u>	<u>-</u>	<u>68,814</u>
Changes in total net assets	(52,783)	7,684	-	(45,099)
Net assets, beginning of year	730,739	48,637	-	779,376
Net Assets, End of Year	<u>\$ 677,956</u>	<u>\$ 56,321</u>	<u>\$ -</u>	<u>\$ 734,277</u>