

**WATER MISSIONS INTERNATIONAL AND AFFILIATES  
(d/b/a WATER MISSION)**

***CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT***

**SEPTEMBER 30, 2021 AND 2020**

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## *TABLE OF CONTENTS*

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
<i>Consolidated Statements of Financial Position,</i> September 30, 2021 and 2020	2
<i>Consolidated Statements of Activities and Changes in Net Assets,</i> Years ended September 30, 2021 and 2020	3-4
<i>Consolidated Statements of Functional Expenses,</i> Years ended September 30, 2021 and 2020	5-6
<i>Consolidated Statements of Cash Flows,</i> Years ended September 30, 2021 and 2020	7
<i>Notes to Consolidated Financial Statements</i>	8-17

---

## INDEPENDENT AUDITORS' REPORT

**Board of Directors**  
**Water Missions International and Affiliates**  
**d/b/a Water Mission**  
**North Charleston, South Carolina**

We have audited the accompanying consolidated financial statements of Water Missions International and Affiliates (d/b/a Water Mission), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### *Auditors' Responsibility*

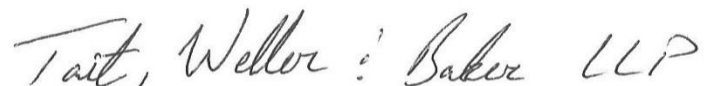
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Water Missions International and Affiliates (d/b/a Water Mission) as of September 30, 2021, and 2020, the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania**  
**February 16, 2022**

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2021 And 2020

---

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,817,231	\$15,115,871
Contributions receivable	861,131	174,451
Prepaid expenses and other assets	686,576	435,678
Inventory—net	3,146,663	4,163,359
Investments	4,497,346	4,406,259
Property and equipment—net	3,590,537	745,501
Assets to be transferred	<u>-</u>	<u>1,234,780</u>
Total Assets	<u>\$21,599,484</u>	<u>\$26,275,899</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 261,661	\$ 588,218
Accrued expenses	1,222,454	1,112,244
Deferred revenue	<u>538,065</u>	<u>770,414</u>
	<u>2,022,180</u>	<u>2,470,876</u>
<b>NET ASSETS</b>		
Without donor restrictions	10,928,780	9,207,283
With donor restrictions	<u>8,648,524</u>	<u>14,597,740</u>
	<u>19,577,304</u>	<u>23,805,023</u>
Total Liabilities and Net Assets	<u>\$21,599,484</u>	<u>\$26,275,899</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 9,917,788	\$ 19,882,898	\$ 29,800,686
Gifts-in-kind	3,798,865	-	3,798,865
Special events, net	47,783	-	47,783
Interest income, net	143,148	-	143,148
Other income	<u>28,068</u>	<u>-</u>	<u>28,068</u>
Total	13,935,652	19,882,898	33,818,550
Net assets released from restriction	<u>25,832,114</u>	<u>(25,832,114)</u>	<u>-</u>
Total support and revenue	<u>39,767,766</u>	<u>(5,949,216)</u>	<u>33,818,550</u>
<b>EXPENSES</b>			
Program services	<u>33,024,868</u>	<u>-</u>	<u>33,024,868</u>
Supporting services:			
Management and general	2,234,397	-	2,234,397
Fund-raising	<u>2,657,605</u>	<u>-</u>	<u>2,657,605</u>
Total supporting services	<u>4,892,002</u>	<u>-</u>	<u>4,892,002</u>
Total expenses	<u>37,916,870</u>	<u>-</u>	<u>37,916,870</u>
Change in net assets before other changes	<u>1,850,896</u>	<u>(5,949,216)</u>	<u>(4,098,320)</u>
<b>OTHER CHANGES</b>			
Effect of translation adjustment	7,670	-	7,670
Realized and unrealized losses	<u>(137,069)</u>	<u>-</u>	<u>(137,069)</u>
Total other changes	<u>(129,399)</u>	<u>-</u>	<u>(129,399)</u>
Change in net assets	1,721,497	(5,949,216)	(4,227,719)
<b>NET ASSETS</b>			
Beginning of year	<u>9,207,283</u>	<u>14,597,740</u>	<u>23,805,023</u>
End of year	<u>\$ 10,928,780</u>	<u>\$ 8,648,524</u>	<u>\$ 19,577,304</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 7,833,822	\$ 21,072,430	\$ 28,906,252
Gifts-in-kind	3,557,167	-	3,557,167
Special events, net	139,963	-	139,963
Interest income, net	250,504	-	250,504
Other income	<u>30,010</u>	<u>-</u>	<u>30,010</u>
Total	11,811,466	21,072,430	32,883,896
Net assets released from restriction	<u>22,251,032</u>	<u>(22,251,032)</u>	<u>-</u>
Total support and revenue	<u>34,062,498</u>	<u>(1,178,602)</u>	<u>32,883,896</u>
<b>EXPENSES</b>			
Program services	<u>27,421,076</u>	-	<u>27,421,076</u>
Supporting services:			
Management and general	1,768,228	-	1,768,228
Fund-raising	<u>1,987,137</u>	<u>-</u>	<u>1,987,137</u>
Total supporting services	<u>3,755,365</u>	<u>-</u>	<u>3,755,365</u>
Total expenses	<u>31,176,441</u>	<u>-</u>	<u>31,176,441</u>
Change in net assets before other changes	<u>2,886,057</u>	<u>(1,178,602)</u>	<u>1,707,455</u>
<b>OTHER CHANGES</b>			
Effect of translation adjustment	(151,248)	-	(151,248)
Realized and unrealized gain	13,033	-	13,033
Gain on disposal of fixed assets	<u>29,175</u>	<u>-</u>	<u>29,175</u>
Total other changes	<u>(109,040)</u>	<u>-</u>	<u>(109,040)</u>
Change in net assets	2,777,017	(1,178,602)	1,598,415
<b>NET ASSETS</b>			
Beginning of year	<u>6,430,266</u>	<u>15,776,342</u>	<u>22,206,608</u>
End of year	<u>\$ 9,207,283</u>	<u>\$ 14,597,740</u>	<u>\$ 23,805,023</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2021

	Program Services	SUPPORTING SERVICES			Total Expenses
		Management And General	Fund- Raising	Total Supporting Services	
Salaries and benefits	\$ 6,611,648	\$ 2,330,623	\$ 2,732,549	\$ 5,063,172	\$ 11,674,820
Professional services	684,389	1,295,714	353,286	1,649,000	2,333,389
Supplies	505,354	1,224,372	283,623	1,507,995	2,013,349
Occupancy	685,152	28,264	17,862	46,126	731,278
Vehicle	259,205	277	7,287	7,564	266,769
Depreciation	315,868	47,827	29,083	76,910	392,778
Travel	1,645,334	97,078	191,292	288,370	1,933,704
Product and transport	9,230,418	29,374	13,322	42,696	9,273,114
Cost of sales	181,921	-	-	-	181,921
Grants to others	8,535,695	-	16,780	16,780	8,552,475
Other expenses	<u>461,085</u>	<u>63,237</u>	<u>38,951</u>	<u>102,188</u>	<u>563,273</u>
Total expenses before functional allocation	29,116,069	5,116,766	3,684,035	8,800,801	37,916,870
Functional allocation	<u>3,908,799</u>	<u>(2,882,369)</u>	<u>(1,026,430)</u>	<u>(3,908,799)</u>	<u>-</u>
Total expenses	<u>\$ 33,024,868</u>	<u>\$ 2,234,397</u>	<u>\$ 2,657,605</u>	<u>\$ 4,892,002</u>	<u>\$ 37,916,870</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020

	Program Services	SUPPORTING SERVICES			Total Expenses
		Management And General	Fund- Raising	Total Supporting Services	
Salaries and benefits	\$ 6,521,893	\$ 2,071,983	\$ 1,130,900	\$ 3,202,883	\$ 9,724,776
Professional services	918,985	1,354,022	296,082	1,650,104	2,569,089
Supplies	493,785	895,928	173,539	1,069,467	1,563,252
Occupancy	849,820	21,918	38,758	60,676	910,496
Vehicle	233,513	4	1,129	1,133	234,646
Depreciation	246,768	12,047	13,044	25,091	271,859
Travel	1,567,283	86,906	58,626	145,532	1,712,815
Product and transport	12,361,814	9,230	1,642	10,872	12,372,686
Cost of sales	88,634	-	-	-	88,634
Grants to others	1,067,321	-	-	-	1,067,321
Other expenses	<u>614,173</u>	<u>27,824</u>	<u>18,870</u>	<u>46,694</u>	<u>660,867</u>
Total expenses before functional allocation	24,963,989	4,479,862	1,732,590	6,212,452	31,176,441
Functional allocation	<u>2,457,087</u>	<u>(2,711,634)</u>	<u>254,547</u>	<u>(2,457,087)</u>	<u>-</u>
Total expenses	<u>\$ 27,421,076</u>	<u>\$ 1,768,228</u>	<u>\$ 1,987,137</u>	<u>\$ 3,755,365</u>	<u>\$ 31,176,441</u>

See notes to consolidated financial statements.



# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2021 And 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (4,227,719)	\$ 1,598,415
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	392,778	271,859
Realized and unrealized losses (gains)	137,069	(13,033)
Donated inventory	(2,641,206)	(2,189,559)
Distribution of donated inventory	1,820,412	2,157,963
Gain on disposal of property and equipment and other assets	-	(15,071)
Effect of translation adjustment	-	98,203
Changes in operating assets and liabilities:		
Service receivables	(686,680)	133,144
Prepaid expenses	(250,898)	112,350
Inventory	1,837,490	(333,800)
Assets to be transferred	1,234,780	(1,234,780)
Accounts payable	(326,557)	77,216
Accrued expenses	110,210	644,109
Deferred revenue	<u>(232,349)</u>	<u>496,737</u>
Net cash (used in) provided by operating activities	<u>(2,832,670)</u>	<u>1,803,753</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment, net	(3,237,814)	(319,819)
Purchase of investments	(2,873,103)	(3,626,611)
Proceeds from sale and maturities of investments	<u>2,644,947</u>	<u>7,076,471</u>
Net cash (used in) provided by investing activities	<u>(3,465,970)</u>	<u>3,130,041</u>
Net change in cash and cash equivalents	(6,298,640)	4,933,794
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>15,115,871</u>	<u>10,182,077</u>
End of year	<u>\$ 8,817,231</u>	<u>\$ 15,115,871</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*

September 30, 2021 And 2020

---

### (1) NATURE OF ORGANIZATION

Water Mission is a Christian engineering nonprofit that designs, builds, and implements safe water, sanitation, and hygiene (WASH) solutions for people in developing countries, refugee camps, and disaster areas. Using a two-pronged strategy of implementing best-in-class projects and serving as a resource to other organizations engaged in this work, Water Mission is committed to fighting the global water crisis.

This work is accomplished through the efforts of more than 400 staff members working in permanent country programs in Africa; Asia; North, South, and Central America; and the Caribbean. These financial statements include all assets, liabilities, revenues, and expenses for the country programs. Water Mission consistently exhibits strong financial stewardship. Notably, Charity Navigator has awarded Water Mission its top four-star rating 15 years in a row (awarded in 2021 for FY2020 financial results), a distinction shared by only 1% of the charities rated by the organization. Additionally, Water Mission was awarded Charity Navigator's Perfect Score certification for Accountability and Transparency for 2020 and scored 95 of 100 for financial health.

Water Mission's reputation for high standards and integrity has resulted in numerous partnerships with other highly regarded organizations. Collaboration and partnership among industry leaders, as well as educating the public, are essential to solving the global water crisis. These elements are central to Water Mission's strategy for success. Water Mission is unique in its comprehensive community development services, innovative engineering practices, and intense focus on education and advocacy, all of which are demonstrated through the work described below.

#### ***COMMUNITY DEVELOPMENT***

Water Mission's holistic approach to community development through WASH is specifically designed to improve health in communities served and reduce water-related illnesses and death. Through its in-country teams, Water Mission builds on local resources and relationships to create a collaborative environment for WASH projects. This collaboration allows the organization to focus on social, financial, and institutional sustainability initiatives to ensure long-term success. To date, Water Mission has implemented more than 2,800 safe water, sanitation, and hygiene projects.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2021 And 2020

---

### ***DISASTER RESPONSE***

With over 20 years of disaster response experience, Water Mission is an expert at implementing immediate and long-term safe water solutions following natural disasters and during humanitarian crises. Using a variety of cutting-edge solutions chosen for the specific situation, Water Mission has served more than 1.3 million people following disasters and emergencies.

- **Natural Disasters:** Water Mission has provided relief following some of the world's most devastating disasters, often staying after other relief agencies leave to build resilience and sustainability through long-term recovery efforts. In 2021, Water Mission served more than 265,000 survivors of 10 disasters, most recently following the magnitude-7.2 earthquake in Haiti in August 2021. This year, the organization also responded to winter storms in Texas, a volcano eruption in St. Vincent, and an earthquake and landslides in Sulawesi, Indonesia. The organization continued assisting in long-term reconstruction in the Bahamas following Hurricane Dorian, working with the government to solarize municipal water systems.
- **Humanitarian Crises:** Since 2013, Water Mission has been on the frontlines providing WASH solutions to those living in refugee camps in east Africa. In 2021, Water Mission served more than 630,000 displaced people living in six refugee camps with safe water. Sound engineering standards and speed are crucial in refugee settings, so ensuring projects are implemented right the first time is a lifesaving imperative. Because of Water Mission's commitment to excellence, the UN's refugee agency, UNHCR, and UNICEF continue to partner with the organization to develop and install safe water solutions.

### ***ENGINEERING INNOVATION***

Water Mission strives to be a leader in the WASH sector by constantly developing innovative technology and upgrading WASH solutions designed to tackle the global water crisis. Since 2001, Water Mission has used innovative technology and engineering expertise to provide access to safe water for more than 7 million people in 57 countries. The organization is committed to developing solutions that meet the same water quality standards used in the United States.

Currently, Water Mission has more than 40 engineers working at its global headquarters and in its country program offices. These engineers are constantly innovating and refining how projects are implemented in the field. Water Mission's culture of constant innovation has led to four patents on equipment used to provide custom WASH solutions. These customized solutions are one of Water Mission's differentiators. Water Mission has the expertise to develop context-appropriate solutions, including solar pumping, water treatment, and piped water distribution.

Working with UNICEF, Water Mission created a solar-powered water pumping guide to equip all UNICEF relief and development programs with formalized protocols and governance. The organization is also collaborating with UNICEF on the West Central Africa Region (WCAR) Solar Hub to scale up sustainable, safe water production in the region. This partnership with UNICEF speaks to Water Mission's reputation as a best-in-class organization and a leader in designing and using solar-powered systems. To date, Water Mission has installed more than 1,400 projects using solar panels.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2021 And 2020

---

Water Mission develops technology with sustainability in mind. To optimize safe water and sanitation projects' long-term performance, Water Mission's operations include extensive monitoring, evaluation, and research. Continuous learning spans internal data, industry innovations, and best practices. This research includes routine evaluation of field activities, remote monitoring of water systems, analysis of project performance data through a proprietary online global program management platform, and focused impact studies. In addition, Water Mission's qualitative survey tool measures the changes in health and well-being that occur over time in communities due to safe water and sanitation solutions. The program evaluation and research methods allow the organization to adopt new approaches based on discovered successes and failures.

### **ADVOCACY**

One of Water Mission's top priorities is to act as a resource that helps educate others about the global water crisis. This goal is accomplished by creating educational programs, encouraging financial support of transformative WASH solutions, and organizing events. One such event is Water Mission's Walk for Water. The flagship event in North Charleston draws thousands of people together. Partner and community Walks draw participants and raise awareness in cities across the United States and around the world. Water Mission provides educational programming for students in fun and interactive ways at schools, educational conferences, and community events.

Water Mission is a trademark of Water Missions International, doing business as Water Mission. The organization depends on cash contributions and gifts-in-kind offerings primarily received from individuals, churches, foundations, and corporations. It also relies on the time commitment of over 225 volunteers who work more than 10,000 hours annually. Water Mission is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and is not a private foundation under Section 509(a) of the Code.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been prepared on the accrual basis. The following significant accounting policies are described below to enhance the usefulness of the consolidated financial statements to the reader.

### **BASIS OF PRESENTATION**

Water Mission's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The principles require that resources be classified based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

***Without Donor Restrictions*** – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objective of Water Mission. These net assets may be used at the discretion of Water Mission.

***With Donor Restrictions*** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Water Mission and/or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2021 And 2020

---

### ***PRINCIPLES OF CONSOLIDATION***

This report presents the consolidated financial position, changes in net assets and cash flows of Water Mission and its controlled affiliates in Haiti, Peru, Indonesia, Malawi, Kenya, Mexico, Uganda, and Tanzania. In addition, the financial statements include the financial position, changes in net assets and cash flows of the branch offices of Honduras. Significant transactions and balances between organizations have been eliminated for consolidated financial statement purposes.

### ***ESTIMATES***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

### ***CASH AND CASH EQUIVALENTS***

Cash and cash equivalents consist of cash held in checking and savings accounts, and money market accounts. These accounts are located in the United States and in foreign countries. Accounts in the United States may, at times, exceed federally insured limits. Water Mission has not experienced any losses in such accounts.

Cash balances of foreign subsidiaries are under the control of Water Mission. Total cash and cash equivalents held internationally amounted to \$795,795 and \$1,012,956 as of September 30, 2021 and 2020, respectively.

### ***CONTRIBUTIONS RECEIVABLE***

Contributions receivable include amounts due from non-government organizations and other similar organizations who have provided Water Mission with awards to provide safe water solutions in specified areas of need. The balance reported on the statement of financial position represents unreimbursed amounts for qualifying expenditures incurred on such awards. These balances are expected to be collected in less than one year.

### ***INVENTORY***

Inventory consists of purchased and donated parts used in water and sanitation projects. Inventory purchased by Water Mission is stated at weighted average cost. Inventory includes manufacturing overhead. Donated inventory is recorded at fair market value as gifts-in-kind support and inventory. Shipping costs related to inventory on hand at year-end and transportation costs of finished goods inventory from the assembly facility to overseas warehouse locations are expensed as incurred.

### ***INVESTMENTS***

Accounting Standards Codification (“ASC”) 958, “Not-for-profit Entities” establishes standards for accounting for certain investments held by not-for-profit organizations and requires that investments in securities be recorded at fair market value with the resulting gains and losses reported in the statement of activities.

The fair market value of investments traded on a securities exchanges are determined based on quoted market prices for those investments

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2021 And 2020

---

### **PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost or, if donated, at fair market value on the date of donation. Property and equipment valued at \$1,000 or more for computer equipment and \$5,000 or more for other property and equipment are capitalized, as well as all land. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	20
Leasehold improvements	4 - 15
Manufacturing equipment	5 - 7
Furniture and equipment	5 - 7
Software	3 - 5
Vehicles	3

### **COMPENSATED ABSENCES**

Employees of Water Mission are entitled to paid time off (PTO). Water Mission's policy allows employees to carry over a portion of unused PTO beyond the end of a calendar year. Accrued PTO as of September 30, 2021 and 2020, is included in accrued expenses in the consolidated statements of financial position.

### **SUPPORT AND REVENUE**

Water Mission recognizes unconditional contributions when cash, securities or other assets, and unconditional promise to give, or a notification of a beneficial interest is received. Conditional contributions are those which include one or more barriers that must be overcome and includes a right of return or a release of a liability to the contributor before Water Mission is entitled to the assets transferred or promised. Water Mission recognizes such contributions when the conditions are substantially met or explicitly waived. Unconditional contributions are classified as without donor restrictions unless there are donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are then classified to net assets without donor restrictions and reported in the statement of activities as "**net assets released from restrictions.**"

Water Mission hosts annual events to raise funds and awareness for the global water crisis and the solutions Water Mission provides. Revenue and expenses related to these events are reported in the consolidated statements of activities as special events, net.

### **EXPENSES**

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities are summarized on a functional basis in the consolidated statements of activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to program and supporting services based on various factors determined by management. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Research and development costs are expensed as incurred.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2021 And 2020

---

### **FOREIGN CURRENCY EXCHANGE RATE**

Water Mission’s reporting currency is the U.S. dollar. The affiliates and the branch offices in Honduras of Water Mission use their local currency as the functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of activities. The consolidated financial statements of the Water Mission affiliates are translated into U.S. dollars using period- end rates of exchange for assets and liabilities and average rates of exchange in the period for revenues and expenses. Translation gains and losses are recorded as effects of translation adjustment on the consolidated statements of activities.

### **INCOME TAXES**

The consolidated financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of September 30, 2021, Water Mission had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

Water Mission files information tax returns in the U.S. and various states. Water Mission is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2018.

### **NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED**

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. Water Mission plans to adopt the new ASU at the required implementation date.

## (3) INVENTORY – NET

Inventory consists of:

	<u>2021</u>	<u>2020</u>
Raw material, work in progress, and finished goods–U.S.	\$ 1,342,798	\$ 2,151,686
Obsolescence reserve	<u>(125,653)</u>	<u>(5,219)</u>
	<u>1,217,145</u>	<u>2,146,467</u>
Finished goods–International	2,143,908	2,039,109
Obsolescence reserve	<u>(214,390)</u>	<u>(22,217)</u>
	<u>1,929,518</u>	<u>2,016,892</u>
	<u>\$ 3,146,663</u>	<u>\$ 4,163,359</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2021 And 2020

---

### (4) INVESTMENTS

The fair market value of investments consists of the following at September 30:

	<u>2021</u>	<u>2020</u>
<b>Investments</b>		
United States Government and Federal Agency Bonds	\$ 1,334,784	\$ 2,975,114
Corporate Bonds	<u>3,162,562</u>	<u>1,431,145</u>
<b>Total Investments</b>	<u>\$ 4,497,346</u>	<u>\$ 4,406,259</u>

Investment earnings for the years ended September 30, 2021 and 2020, are comprised of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends, net*	\$ 143,148	\$ 250,504
Realized and unrealized (loss) / gain	<u>(137,069)</u>	<u>13,033</u>
	<u>\$ 6,079</u>	<u>\$ 263,537</u>

\* Includes interest earned on the operating bank accounts

### (5) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following describes the hierarchy of inputs used to measure market value and the primary valuation methodologies used by Water Mission for investments measured at market value on a recurring basis. An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the market value measurement. The three levels of inputs are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that Water Mission has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment schedules, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing Water Mission's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The hierarchy requires the use of observable market data when available. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the measurement. Water Mission's financial instruments that are subject to fair value measurement are comprised of investments which are valued using level two inputs.



# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2021 And 2020

### (6) PROPERTY AND EQUIPMENT – NET

Property and equipment consist of:

	<u>2021</u>	<u>2020</u>
Domestic:		
Land	\$ 2,070,000	\$ -
Building	1,000,000	-
Leasehold improvements	354,304	354,304
Furniture and equipment	385,493	385,493
Vehicles	138,648	190,208
Manufacturing equipment	<u>420,920</u>	<u>420,920</u>
	4,369,365	1,350,925
Less accumulated depreciation	<u>(1,209,842)</u>	<u>(1,054,946)</u>
	<u>3,159,523</u>	<u>295,979</u>
International:		
Land	45,516	42,773
Buildings	83,685	79,131
Leasehold improvements	14,472	13,542
Furniture and equipment	72,813	71,324
Vehicles	<u>1,745,596</u>	<u>1,617,966</u>
	1,962,082	1,824,736
Less accumulated depreciation	<u>(1,531,068)</u>	<u>(1,375,214)</u>
	<u>431,014</u>	<u>449,522</u>
	<u>\$ 3,590,537</u>	<u>\$ 745,501</u>

Depreciation expense was approximately \$392,800 and \$271,900 for the years ended September 30, 2021 and 2020 respectively.

### (7) NET ASSETS

Net assets consist of:

	<u>2021</u>	<u>2020</u>
Without donor restriction:		
Undesignated	\$ 4,706,213	\$ 4,726,593
Net equity in inventory	2,632,030	3,735,189
Net equity in property and equipment	<u>3,590,537</u>	<u>745,501</u>
	<u>10,928,780</u>	<u>9,207,283</u>
With donor restriction:		
Purpose restrictions – non inventory	8,133,891	14,169,570
Purpose restrictions – inventory	<u>514,633</u>	<u>428,170</u>
	<u>8,648,524</u>	<u>14,597,740</u>
Total net assets	<u>\$ 19,577,304</u>	<u>\$ 23,805,023</u>

For the year ended September 30, 2021 and 2020, net assets of \$25,832,114 and \$22,251,032, respectively were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2021 And 2020

---

### (8) DONATED MATERIALS AND SERVICES

Donated materials are reflected as contributions in the accompanying consolidated financial statements at their estimated fair market values at the date of receipt. Donated services include services provided by volunteers to assemble water treatment systems, skilled services provided by professionals, and other specialized services that would typically have to be purchased if not provided by donation. Additionally, the monthly rental of Water Mission's office space and warehouse in Charleston, South Carolina was provided by the owner as an in-kind donation. In April 2021 Water Mission purchased the office space and warehouse and capitalized the building and land at \$3,070,000. The value capitalized by Water Mission includes a donated contribution of \$1,364,753 from the seller.

Donated services were valued using equivalent compensation amounts for comparable services or published rates based on studies available for type and location of service. The value of donated materials and services received during the years ended September 30, 2021 and 2020, was \$3,798,865 and \$3,557,167, respectively.

### (9) SPECIAL EVENTS

During the years ended September 30, 2021 and 2020, Water Mission hosted special events including the Charleston Walk for Water. These special events are designed to inform supporters about the ministry and to promote the ministry to potential new donors. Support received from these events totaled \$427,617 less \$379,834 in costs for the benefits provided during the year ended September 30, 2021, and \$303,134 less \$163,171 in costs for the benefits provided during the year ended September 30, 2020.

### (10) RETIREMENT PLAN

Water Mission maintains a defined contribution plan for employees. Employees are eligible to make elective deferrals immediately. Water Mission matches employee salary deferrals up to 3%. For the years ended September 30, 2021 and 2020, Water Mission incurred expenses of approximately \$211,600 and \$157,000, respectively.

### (11) CONTINGENCIES

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The current operating environment is changing rapidly. The extent of impact that COVID-19 pandemic will have on the financial performance of Water Mission operations is not reasonably estimable at this time.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2021 And 2020

---

### (12) RELATED PARTY TRANSACTIONS

Water Mission uses the services of a trust company where a board member is an advisor. Assets under management with this investment company totaled approximately \$5,561,000 and \$8,200,000 as of September 30, 2021 and 2020, respectively.

Water Mission received approximately \$500,000 and \$488,000 of donated delivery services from a multinational delivery service company in which a member of the board of trustees is a director as of September 30, 2021 and 2020, respectively.

Under a master service agreement, Water Mission provided accounting, administrative and fundraising services to the Global Water Center (GWC), a separately incorporated non-profit organization, in which certain board members of Water Mission are board members of GWC. For the years ending September 30, 2021 and 2020, income earned under the master service agreement was approximately \$218,000 and \$170,000. Water Mission also processed GWC employees' salary and benefits under the master service agreement. For the years ending September 30, 2021 and 2020, salaries and benefits of approximately \$1,143,000 and \$213,000, respectively, were reimbursed. For the years ending September 30, 2021 and 2020 Water Mission provided support that approximated \$8,400,000 and \$610,000, respectively. The support provided during fiscal year 2021 included a transfer of fixed assets of approximately \$4,400,000.

### (13) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

At September 30, 2021 and 2020, financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<u>Financial Assets</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,817,231	\$ 15,115,871
Contributions receivable	861,131	174,451
Investments	<u>4,497,346</u>	<u>4,406,259</u>
Total financial assets available within one year	14,175,708	19,696,581
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with purpose or time restrictions	<u>(8,133,891)</u>	<u>(14,169,570)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 6,041,817</u>	<u>\$ 5,527,011</u>

As part of Water Mission's liquidity-management plan, it structures its financial assets to be available as its obligations come due.

### (14) SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.