

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

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

SEPTEMBER 30, 2023 AND 2022

WATER MISSIONS INTERNATIONAL AND AFFILIATES

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
<i>Consolidated Statements of Financial Position,</i> September 30, 2023 And 2022	3
<i>Consolidated Statements of Activities and Changes in Net Assets,</i> Years Ended September 30, 2023 And 2022	4-5
<i>Consolidated Statements of Functional Expenses,</i> Years Ended September 30, 2023 And 2022	6
<i>Consolidated Statements of Cash Flows,</i> Years Ended September 30, 2023 And 2022	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**

Opinion

We have audited the accompanying consolidated financial statements of Water Missions International and Affiliates (d/b/a Water Mission), which comprise the consolidated statement of financial position as of September 30, 2023 and 2022, 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 financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Water Mission as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Water Mission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Water Mission's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Water Mission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Water Mission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Tait, Weller & Baker LLP

TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
February 21, 2024**

WATER MISSIONS INTERNATIONAL AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2023 And 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 4,368,344	\$ 7,523,158
Contributions receivable	868,624	2,663,000
Prepaid expenses and other assets	826,469	983,223
Inventory—net	3,763,966	2,292,712
Investments	7,523,529	6,349,172
Property and equipment—net	<u>3,253,153</u>	<u>3,275,611</u>
Total Assets	<u>\$20,604,085</u>	<u>\$23,086,876</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 660,176	\$ 740,849
Accrued expenses	1,246,117	951,282
Deferred revenue	<u>307,045</u>	<u>1,056,500</u>
	<u>2,213,338</u>	<u>2,748,631</u>
NET ASSETS		
Without donor restrictions	11,611,846	10,945,555
With donor restrictions	<u>6,778,901</u>	<u>9,392,690</u>
	<u>18,390,747</u>	<u>20,338,245</u>
Total Liabilities and Net Assets	<u>\$20,604,085</u>	<u>\$23,086,876</u>

WATER MISSIONS INTERNATIONAL AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions of cash and other financial assets	\$ 13,522,977	\$ 18,404,836	\$ 31,927,813
Contributions of nonfinancial assets	2,318,968	-	2,318,968
Special events, net	319,910	-	319,910
Interest income, net	343,919	-	343,919
Other income	<u>148,170</u>	<u>-</u>	<u>148,170</u>
Total	16,653,944	18,404,836	35,058,780
Net assets released from restriction	<u>21,018,625</u>	<u>(21,018,625)</u>	<u>-</u>
Total support and revenue	<u>37,672,569</u>	<u>(2,613,789)</u>	<u>35,058,780</u>
EXPENSES			
Program services	<u>32,305,659</u>	<u>-</u>	<u>32,305,659</u>
Supporting services:			
Management and general	2,156,272	-	2,156,272
Fund-raising	<u>2,426,022</u>	<u>-</u>	<u>2,426,022</u>
Total supporting services	<u>4,582,294</u>	<u>-</u>	<u>4,582,294</u>
Total expenses	<u>36,887,953</u>	<u>-</u>	<u>36,887,953</u>
Change in net assets before other changes	<u>784,616</u>	<u>(2,613,789)</u>	<u>(1,829,173)</u>
OTHER CHANGES			
Effect of translation adjustment	(189,424)	-	(189,424)
Gain on disposal of fixed assets	19,773	-	19,773
Realized and unrealized gains on investments	<u>51,326</u>	<u>-</u>	<u>51,326</u>
Total other changes	<u>(118,325)</u>	<u>-</u>	<u>(118,325)</u>
Change in net assets	666,291	(2,613,789)	(1,947,498)
NET ASSETS			
Beginning of year	<u>10,945,555</u>	<u>9,392,690</u>	<u>20,338,245</u>
End of year	<u>\$ 11,611,846</u>	<u>\$ 6,778,901</u>	<u>\$ 18,390,747</u>

WATER MISSIONS INTERNATIONAL AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions of cash and other financial assets	\$ 13,689,195	\$ 19,237,861	\$ 32,927,056
Contributions of nonfinancial assets	3,277,151	-	3,277,151
Special events, net	255,934	-	255,934
Interest income, net	151,715	-	151,715
Other income	<u>17,962</u>	<u>-</u>	<u>17,962</u>
Total	17,391,957	19,237,861	36,629,818
Net assets released from restriction	<u>18,493,695</u>	<u>(18,493,695)</u>	<u>-</u>
Total support and revenue	<u>35,885,652</u>	<u>744,166</u>	<u>36,629,818</u>
EXPENSES			
Program services	<u>32,285,001</u>	<u>-</u>	<u>32,285,001</u>
Supporting services:			
Management and general	1,590,602	-	1,590,602
Fund-raising	<u>1,621,586</u>	<u>-</u>	<u>1,621,586</u>
Total supporting services	<u>3,212,188</u>	<u>-</u>	<u>3,212,188</u>
Total expenses	<u>35,497,189</u>	<u>-</u>	<u>35,497,189</u>
Change in net assets before other changes	<u>388,463</u>	<u>744,166</u>	<u>1,132,629</u>
OTHER CHANGES			
Effect of translation adjustment	(204,875)	-	(204,875)
Gain on disposal of fixed assets	18,365	-	18,365
Realized and unrealized losses on investments	<u>(185,178)</u>	<u>-</u>	<u>(185,178)</u>
Total other changes	<u>(371,688)</u>	<u>-</u>	<u>(371,688)</u>
Change in net assets	16,775	744,166	760,941
NET ASSETS			
Beginning of year	<u>10,928,780</u>	<u>8,648,524</u>	<u>19,577,304</u>
End of year	<u>\$ 10,945,555</u>	<u>\$ 9,392,690</u>	<u>\$ 20,338,245</u>

WATER MISSIONS INTERNATIONAL AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended September 30, 2023 and 2022

	<u>SUPPORTING SERVICES</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management And General</u>	<u>Fund-Raising</u>	<u>Total Supporting Services</u>	
Salaries and benefits	\$ 12,750,683	\$ 1,195,977	\$ 1,756,865	\$ 2,952,842	\$ 15,703,525
Professional services	2,325,677	360,026	361,468	721,494	3,047,171
Supplies	1,997,883	321,195	116,137	437,332	2,435,215
Occupancy	451,707	118	354	472	452,179
Vehicle	516,877	76	199	275	517,152
Depreciation	473,494	39,943	-	39,943	513,437
Travel	3,108,677	109,221	160,873	270,094	3,378,771
Product and transport	8,737,254	52,230	26,670	78,900	8,816,154
Cost of sales	210,161	-	-	-	210,161
Grants to others	1,170,155	-	-	-	1,170,155
Other expenses	<u>563,091</u>	<u>77,486</u>	<u>3,456</u>	<u>80,942</u>	<u>644,033</u>
Total expenses	<u>\$ 32,305,659</u>	<u>\$ 2,156,272</u>	<u>\$ 2,426,022</u>	<u>\$ 4,582,294</u>	<u>\$ 36,887,953</u>

	<u>SUPPORTING SERVICES</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management And General</u>	<u>Fund-Raising</u>	<u>Total Supporting Services</u>	
Salaries and benefits	\$ 10,757,826	\$ 979,693	\$ 1,341,509	\$ 2,321,202	\$ 13,079,028
Professional services	1,747,808	253,927	95,828	349,755	2,097,563
Supplies	1,353,360	205,570	73,259	278,829	1,632,189
Occupancy	454,445	572	-	572	455,017
Vehicle	248,342	79	-	79	248,421
Depreciation	430,225	30,417	19,303	49,720	479,945
Travel	2,291,392	52,885	84,214	137,099	2,428,491
Product and transport	13,084,117	11,228	-	11,228	13,095,345
Cost of sales	217,462	-	-	-	217,462
Grants to others	1,377,676	-	-	-	1,377,676
Other expenses	<u>322,348</u>	<u>56,231</u>	<u>7,473</u>	<u>63,704</u>	<u>386,052</u>
Total expenses	<u>\$ 32,285,001</u>	<u>\$ 1,590,602</u>	<u>\$ 1,621,586</u>	<u>\$ 3,212,188</u>	<u>\$ 35,497,189</u>

WATER MISSIONS INTERNATIONAL AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2023 And 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(1,947,498)	\$ 760,941
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	513,437	479,945
Realized and unrealized (gains) losses on investments	(51,326)	185,178
Donated inventory	(1,334,120)	(2,115,428)
Distribution of donated inventory	1,586,612	2,383,782
Gain on disposal of property and equipment and other assets	(19,773)	(18,365)
Changes in operating assets and liabilities:		
Contributions receivable	1,794,376	(1,801,869)
Prepaid expenses	156,754	(296,647)
Inventory	(1,723,746)	585,597
Accounts payable	(80,673)	479,188
Accrued expenses	294,835	(271,172)
Deferred revenue	<u>(749,455)</u>	<u>518,435</u>
Net cash (used in) provided by operating activities	<u>(1,560,577)</u>	<u>889,585</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment, net	(508,229)	(165,019)
Proceeds from sale of fixed assets	37,023	18,365
Purchase of investments	(6,423,031)	(7,513,439)
Proceeds from sale and maturities of investments	<u>5,300,000</u>	<u>5,476,435</u>
Net cash used in investing activities	<u>(1,594,237)</u>	<u>(2,183,658)</u>
Net change in cash and cash equivalents	(3,154,814)	(1,294,073)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>7,523,158</u>	<u>8,817,231</u>
End of year	<u>\$ 4,368,344</u>	<u>\$ 7,523,158</u>

WATER MISSIONS INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 And 2022

(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 projects with excellence and serving as a resource to other organizations engaged in this work, Water Mission is committed to fighting the global water crisis. In 2023, we served more than 1.9 million people around the world.

This work is accomplished through the efforts of more than 400 staff members working in country programs in North, South, and Central America; Africa; and Asia. These financial statements include all assets, liabilities, revenues, and expenses for US and controlled affiliate entities.

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, national governments, and funders 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 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. Water Mission has implemented more than 3,200 safe water, sanitation, and hygiene projects in communities and disaster-stricken areas to date.

DISASTER RESPONSE

With more than 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.

- *Natural Disasters:* Water Mission has provided relief following some of the world's most devastating disasters, often staying after other relief agencies leave to implement long-term solutions that help communities better prepare for future disasters. In 2023, Water Mission served nearly 281,000 people in crisis. Water Mission's Disaster Assistance Response Team deployed to both Turkey and Morocco to assess the most urgent needs, locate available water sources, and test water quality and safety after deadly earthquakes struck these regions. Additionally, Water Mission responded to disasters in Haiti, Malawi, and Pakistan in 2023.
- *Humanitarian Crises:* Since 2013, Water Mission has provided WASH solutions to people living in refugee camps. In 2023, Water Mission provided critical WASH services and tangible hope to more than 800,000 people who fled their homes due to war, human rights violations, disasters, and other significant challenges. Throughout 2023, Water Mission equipped 15 refugee and displacement camps with safe water systems throughout the world. Working with partners like UNICEF and UNHCR, the UN's refugee agency, Water Mission is committed to sound engineering standards and overall excellence in bringing safe water to refugees and displaced people.

WATER MISSIONS INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 And 2022

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 its engineering expertise to provide access to safe water for more than 8 million people in 60 countries. The organization is committed to developing solutions that meet the same water quality standards used in the United States.

Water Mission has more than 40 engineers working at its global headquarters and in its country program offices to implement projects in the field. The expertise to design customized, context-appropriate solutions like solar pumping, water treatment, and piped water distribution is one of Water Mission's differentiators.

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 leader in designing and using solar-powered systems.

Water Mission develops technology with sustainability in mind. Water Mission optimizes projects' long-term performance through extensive monitoring, evaluation, and research. Continuous learning includes industry research, routine evaluation of field activities, remote monitoring of water systems, project performance data analysis through a proprietary global platform, and focused impact studies. In addition, Water Mission's qualitative survey tool measures WASH solutions' impact on health and well-being over time. The program evaluation and research methods allow the organization to adopt new approaches based on results.

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 N. Charleston, SC, draws thousands of people each year, while partner and community Walks raise awareness in cities across the United States and around the world. Water Mission also provides educational programming for classrooms, 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 from individuals, churches, foundations, and corporations. It also relies on the time commitment of more than 370 volunteers who work more than 9,250 hours annually. Water Mission is exempt from federal income tax under Section 501(c)(3) of the US Internal Revenue Code (Code) and is not a private foundation under Section 509(a) of the Code.

WATER MISSIONS INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 And 2022

(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.

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, 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 short-term investments with maturities of less than three months when purchased. 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 \$1,047,069 and \$1,380,225 as of September 30, 2023 and 2022, respectively.

WATER MISSIONS INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2023 And 2022

CONTRIBUTIONS RECEIVABLE AND DEFERRED INCOME

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.

Certain awards accounted for as conditional contributions provide for funding in advance of the expenditures incurred. Under such awards, the advance receipts are accounted for as deferred income and revenue is not recognized until qualifying expenditures are incurred or other conditions are met.

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.

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, 2023 and 2022, is included in accrued expenses in the consolidated statements of financial position.

WATER MISSIONS INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2023 And 2022

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.

FOREIGN CURRENCY EXCHANGE RATE

Water Mission’s reporting currency is the U.S. dollar. The affiliates and the branch office in Honduras 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, 2023, 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 2020.

WATER MISSIONS INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2023 And 2022

(3) INVENTORY – NET

Inventory consists of:

	<u>2023</u>	<u>2022</u>
Raw material, work in progress, and finished goods–U.S.	\$ 1,626,778	\$ 1,010,336
Obsolescence reserve	<u>(154,246)</u>	<u>(93,351)</u>
	<u>1,472,532</u>	<u>916,985</u>
Finished goods–International	2,546,038	1,528,586
Obsolescence reserve	<u>(254,604)</u>	<u>(152,859)</u>
	<u>2,291,434</u>	<u>1,375,727</u>
	<u>\$ 3,763,966</u>	<u>\$ 2,292,712</u>

(4) INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Investments		
Money Market Funds	\$ 334,352	\$ -
United States Government and Federal Agency Bonds	3,751,071	3,177,361
Certificate of Deposits	750,035	-
Corporate Bonds	<u>2,688,071</u>	<u>3,171,811</u>
Total Investments	<u>\$ 7,523,529</u>	<u>\$ 6,349,172</u>

Investment earnings for the years ended September 30, 2023 and 2022, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends, net*	\$ 343,919	\$ 151,715
Realized and unrealized gain (loss)	<u>51,326</u>	<u>(185,178)</u>
	<u>\$ 395,245</u>	<u>\$ (33,463)</u>

* Includes interest earned on the operating bank accounts.

WATER MISSIONS INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2023 And 2022

(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.

The summary of inputs used to value Water Missions investments as of September 30 are as follows:

	<u>2023</u>			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Money Market Funds	\$ 334,352	\$ 334,352	\$ -	\$ -
United States Government and Federal Agency Bonds	3,751,071	-	3,751,071	-
Certificate of Deposits	750,035	-	750,035	-
Corporate Bonds	<u>2,688,071</u>	<u>-</u>	<u>2,688,071</u>	<u>-</u>
	<u>\$ 7,523,529</u>	<u>\$ 334,352</u>	<u>\$ 7,189,177</u>	<u>\$ -</u>
	<u>2022</u>			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
United States Government and Federal Agency Bonds	\$ 3,177,361	\$ -	\$ 3,177,361	\$ -
Corporate Bonds	<u>3,171,811</u>	<u>-</u>	<u>3,171,811</u>	<u>-</u>
	<u>\$ 6,349,172</u>	<u>\$ -</u>	<u>\$ 6,349,172</u>	<u>\$ -</u>

WATER MISSIONS INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2023 And 2022

(6) PROPERTY AND EQUIPMENT – NET

Property and equipment consist of:

	<u>2023</u>	<u>2022</u>
Domestic:		
Land	\$ 2,070,000	\$ 2,070,000
Building	1,000,000	1,000,000
Leasehold improvements	354,304	354,304
Furniture and equipment	385,493	385,493
Vehicles	112,147	112,147
Manufacturing equipment	<u>420,920</u>	<u>420,920</u>
	4,342,864	4,342,864
Less accumulated depreciation	<u>(1,709,001)</u>	<u>(1,469,122)</u>
	<u>2,633,863</u>	<u>2,873,742</u>
International:		
Land	35,061	38,411
Buildings	69,748	73,176
Leasehold improvements	10,525	11,911
Furniture and equipment	66,115	65,889
Vehicles	<u>2,061,988</u>	<u>1,682,160</u>
	2,243,437	1,871,547
Less accumulated depreciation	<u>(1,624,147)</u>	<u>(1,469,678)</u>
	<u>619,290</u>	<u>401,869</u>
	<u>\$ 3,253,153</u>	<u>\$ 3,275,611</u>

Depreciation expense was approximately \$513,000 and \$480,000 for the years ended September 30, 2023 and 2022 respectively.

(7) NET ASSETS

Net assets consist of:

	<u>2023</u>	<u>2022</u>
Without donor restriction:		
Undesignated	\$ 4,594,727	\$ 5,626,152
Net equity in inventory	3,763,966	2,043,792
Net equity in property and equipment	<u>3,253,153</u>	<u>3,275,611</u>
	11,611,846	10,945,555
With donor restriction:		
Purpose restrictions – non inventory	6,778,901	9,143,770
Purpose restrictions – inventory	<u>-</u>	<u>248,920</u>
	<u>6,778,901</u>	<u>9,392,690</u>
Total net assets	<u>\$18,390,747</u>	<u>\$20,338,245</u>

For the years ended September 30, 2023 and 2022, net assets of \$21,018,625 and \$18,493,695, 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, 2023 And 2022

(8) CONTRIBUTIONS OF NONFINANCIAL ASSETS

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.

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, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Freight	\$ 579,848	\$ 837,322
Information technology	380,194	281,727
Inventory, materials, and equipment	1,358,277	2,152,324
Professional services	<u>649</u>	<u>5,778</u>
Total contributed non-financial assets	<u>\$2,318,968</u>	<u>\$3,277,151</u>

(9) SPECIAL EVENTS

During the years ended September 30, 2023 and 2022, 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 \$699,859 less \$379,949 in costs for the benefits provided during the year ended September 30, 2023, and \$573,960 less \$318,026 in costs for the benefits provided during the year ended September 30, 2022.

(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, 2023 and 2022, Water Mission incurred expenses of approximately \$259,000 and \$252,600, respectively.

WATER MISSIONS INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2023 And 2022

(11) RELATED PARTY TRANSACTIONS

Water Mission received approximately \$837,000 of donated delivery services from a multinational delivery service company in which a board member was employed during the fiscal year ending September 30, 2022.

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, 2023 and 2022, income earned under the master service agreement was approximately \$30,000 and \$103,000. Water Mission also processed GWC employees' salary and benefits under the master service agreement. For the years ending September 30, 2023 and 2022, salaries and benefits of approximately \$18,000 and \$1,060,000, respectively, were reimbursed. For the years ending September 30, 2023 and 2022 Water Mission provided support that approximated \$751,000 and \$100,000, respectively.

(12) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

At September 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,368,344	\$ 7,523,158
Contributions receivable	868,624	2,663,000
Investments	<u>7,523,529</u>	<u>6,349,172</u>
Total financial assets available within one year	12,760,497	16,535,330
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with purpose or time restrictions	<u>(6,778,901)</u>	<u>(9,143,770)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,981,596</u>	<u>\$ 7,391,560</u>

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

(13) 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.