

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

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

**SEPTEMBER 30, 2024 AND 2023**

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

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## 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, 2024 and 2023, 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, 2024 and 2023, 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*

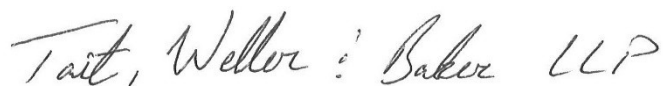
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not 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**

**Philadelphia, Pennsylvania  
April 3, 2025**

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2024 And 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,402,370	\$ 4,368,344
Contributions receivable	1,055,247	868,624
Prepaid expenses and other assets	935,168	826,469
Inventory, net	4,249,602	3,763,966
Investments	8,318,603	7,523,529
Property and equipment, net	<u>3,019,433</u>	<u>3,253,153</u>
Total assets	<u>\$21,980,423</u>	<u>\$20,604,085</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 758,305	\$ 660,176
Accrued expenses	1,259,861	1,246,117
Deferred revenue	<u>378,463</u>	<u>307,045</u>
Total liabilities	<u>2,396,629</u>	<u>2,213,338</u>
<b>NET ASSETS</b>		
Without donor restrictions	14,360,594	11,611,846
With donor restrictions	<u>5,223,200</u>	<u>6,778,901</u>
Total net assets	<u>19,583,794</u>	<u>18,390,747</u>
Total liabilities and net assets	<u>\$21,980,423</u>	<u>\$20,604,085</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions of cash and other financial assets	\$ 20,758,840	\$ 14,877,905	\$ 35,636,745
Contributions of nonfinancial assets	4,918,651	-	4,918,651
Special events, net	516,488	232,823	749,311
Interest income, net	456,551	-	456,551
Other income	<u>115,355</u>	<u>-</u>	<u>115,355</u>
Total	26,765,885	15,110,728	41,876,613
Net assets released from restriction	<u>16,666,429</u>	<u>(16,666,429)</u>	<u>-</u>
Total support and revenue	<u>43,432,314</u>	<u>(1,555,701)</u>	<u>41,876,613</u>
<b>EXPENSES</b>			
Program services	<u>35,255,489</u>	<u>-</u>	<u>35,255,489</u>
Supporting services:			
Management and general	2,540,063	-	2,540,063
Fundraising	<u>2,969,572</u>	<u>-</u>	<u>2,969,572</u>
Total supporting services	<u>5,509,635</u>	<u>-</u>	<u>5,509,635</u>
Total expenses	<u>40,765,124</u>	<u>-</u>	<u>40,765,124</u>
Change in net assets before other changes	<u>2,667,190</u>	<u>(1,555,701)</u>	<u>1,111,489</u>
<b>OTHER CHANGES</b>			
Effect of translation and related adjustments	(149,751)	-	(149,751)
Gain on disposal of fixed assets, net	68,778	-	68,778
Realized and unrealized gains on investments	<u>162,531</u>	<u>-</u>	<u>162,531</u>
Total other changes	<u>81,558</u>	<u>-</u>	<u>81,558</u>
Change in net assets	2,748,748	(1,555,701)	1,193,047
<b>NET ASSETS</b>			
Beginning of year	<u>11,611,846</u>	<u>6,778,901</u>	<u>18,390,747</u>
End of year	<u>\$ 14,360,594</u>	<u>\$ 5,223,200</u>	<u>\$ 19,583,794</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>
<b>SUPPORT AND REVENUE</b>			
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>
<b>EXPENSES</b>			
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
Fundraising	<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>
<b>OTHER CHANGES</b>			
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)
<b>NET ASSETS</b>			
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 STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended September 30, 2024 and 2023

	2024				<u>Total Expenses</u>
	<u>Program Services *</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	
		<u>Management And General</u>	<u>Fund Raising</u>		
Payroll and employee benefits	\$ 14,281,468	\$ 1,384,675	\$ 2,010,165	\$ 3,394,840	\$ 17,676,308
Professional and contracted services	4,507,538	186,254	623,229	809,483	5,317,021
Cost of goods, materials, and logistics	7,264,250	140,468	10,460	150,928	7,415,178
Facilities, vehicles, and equipment	2,418,297	155,194	193,179	348,373	2,766,670
Depreciation	322,484	40,684	-	40,684	363,168
Information technology	2,707,812	549,920	13,643	563,563	3,271,375
Travel and meetings	2,420,018	79,246	114,291	193,537	2,613,555
Grants to partners	1,269,030	521	-	521	1,269,551
Other	<u>64,592</u>	<u>3,101</u>	<u>4,605</u>	<u>7,706</u>	<u>72,298</u>
Total expenses	<u>\$ 35,255,489</u>	<u>\$ 2,540,063</u>	<u>\$ 2,969,572</u>	<u>\$ 5,509,635</u>	<u>\$ 40,765,124</u>

	2023				<u>Total Expenses</u>
	<u>Program Services *</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	
		<u>Management And General</u>	<u>Fund Raising</u>		
Payroll and employee benefits	\$ 12,788,394	\$ 1,195,974	\$ 1,756,867	\$ 2,952,841	\$ 15,741,235
Professional and contracted services	4,347,697	311,887	363,569	675,456	5,023,153
Cost of goods, materials, and logistics	6,730,643	52,061	26,326	78,387	6,809,030
Facilities, vehicles, and equipment	2,238,378	94,284	110,236	204,520	2,442,898
Depreciation	473,494	39,943	-	39,943	513,437
Information technology	1,716,146	338,009	8,196	346,205	2,062,351
Travel and meetings	2,676,665	108,700	159,336	268,036	2,944,701
Grants to partners	1,170,155	-	-	-	1,170,155
Other	<u>164,087</u>	<u>15,414</u>	<u>1,492</u>	<u>16,906</u>	<u>180,993</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>

\* Includes research and development costs of \$271,430 and \$265,092 for the years ended September 30, 2024 and 2023, respectively.



# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2024 And 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,193,047	\$(1,947,498)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	363,168	513,437
Realized and unrealized gains on investments	(162,531)	(51,326)
Donated inventory	(3,916,053)	(1,334,120)
Distribution of donated inventory	582,226	1,586,612
Gain on disposal of property and equipment and other assets	(68,778)	(19,773)
Changes in operating assets and liabilities:		
Contributions receivable	(186,623)	1,794,376
Prepaid expenses	(108,699)	156,754
Inventory	2,848,191	(1,723,746)
Accounts payable	98,129	(80,673)
Accrued expenses	13,744	294,835
Deferred revenue	<u>71,418</u>	<u>(749,455)</u>
Net cash provided by (used in) operating activities	<u>727,239</u>	<u>(1,560,577)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment, net	(177,782)	(508,229)
Proceeds from sale of fixed assets	117,112	37,023
Purchase of investments	(11,000,840)	(6,423,031)
Proceeds from sale and maturities of investments	<u>10,368,297</u>	<u>5,300,000</u>
Net cash used in investing activities	<u>(693,213)</u>	<u>(1,594,237)</u>
Net change in cash and cash equivalents	34,026	(3,154,814)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>4,368,344</u>	<u>7,523,158</u>
End of year	<u>\$ 4,402,370</u>	<u>\$ 4,368,344</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2024 And 2023

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### (1) NATURE OF ORGANIZATION

Water Mission is a Christian engineering nonprofit that builds sustainable safe water, sanitation, and hygiene (WASH) solutions for people in developing countries, refugee camps and settlements, and disaster areas. Since 2001, Water Mission has served more than 8 million people in more than 60 countries, sharing safe water and the message of God's love. Water Mission's global headquarters is in North Charleston, SC, and the organization serves people in Africa; Asia; and North, South, and Central America. In FY 2024, Water Mission served more than 1.8 million people in 13 countries.

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.

This financial statement includes all assets, liabilities, revenues, and expenses for US and controlled affiliate entities.

#### ***SAFE WATER FOR COMMUNITIES***

Water Mission works closely with communities to design and build customized safe water solutions using innovative technology and tailored water treatment methods. We use a variety of delivery approaches, including piped distribution to community tap stands; bottling stations with home delivery by vehicles; and direct connections to homes, clinics, and schools. Long-term operation and maintenance support and remote monitoring help to keep safe water flowing. Water Mission also works to educate and equip communities to practice healthy sanitation and hygiene. In FY2024, Water Mission served more than 945,000 people in communities with ongoing access to safe water and more than 108,000 people in communities with first-time access to safe water through 33 new safe water systems.

#### ***SAFE WATER FOR REFUGEES***

Water Mission provides sustainable access to safe water for men, women, and children who have been forced to leave their homes due to violence, persecution, food insecurity, or natural disasters. Access to safe water helps refugees experience healthier and more dignified living conditions. By constructing new safe water systems, rehabilitating existing systems, and providing ongoing operation and maintenance services, Water Mission keeps safe water flowing in the refugee camps and settlements in which it works. The organization also provides WASH services in host communities (existing communities near refugee settlements), where the need is great. In FY2024, Water Mission served nearly 635,000 refugees and displaced people in seven refugee camps and settlements.

#### ***DISASTER RESPONSE***

Water Mission implements immediate and long-term safe water solutions following natural disasters and during humanitarian crises. Working in partnership with local governments and fellow response organizations, Water Mission's Disaster Assistance Response Team provides immediate aid and helps build long-term resiliency. Solutions are tailored to the specific needs of the community impacted by disaster and can include emergency safe water provision, water quality testing, infrastructure rehabilitation, new construction, hygiene supplies, and more. In FY2024, Water Mission responded to six natural disasters and humanitarian crises, impacting nearly 124,000 people.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*

September 30, 2024 And 2023

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### *LIVING WATER*

Water Mission meets people’s spiritual and emotional needs through our Living Water program. In communities, we do this through the Church and Community Mobilization Program (CCMP). The CCMP equips local church leaders with biblically based training that helps them identify needs in their communities and proclaim the gospel in word and deed. All CCMP activities take place alongside our routine community development and WASH promotion activities—working together to bring physical and spiritual transformation. In contexts with refugees and displaced people, we guide church leaders through trauma healing training so they are equipped to provide biblically based trauma-informed care. This care promotes forgiveness and reconciliation, guiding people through the grieving and healing process. We use the relationships we form through the trauma healing training to transition into a CCMP for churches that are based in the same refugee communities. When we respond to a disaster, we intentionally connect with local churches. When appropriate, we equip church leaders with trauma care tools to help meet the emotional, mental, and spiritual needs of their community. In FY2024, Water Mission conducted nearly 340 CCMP activities across seven countries and engaged more than 410 churches.

### *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 for 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. In FY2024, Water Mission engaged more than 10,000 walkers through our annual Walk for Water event in Charleston, as well as 84 other community and corporate walk events led by volunteers across the US and internationally. We also engaged more than 3,100 students through our education initiative.

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 local and national volunteers.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2024 And 2023

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### (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 Peru, 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 and Malawi. Significant transactions and balances between organizations have been eliminated for consolidated financial statement purposes. During the year ended September 30, 2024, the Water Mission Haiti affiliate ceased operations due to political unrest in the country. Upon the dissolution of Haiti, a loss of approximately \$82,000 was recognized, including approximately \$17,000 on disposal of fixed assets, \$60,000 in donations of inventory to local partners, and \$5,000 in other categories.

#### ***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 \$824,956 and \$1,047,069 as of September 30, 2024 and 2023, respectively.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2024 And 2023

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### **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 and field equipment	5 - 7
Office furniture and equipment	5 - 7
Vehicles	5

### **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, 2024 and 2023, 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, 2024 And 2023

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### ***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 offices in Honduras and Malawi use their local currency as the functional currency. Foreign currency transactions are translated into the functional currency using 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 and branches 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. The cumulative translation adjustment since the inception of the organization included in net assets as of September 30, 2024 and 2023, were losses of \$3,518,192 and \$3,128,904, respectively.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2024 And 2023

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### **INCOME TAXES**

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.

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, 2024, 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 2021.

### **RECLASSIFICATIONS**

Certain reclassifications were made to the 2023 financial statements to conform to the 2024 presentation.

### **(3) INVENTORY, NET**

Inventory consists of:

	<u>2024</u>	<u>2023</u>
Raw material, work in progress, and finished goods—U.S.	\$ 1,605,590	\$ 1,626,778
Obsolescence reserve	<u>(143,081)</u>	<u>(154,246)</u>
Total U.S.	<u>1,462,509</u>	<u>1,472,532</u>
Finished goods—international	3,096,159	2,546,038
Obsolescence reserve	<u>(309,066)</u>	<u>(254,604)</u>
Total international	<u>2,787,093</u>	<u>2,291,434</u>
Total inventory, net	<u>\$ 4,249,602</u>	<u>\$ 3,763,966</u>

### **(4) INVESTMENTS**

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

	<u>2024</u>	<u>2023</u>
Money Market Funds	\$ 10,037	\$ 334,352
Equities	5,228	-
United States Government and Federal Agency Bonds	4,494,066	3,751,071
Certificate of Deposits	250,063	750,035
Corporate Bonds	<u>3,559,209</u>	<u>2,688,071</u>
Total investments	<u>\$ 8,318,603</u>	<u>\$ 7,523,529</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2024 And 2023

Investment earnings for the years ended September 30, 2024 and 2023, are comprised of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividends, net*	\$ 456,551	\$ 343,919
Realized and unrealized gains	<u>162,531</u>	<u>51,326</u>
Total investment earnings	<u>\$ 619,082</u>	<u>\$ 395,245</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.

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

	<u>2024</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>
Money Market Funds	\$ 10,037	\$ 10,037	\$ -	\$ -
Equities	5,228	5,228	-	-
United States Government and Federal Agency Bonds	4,494,066	-	4,494,066	-
Certificate of Deposits	250,063	-	250,063	-
Corporate Bonds	<u>3,559,209</u>	<u>-</u>	<u>3,559,209</u>	<u>-</u>
Total investments	<u>\$ 8,318,603</u>	<u>\$ 15,265</u>	<u>\$ 8,303,338</u>	<u>\$ -</u>



# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2024 And 2023

	2023			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
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>
Total investments	<u>\$ 7,523,529</u>	<u>\$ 334,352</u>	<u>\$ 7,189,177</u>	<u>\$ -</u>

### (6) PROPERTY AND EQUIPMENT, NET

Property and equipment consist of:

	<u>2024</u>	<u>2023</u>
U.S.:		
Land	\$ 2,070,000	\$ 2,070,000
Building	1,000,000	1,000,000
Leasehold improvements	354,304	354,304
Manufacturing and field equipment	759,238	759,238
Office furniture and equipment	47,174	47,174
Vehicles	<u>66,738</u>	<u>112,148</u>
Total	4,297,454	4,342,864
Less accumulated depreciation	<u>(1,885,905)</u>	<u>(1,709,001)</u>
Total U.S.	<u>2,411,549</u>	<u>2,633,863</u>
International:		
Land	8,692	35,061
Buildings	39,414	69,748
Leasehold improvements	-	10,525
Manufacturing equipment	56,973	56,218
Office furniture and equipment	6,204	9,897
Vehicles	<u>1,918,117</u>	<u>2,061,988</u>
Total	2,029,400	2,243,437
Less accumulated depreciation	<u>(1,421,516)</u>	<u>(1,624,147)</u>
Total international	<u>607,884</u>	<u>619,290</u>
Total property and equipment, net	<u>\$ 3,019,433</u>	<u>\$ 3,253,153</u>

Depreciation expense was approximately \$363,000 and \$513,000 for the years ended September 30, 2024 and 2023, respectively.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2024 And 2023

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### (7) NET ASSETS

Net assets consist of:

	<u>2024</u>	<u>2023</u>
Without donor restrictions:		
Undesignated	\$ 7,091,559	\$ 4,594,727
Net equity in inventory	4,249,602	3,763,966
Net equity in property and equipment	<u>3,019,433</u>	<u>3,253,153</u>
Total without donor restrictions	<u>14,360,594</u>	<u>11,611,846</u>
With donor restrictions:		
Purpose restrictions – non inventory	<u>5,223,200</u>	<u>6,778,901</u>
Total with donor restrictions	<u>5,223,200</u>	<u>6,778,901</u>
Total net assets	<u>\$19,583,794</u>	<u>\$18,390,747</u>

For the years ended September 30, 2024 and 2023, net assets of \$16,666,429 and \$21,018,625, respectively were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

### (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, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Freight <sup>(1)</sup>	\$ 386,983	\$ 579,848
Information technology <sup>(2)</sup>	605,018	380,194
Inventory, materials, and equipment <sup>(1)</sup>	916,053	1,358,277
Professional services <sup>(2)</sup>	10,597	649
Property <sup>(3)</sup>	<u>3,000,000</u>	<u>-</u>
Total contributed nonfinancial assets and services	<u>\$4,918,651</u>	<u>\$2,318,968</u>

(1) Used in program activities

(2) Supports all activities

(3) Monetized as a without donor restricted resource

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2024 And 2023

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### (9) SPECIAL EVENTS

During the years ended September 30, 2024 and 2023, 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 \$910,974 less \$161,663 in costs for the benefits provided during the year ended September 30, 2024, and \$699,859 less \$379,949 in costs for the benefits provided during the year ended September 30, 2023.

### (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, 2024 and 2023, Water Mission incurred expenses of approximately \$294,000 and \$259,000, respectively.

### (11) RELATED PARTY TRANSACTIONS

Water Mission has a master service agreement with the Global Water Center (GWC), a separately incorporated non-profit organization, in which certain board members of Water Mission are also board members of GWC. Under this agreement:

- Water Mission provided GWC with IT, engineering, community development, and inventory equipping support services totaling approximately \$22,000 and \$30,000 for the years ended September 30, 2024 and 2023, respectively.
- Water Mission processed GWC employees' salary and benefits totaling approximately \$18,000 for the year ended September 30, 2023, which GWC reimbursed.
- GWC provided Water Mission with consultation and training course design and delivery services totaling approximately \$103,000 for the year ended September 30, 2024.

Additionally, Water Mission provided GWC grants totaling approximately \$725,000 and \$751,000 for the years ended September 30, 2024 and 2023, respectively.

During the year ended September 30, 2024, Water Mission received a \$997,000 grant from Water Mission Verified Impact, a corporation organized and operated exclusively for charitable purposes in accordance with Section 501(c)(3) of the Internal Revenue Code and as a Type II supporting organization for the benefit of, to perform the functions of, and to carry out the purposes of Water Mission. No control relationship exists between this entity and Water Mission, and its financial statements are not consolidated with those of Water Mission.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2024 And 2023

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### (12) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

At September 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 4,402,370	\$ 4,368,344
Contributions receivable	1,055,247	868,624
Investments	<u>8,318,603</u>	<u>7,523,529</u>
Total financial assets available within one year	13,776,220	12,760,497
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with purpose or time restrictions	<u>(5,223,200)</u>	<u>(6,778,901)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 8,553,020</u>	<u>\$ 5,981,596</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.