



WATER MISSIONS INTERNATIONAL
AND AFFILIATES
d/b/a WATER MISSION

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2015 and 2014

WATER MISSION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Water Missions International and Affiliates
d/b/a Water Mission
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, 2015 and 2014, and the related consolidated statements of activities, cash flows and functional expenses 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.

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

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, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 10 to the consolidated financial statements, certain purchases of property and equipment of an affiliate were expensed rather than capitalized when purchased, resulting in an unintended understatement of property and equipment and unrestricted net assets as of September 30, 2013, and an unintended understatement of property and equipment, depreciation expense, and unrestricted net assets as of September 30, 2014. Accordingly, adjustments have been made to the consolidated statements of financial position and activities as of September 30, 2015 and 2014, to correct the error. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Columbia, South Carolina
December 15, 2015

WATER MISSION

Consolidated Statements of Financial Position

	September 30,	
	<u>2015</u>	<u>2014</u>
ASSETS:		
Cash and cash equivalents	\$ 4,184,064	\$ 4,968,584
Contributions receivable–net	195,710	407,640
Prepaid expenses and other assets	462,732	479,613
Inventory–net	3,171,844	3,200,424
Property and equipment–net	<u>1,145,984</u>	<u>1,418,490</u>
 Total Assets	 <u>\$ 9,160,334</u>	 <u>\$ 10,474,751</u>
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 166,002	\$ 132,232
Accrued expenses	<u>185,684</u>	<u>197,271</u>
	<u>351,686</u>	<u>329,503</u>
 Net assets:		
Unrestricted	5,362,239	6,640,413
Temporarily restricted	<u>3,446,409</u>	<u>3,504,835</u>
	<u>8,808,648</u>	<u>10,145,248</u>
 Total Liabilities and Net Assets	 <u>\$ 9,160,334</u>	 <u>\$ 10,474,751</u>

See notes to consolidated financial statements

WATER MISSION

Consolidated Statement of Activities

Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 4,032,612	\$ 5,441,640	\$ 9,474,252
Gifts-in-kind	1,705,977	-	1,705,977
Sales revenue	203,813	-	203,813
Special events revenues	324,547	412,698	737,245
Special events direct cost	(267,924)	-	(267,924)
Interest income	12,065	-	12,065
Other income	65,941	-	65,941
Total Support and Revenue	6,077,031	5,854,338	11,931,369
RECLASSIFICATIONS:			
Net assets released from restriction	5,912,764	(5,912,764)	-
EXPENSES:			
Program services:			
Community development	9,330,072	-	9,330,072
Disaster response	1,246,707	-	1,246,707
Research and development	385,442	-	385,442
Advocacy	32,210	-	32,210
	10,994,431	-	10,994,431
Supporting activities:			
Management and general	645,679	-	645,679
Fund-raising	1,029,525	-	1,029,525
	1,675,204	-	1,675,204
Total Expenses	12,669,635	-	12,669,635
Change in Net Assets before Translation Adjustment	(679,840)	(58,426)	(738,266)
Translation Adjustment	(598,334)	-	(598,334)
Change in Net Assets	(1,278,174)	(58,426)	(1,336,600)
Beginning Net Assets	6,640,413	3,504,835	10,145,248
Ending Net Assets	\$ 5,362,239	\$ 3,446,409	\$ 8,808,648

See notes to consolidated financial statements

WATER MISSION

Consolidated Statement of Activities

Year Ended September 30, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 3,025,214	\$ 5,004,795	\$ 8,030,009
Gifts-in-kind	1,390,171	-	1,390,171
Sales revenue	135,671	-	135,671
Special events revenues	374,815	-	374,815
Special events direct cost	(128,247)	-	(128,247)
Interest income	14,699	-	14,699
Other income	187,663	-	187,663
Total Support and Revenue	4,999,986	5,004,795	10,004,781
RECLASSIFICATIONS:			
Net assets released from restriction	4,711,067	(4,711,067)	-
EXPENSES:			
Program services:			
Community development	6,829,788	-	6,829,788
Disaster response	1,069,271	-	1,069,271
Research and development	438,517	-	438,517
Advocacy	17,513	-	17,513
	8,355,089	-	8,355,089
Supporting activities:			
Management and general	524,554	-	524,554
Fund-raising	994,251	-	994,251
	1,518,805	-	1,518,805
Total Expenses	9,873,894	-	9,873,894
Change in Net Assets before Translation Adjustment	(162,841)	293,728	130,887
Translation Adjustment	(123,990)	-	(123,990)
Change in Net Assets	(286,831)	293,728	6,897
Beginning Net Assets			
As previously reported	6,791,716	3,211,107	10,002,823
Prior period adjustment	135,528	-	135,528
As restated	6,927,244	3,211,107	10,138,351
Ending Net Assets	\$ 6,640,413	\$ 3,504,835	\$ 10,145,248

See notes to consolidated financial statements

WATER MISSION

Consolidated Statements of Functional Expenses

Year Ended September 30, 2015

	Program Services				Total Program Services	Supporting Activities			Total Expenses
	Community Development	Disaster Response	Research and Development	Advocacy		Management and General	Fund- raising	Total Supporting Activities	
Salaries and benefits	\$ 2,539,866	\$ 312,232	\$ 267,327	\$ 14,421	\$ 3,133,846	\$ 352,390	\$ 581,499	\$ 933,889	\$ 4,067,735
Professional services	658,449	119,126	9,913	3,395	790,883	114,675	183,051	297,726	1,088,609
Supplies	368,464	33,555	19,330	4,385	425,734	42,206	116,304	158,510	584,244
Occupancy	373,983	4,735	7,023	-	385,741	7,832	3,830	11,662	397,403
Vehicle	213,233	40,069	511	-	253,813	-	1,572	1,572	255,385
Depreciation	335,884	5,333	4,131	-	345,348	36,339	21,950	58,289	403,637
Travel	1,017,028	135,675	39,264	9,960	1,201,927	27,427	71,341	98,768	1,300,695
Product and transport	3,550,933	585,322	33,302	-	4,169,557	(904)	2,838	1,934	4,171,491
Cost of sales	160,665	137	-	-	160,802	-	-	-	160,802
Other expenses	111,567	10,523	4,641	49	126,780	65,714	47,140	112,854	239,634
	<u>\$ 9,330,072</u>	<u>\$ 1,246,707</u>	<u>\$ 385,442</u>	<u>\$ 32,210</u>	<u>\$ 10,994,431</u>	<u>\$ 645,679</u>	<u>\$ 1,029,525</u>	<u>\$ 1,675,204</u>	<u>\$ 12,669,635</u>

See notes to consolidated financial statements

WATER MISSION

Consolidated Statements of Functional Expenses

Year Ended September 30, 2014

	Program Services				Total Program Services	Supporting Activities			Total Expenses
	Community Development	Disaster Response	Research and Development	Advocacy		Management and General	Fund- raising	Total Supporting Activities	
Salaries and benefits	\$ 1,939,825	\$ 146,992	\$ 226,615	\$ 7,948	\$ 2,321,380	\$ 333,381	\$ 508,002	\$ 841,383	\$ 3,162,763
Professional services	822,718	54,994	65,171	-	942,883	47,049	122,293	169,342	1,112,225
Supplies	222,289	51,329	6,153	2,440	282,211	35,932	220,828	256,760	538,971
Occupancy	330,033	4,810	-	-	334,843	5,172	5,733	10,905	345,748
Vehicle	176,998	496	-	-	177,494	1,079	113	1,192	178,686
Depreciation	189,470	-	390	-	189,860	30,547	29,471	60,018	249,878
Travel	782,884	58,457	10,483	2,525	854,349	15,789	83,762	99,551	953,900
Product and transport	2,175,319	751,176	39,321	-	2,965,816	(468)	613	145	2,965,961
Cost of sales	8,881	-	85,278	-	94,159	-	-	-	94,159
Other expenses	181,371	1,017	5,106	4,600	192,094	56,073	23,436	79,509	271,603
	<u>\$ 6,829,788</u>	<u>\$ 1,069,271</u>	<u>\$ 438,517</u>	<u>\$ 17,513</u>	<u>\$ 8,355,089</u>	<u>\$ 524,554</u>	<u>\$ 994,251</u>	<u>\$ 1,518,805</u>	<u>\$ 9,873,894</u>

See notes to consolidated financial statements

WATER MISSION

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,336,600)	\$ 6,897
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	403,637	249,878
Donated securities	(35,800)	(87,384)
Proceeds from sale of donated securities	35,800	87,384
Additions of donated inventory	(966,964)	(793,011)
Distribution of donated inventory	950,466	820,854
Loss on disposal of property and equipment	56,270	2,123
Change in property and equipment due to currency translation	136,628	10,164
Changes in operating assets and liabilities:		
Contributions receivable	211,930	362,031
Prepaid expenses	16,881	261,510
Inventory	45,078	(259,479)
Accounts payable	33,770	(1,856)
Accrued expenses	(11,587)	59,960
Net Cash Provided (Used) by Operating Activities	(460,491)	719,071
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(324,029)	(308,012)
Net Cash Used by Investing Activities	(324,029)	(308,012)
Net Change in Cash and Cash Equivalents	(784,520)	411,059
Cash and Cash Equivalents, Beginning of Year	4,968,584	4,557,525
Cash and Cash Equivalents, End of Year	\$ 4,184,064	\$ 4,968,584
SUPPLEMENTAL DISCLOSURES:		
Noncash operating activities:		
Donated inventory	\$ 966,964	\$ 793,011
Donated securities, property, and equipment	\$ 35,800	\$ 87,384

See notes to consolidated financial statements

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

1. NATURE OF ORGANIZATION:

In 2015, the board of directors of Water Missions International voted to change the organization's bylaws to allow the non-profit to do business as Water Mission.

Water Mission is a nonprofit Christian engineering organization that designs, builds and implements safe water, sanitation, and hygiene (WASH) solutions for people in developing countries and disaster areas. Since 2001, Water Mission has used innovative technology and engineering expertise to provide access to safe water for more than 3 million people in 52 countries. Water Mission has over 200 staff members working around the world in permanent country programs located in Africa, Asia, North, South and Central America, and the Caribbean.

All assets, liabilities, revenues, and expenses for these country programs are included in these financial statements.

The following five program areas demonstrate where Water Mission excels:

Community Development: Water Mission takes a comprehensive approach to combating the global water crisis by providing safe water, sanitation, and hygiene (WASH) solutions for entire communities in need. Water Mission is the micro-municipal provider for communities that do not have access to safe water and adequate sanitation. In order for safe water, sanitation, and hygiene projects to have lasting benefits, services must be accessible to all, safe to use, and sustainable in the way they are managed. Water Mission's holistic approach to community development builds on local resources and relationships to create such an environment. Water Mission has more than 160 indigenous water, sanitation, and hygiene professionals who live and work in communities we serve to implement solutions that last.

To date, the organization has implemented over 1,700 safe water projects and installed over 18,500 Healthy Latrines™ (pour flush toilets).

Disaster Response: The Living Water™ Treatment System (LWTST™) originally designed in 1998 by Water Mission's co-founder and CEO, Dr. George Greene III, PhD, PE, is a miniature water treatment plant that utilizes rapid sand filtration and chemical disinfection for the production of safe drinking water at a rate greater than 10 gallons per minute. It is designed for rapid deployment in the aftermath of a disaster and has minimal supply chain requirements. Using the LWTST™ and other appropriate technology, Water Mission has provided over 1 million people with access to safe water following a disaster or emergency situation.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

1. NATURE OF ORGANIZATION, continued:

Water Mission has provided relief following some of the world's most devastating disasters including Ebola relief in Liberia in 2014, Typhoon Haiyan in the Philippines in 2013, the 2010 Haiti earthquake, the 2008 Sichuan China earthquake, Hurricane Katrina in 2005, and the 2004 Tsunami in South East Asia, as well as many smaller disasters. In 2015, Water Mission responded to the need for safe water following record high historic flooding in central and southern Malawi, the April earthquake in Nepal, the Burundian refugee crisis in Tanzania, and the emergency flooding situation in our own backyard of Columbia, South Carolina.

Engineering Innovation: Water Mission designs and utilizes the latest innovative technologies in the implementation of safe water and sanitation projects. Water Mission engineers design customized solutions to fit the unique circumstances of each community served. The process Water Mission uses to provide safe water includes: developing a water source, testing the water quality, treating the water to ensure it is safe, storing and protecting the water, creating access points to distribute the water, and providing power, using solar panels when possible. Utilizing solar power is just one way that Water Mission ensures the sustainability of safe water projects. To date, Water Mission has installed over 800 solar-powered pumping solutions in communities around the world and utilized over 800,000 watts of solar power.

Water Mission currently has 20 engineers working both at the international headquarters and abroad. These engineers are continually performing research and conducting product and process testing to refine how projects are implemented in the field. This research has resulted in four patents granted to Water Mission on various equipment used to provide sustainable safe water and sanitation solutions.

Impact Research: Water Mission takes an innovative approach to conducting research on the effectiveness of safe water, sanitation, and hygiene (WASH) interventions. This research includes routine monitoring of field activities, remote monitoring of water supply systems, evaluation of project performance data through an online management platform, and focused impact studies.

Water Mission researchers carefully analyze how implemented WASH solutions are alleviating poverty and contributing to the overall well-being of the communities where Water Mission works. This allows the organization to adapt the approach taken based on discovered successes and failures.

Advocacy: One of the primary goals of Water Mission is to educate the public about the global water crisis. This is accomplished by organizing events and creating educational programs that provide a call to action for sustainable solutions. One such event is the annual Walk for Water. In 2015, 25 walks were held around the world to raise awareness about the global water crisis.

Water Mission depends on cash contributions and gifts-in-kind primarily received from individuals, churches, foundations, and corporations. 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.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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, Honduras, Peru, Belize, Indonesia, Malawi, Kenya, Mexico, Uganda, and Tanzania. 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, money market accounts, and certificates of deposit with original maturities of less than 90 days. 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 \$444,498 and \$403,692 as of September 30, 2015 and 2014, respectively.

CONTRIBUTIONS RECEIVABLE

Contributions receivable include unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Those expected to be collected in more than one year are reported at the present value of their estimated future cash flows using a risk adjusted interest rate at the date of pledge to determine the discounts. The risk adjusted interest rates range from 0.25% to 1.09%. Amortization of discounts is included in contribution revenue. Management has not established an allowance for doubtful accounts as it feels all contributions receivable are fully collectible.

Contributions receivable also include amounts due from outside organizations who process credit card donations and marketable security donations on behalf of Water Mission.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 and handling costs related to inventory on hand at year-end are included in program expenses on the consolidated statements of activities. Transportation of finished goods inventory from the assembly facility to overseas warehouse locations are included in program services on the consolidated statements of activities and changes in net assets.

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/software 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	2 - 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, 2015 and 2014, is included in accrued liabilities in the consolidated statements of financial position.

CLASSES OF NET ASSETS

The consolidated financial statements report amounts by class of net assets:

Unrestricted net assets are amounts currently available at the direction of the board for use in operations. Equity in property and equipment represents amounts invested in property and equipment.

Temporarily restricted net assets are contributions with donor stipulations for specific operating purposes, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of assets is transferred. Revenue is recognized when earned.

Contributed services are recognized as support if the services received create or enhance a nonfinancial asset, or require specialized skills, which are provided by individuals possessing those skills, and those services would typically be purchased if not provided by donation. The amounts reflected in the accompanying consolidated financial statements as gifts-in-kind support are offset by like amounts included in inventory, property and equipment, or expenses.

Contributions of tangible assets are recognized at fair market value, when received.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Water Mission reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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 event revenue and expense.

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 MISSION

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FOREIGN CURRENCY EXCHANGE RATE

Water Mission's reporting currency is the U.S. dollar. The affiliates 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.

UNCERTAIN TAX POSITIONS

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, 2015, 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 2011.

RECLASSIFICATIONS

Certain amounts from the prior year consolidated financial statements have been reclassified to conform to the current year presentation.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

3. CONTRIBUTIONS RECEIVABLE–NET:

Contributions receivable consist of:

	September 30,	
	2015	2014
Contributions receivable from third party organizations	\$ -	\$ 13,355
Unconditional promises to give	200,000	405,000
Less unamortized discount	(4,290)	(10,715)
	\$ 195,710	\$ 407,640

Contributions receivable consist of amounts due in:

	September 30,	
	2015	2014
Less than one year	\$ 195,710	\$ 218,355
One to two years	-	189,285
	\$ 195,710	\$ 407,640

4. INVENTORY–NET:

Inventory consists of:

	September 30,	
	2015	2014
Raw material, work in progress, and finished goods–U.S.	\$ 1,766,434	\$ 1,380,154
Obsolescence reserve	(6,661)	(35,696)
	1,759,773	1,344,458
Finished goods–International	1,542,870	1,914,844
Obsolescence reserve	(130,799)	(58,878)
	1,412,071	1,855,966
	\$ 3,171,844	\$ 3,200,424

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment consist of:

	September 30,	
	2015	2014
Domestic:		
Leasehold improvements	\$ 352,281	\$ 267,076
Furniture and equipment	409,677	406,209
Software	160,359	160,359
Vehicles	36,848	180,512
Manufacturing equipment	315,682	297,489
	1,274,847	1,311,645
Less accumulated depreciation	(780,826)	(785,466)
Net domestic	494,021	526,179
International:		
Land	88,978	105,913
Buildings	184,296	215,890
Leasehold improvements	3,515	23,846
Furniture and equipment	285,729	407,877
Vehicles	642,841	382,268
	1,205,359	1,135,794
Less accumulated depreciation	(553,396)	(243,483)
Net international	651,963	892,311
	\$ 1,145,984	\$ 1,418,490

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

6. NET ASSETS:

Net assets consist of:

	September 30,	
	2015	2014
Unrestricted:		
Undesignated	\$ 1,044,411	\$ 2,021,499
Net equity in inventory	3,171,844	3,200,424
Net equity in property and equipment	1,145,984	1,418,490
	<u>5,362,239</u>	<u>6,640,413</u>
Temporarily restricted:		
Purpose restrictions	3,250,699	3,097,195
Time restrictions	195,710	407,640
	<u>3,446,409</u>	<u>3,504,835</u>
	<u>\$ 8,808,648</u>	<u>\$ 10,145,248</u>

7. DONATED MATERIALS AND SERVICES:

Donated materials are reflected as contributions in the accompanying consolidated financial statements at their estimated 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, 2015, and 2014 was \$1,670,177 and \$1,302,787, respectively.

8. SPECIAL EVENTS:

During the years ended September 30, 2015 and 2014, 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 \$737,245 less \$267,924 in costs for the benefits provided during the year ended September 30, 2015, and \$374,815 less \$128,247 in costs for the benefits provided during the year ended September 30, 2014.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

9. COMMITMENTS:

Water Mission leases office and warehouse space in Charleston, South Carolina. The terms of the operating lease, which began July 1, 2012, and expires December 31, 2017, include monthly rent payments of \$8,900. The future minimum lease payments are as follows:

Years Ending September 30,	Amounts
2016	\$ 107,500
2017	107,500
2018	26,875
	\$ 241,875

Rental expense under this lease for the years ended September 30, 2015 and 2014, was \$107,500 and \$107,500, respectively. Other rent expense is incurred from short-term or month-to-month agreements and discount amortization of promised future rents.

10. PRIOR PERIOD ADJUSTMENT:

During the year ended September 30, 2015, management determined that certain purchases of property and equipment of an affiliate were expensed rather than capitalized when purchased. This error occurred during the year ended September 30, 2013, prior to the consolidation of the affiliate. Accordingly, a prior period adjustment has been recorded to correct the error. The effects of this adjustment on the beginning balances at October 1, 2013 are as follows:

	As previously stated	Prior period adjustment	As restated
Property and equipment–net	\$ 1,237,115	\$ 135,528	\$ 1,372,643
Unrestricted net assets	\$ 6,791,716	\$ 135,528	\$ 6,927,244

The effects of this adjustment on the statement of financial position as of September 30, 2014, and on the statement of activities for the year then ended are as follows:

	As previously stated	Prior period adjustment	As restated
Property and equipment–net	\$ 1,290,192	\$ 128,298	\$ 1,418,490
Community development (depreciation expense)	\$ 242,648	\$ 7,230	\$ 249,878
Change in unrestricted net assets	\$ (279,601)	\$ (7,230)	\$ (286,831)
Unrestricted net assets	\$ 6,512,115	\$ 128,298	\$ 6,640,413

WATER MISSION

Notes to Consolidated Financial Statements

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11. 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.