



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

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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.

Capin Crouse LLP

Columbia, South Carolina
November 30, 2016

WATER MISSION

Consolidated Statements of Financial Position

	September 30,	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and cash equivalents	\$ 4,567,496	\$ 4,184,064
Contributions receivable–net	-	195,710
Service receivables–net	375,361	-
Prepaid expenses and other assets	268,836	462,732
Inventory–net	3,059,176	3,171,844
Property and equipment–net	<u>1,179,067</u>	<u>1,145,984</u>
 Total Assets	 <u>\$ 9,449,936</u>	 <u>\$ 9,160,334</u>
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 183,148	\$ 166,002
Accrued expenses	258,138	185,684
Deferred revenue	405,173	-
	<u>846,459</u>	<u>351,686</u>
 Net assets:		
Unrestricted	6,026,864	5,362,239
Temporarily restricted	2,576,613	3,446,409
	<u>8,603,477</u>	<u>8,808,648</u>
 Total Liabilities and Net Assets	 <u>\$ 9,449,936</u>	 <u>\$ 9,160,334</u>

See notes to consolidated financial statements

WATER MISSION

Consolidated Statement of Activities

Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 4,970,617	\$ 4,420,266	\$ 9,390,883
Gifts-in-kind	2,117,980	-	2,117,980
Service income	3,156,527	-	3,156,527
Special events revenues	384,220	-	384,220
Special events direct cost	(99,896)	-	(99,896)
Interest income	9,306	-	9,306
Other income	60,371	-	60,371
Total Support and Revenue	10,599,125	4,420,266	15,019,391
RECLASSIFICATIONS:			
Net assets released from restriction	5,290,062	(5,290,062)	-
EXPENSES:			
Program services:			
Community development	11,773,968	-	11,773,968
Disaster response	515,133	-	515,133
Research and development	189,621	-	189,621
Advocacy	66,270	-	66,270
	12,544,992	-	12,544,992
Supporting activities:			
Management and general	864,335	-	864,335
Fund-raising	1,675,641	-	1,675,641
	2,539,976	-	2,539,976
Total Expenses	15,084,968	-	15,084,968
Change in Net Assets before Translation Adjustment	804,219	(869,796)	(65,577)
Gains from transactions in foreign currency	24,026	-	24,026
Translation adjustment	(163,620)	-	(163,620)
Change in Net Assets	664,625	(869,796)	(205,171)
Beginning Net Assets	5,362,239	3,446,409	8,808,648
Ending Net Assets	\$ 6,026,864	\$ 2,576,613	\$ 8,603,477

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 Functional Expenses

Year Ended September 30, 2016

	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	\$ 3,534,327	\$ 82,983	\$ 106,920	\$ 25,308	\$ 3,749,538	\$ 542,644	\$ 1,044,637	\$ 1,587,281	\$ 5,336,819
Professional services	841,503	46,638	4,409	250	892,800	178,184	275,617	453,801	1,346,601
Supplies	482,959	9,161	6,866	3,633	502,619	34,546	171,713	206,259	708,878
Occupancy	390,595	25,601	2,069	-	418,265	7,808	8,641	16,449	434,714
Vehicle	297,153	7,359	-	-	304,512	39	44	83	304,595
Depreciation	232,425	5,333	7,082	-	244,840	39,349	39,044	78,393	323,233
Travel	1,274,607	40,399	177	20,948	1,336,131	26,643	67,555	94,198	1,430,329
Product and transport	4,398,902	290,438	61,549	14,502	4,765,391	137	8,279	8,416	4,773,807
Cost of sales	137,495	-	-	-	137,495	-	-	-	137,495
Other expenses	184,002	7,221	549	1,629	193,401	34,985	60,111	95,096	288,497
	<u>\$ 11,773,968</u>	<u>\$ 515,133</u>	<u>\$ 189,621</u>	<u>\$ 66,270</u>	<u>\$ 12,544,992</u>	<u>\$ 864,335</u>	<u>\$ 1,675,641</u>	<u>\$ 2,539,976</u>	<u>\$ 15,084,968</u>

See notes to consolidated financial statements

WATER MISSION

Consolidated Statement of Functional Expenses

Year Ended September 30, 2015

	Program Services				Supporting Activities				Total Expenses
	Community Development	Disaster Response	Research and Development	Advocacy	Total Program Services	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 Cash Flows

	Year Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (205,171)	\$ (1,336,600)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	323,233	403,637
Donated securities	(101,850)	(35,800)
Proceeds from sale of donated securities	101,850	35,800
Additions of donated inventory	(1,817,368)	(966,964)
Distribution of donated inventory	1,728,998	950,466
Loss (gain) on disposal of property and equipment	(8,415)	56,270
Change in property and equipment due to currency translation	42,684	136,628
Changes in operating assets and liabilities:		
Contributions receivable	195,710	211,930
Service receivables	(375,361)	-
Prepaid expenses	193,896	16,881
Inventory	201,038	45,078
Accounts payable	17,146	33,770
Accrued expenses	72,454	(11,587)
Deferred revenue	405,173	-
Net Cash Provided (Used) by Operating Activities	774,017	(460,491)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(406,206)	(324,029)
Proceeds on disposal of property and equipment	15,621	-
Net Cash Used by Investing Activities	(390,585)	(324,029)
Net Change in Cash and Cash Equivalents	383,432	(784,520)
Cash and Cash Equivalents, Beginning of Year	4,184,064	4,968,584
Cash and Cash Equivalents, End of Year	\$ 4,567,496	\$ 4,184,064
SUPPLEMENTAL DISCLOSURES:		
Noncash operating activities:		
Donated inventory	\$ 1,817,368	\$ 966,964
Donated securities, property, and equipment	\$ 101,850	\$ 35,800

See notes to consolidated financial statements

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

1. NATURE OF ORGANIZATION:

The Water Mission™ organization is a Christian engineering nonprofit 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 and sanitation for more than 3.2 million people in 52 countries. Water Mission has over 250 staff members working around the world in 10 permanent country programs located in Africa, Asia, North, South and Central America, and the Caribbean.

Notably, Charity Navigator has awarded Water Mission its top four-star rating ten years in a row, a distinction shared by less than one percent of the charities rated by the organization.

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

The following five program areas demonstrate Water Mission's core competencies as an engineering organization.

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's Living Water Treatment System (LWTS) serves as the micro-municipal water provider for communities that do not have access to safe water and adequate sanitation. In order for WASH projects to have lasting benefits, service must be accessible to all, safe to use, and sustainable in the way they are managed. Water Mission's comprehensive approach to community development builds on local resources and relationships to create a collaborative environment. Water Mission has more than 200 indigenous professionals who work out of our country program offices and live in communities we serve.

Water Mission has implemented over 2,300 safe water projects and installed over 20,000 Healthy Latrines (pour flush toilets) since it was founded in 2001.

Disaster Response : The Living Water Treatment System (LWTS) originally designed in 1998 by Water Mission's co-founder and CEO, George Greene III, PhD, P.E., is a micro-municipal water provider that uses 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 quick deployment in the aftermath of a disaster and has minimal supply chain requirements. Using the LWTS and other related technology, Water Mission has provided over 1.1 million people with access to safe water and sanitation following a disaster or emergency situation.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

1. NATURE OF ORGANIZATION, continued:

Water Mission has provided relief following some of the world's most devastating disasters including the destruction in Haiti following Hurricane Matthew on October 4, 2016. In addition, Water Mission has responded to numerous other disasters since its founding including: the earthquake in Nepal and massive flooding in Malawi in 2015; Ebola outbreak in Liberia in 2014; Typhoon Haiyan in the Philippines in 2013; the 2010 earthquake in Haiti; the 2008 earthquake in Sichuan, China, Hurricane Katrina in 2005; the 2004 tsunami in Southeast Asia; and other smaller crises. Additionally, Water Mission has responded and continues to serve the refugees from South Sudan into Northern Uganda and the Burundian refugees in Tanzania.

Engineering Innovation: Water Mission designs and uses the latest innovative technologies in the WASH sector. Our engineers customize solutions to fit the unique circumstances of each community served. From the point of project inception, our teams work to identify a viable water source, use solar power to pump water through its LWTS, test the quality and treat the water to ensure its safety, store and protect the water, and create access points to distribute it within the community. As a leader in using solar power pumping systems, Water Mission has installed over 1,000 projects using solar panels.

Water Mission currently has 22 engineers working at its global headquarters in North Charleston, SC and in its country program offices. These professional and staff engineers are continually performing research and conducting product and process testing to refine how projects are implemented in the field. The research has resulted in four patents granted to Water Mission on various equipment used in our custom WASH solutions.

Impact Research: Water Mission takes an innovative approach to conducting research on the effectiveness of 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.

Our researchers carefully analyze how WASH projects are alleviating poverty and contributing to the overall wellbeing of the communities where Water Mission works. This allows the organization to adopt new approaches based on discovered successes and failures.

In 2015 and 2016, Water Mission began research on its remote monitoring systems to gauge the water usage, quality, and operation of its LWTS projects. A real-time alerting system is in a pilot test phase to gauge the reliability and accuracy of information gathered from our system. Once the system is proven effective and scalable, it will provide an instant digital dashboard of our installed systems around the world.

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 financial support. One such event is the annual Charleston Walk for Water as well as other, smaller regional walks in places such as St. Louis, Minneapolis and Silicon Valley.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

1. NATURE OF ORGANIZATION, continued:

Water Mission™ is a trademark of Water Mission International, doing business as Water Mission.

Water Mission depends on cash contributions and gifts-in-kind offerings primarily received from individuals, churches, foundations, and corporations. It also relies on the time commitment from our 500 volunteers who worked 23,000 of hours in 2016. Water Mission is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code), and is not a private foundation under Section 509(a) of the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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, Tanzania, and Liberia. Significant transactions and balances between organizations have been eliminated for consolidated financial statement purposes.

ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

Cash balances of foreign subsidiaries are under the control of Water Mission. Total cash and cash equivalents held internationally amounted to \$759,922 and \$444,498 as of September 30, 2016 and 2015, respectively.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

SERVICE RECEIVABLES

Service receivables include amounts due from non-government organizations and other similar organizations who have contracted with Water Mission to provide safe water solutions in specified areas of need. This revenue is recognized when earned. Water Mission evaluates these receivables for collectability and records an allowance when deemed necessary.

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.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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, 2016 and 2015, 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, 2016 and 2015

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, 2016 and 2015

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, 2016, 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 2013.

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, 2016 and 2015

3. CONTRIBUTIONS RECEIVABLE–NET:

Contributions receivable consist of:

	September 30,	
	2016	2015
Unconditional promises to give	\$ -	\$ 200,000
Less unamortized discount	-	(4,290)
	\$ -	\$ 195,710

Contributions receivable consist of amounts due in:

	September 30,	
	2016	2015
Less than one year	\$ -	\$ 195,710

4. SERVICE RECEIVABLES–NET:

Service receivables consist of:

	September 30,	
	2016	2015
Service receivables	\$ 391,398	\$ -
Less allowance for uncollectible receivables	(16,037)	-
	\$ 375,361	\$ -

5. INVENTORY–NET:

Inventory consists of:

	September 30,	
	2016	2015
Raw material, work in progress, and finished goods–U.S.	\$ 1,411,591	\$ 1,766,434
Obsolescence reserve	(7,497)	(6,661)
	1,404,094	1,759,773
Finished goods–International	1,797,915	1,542,870
Obsolescence reserve	(142,833)	(130,799)
	1,655,082	1,412,071
	\$ 3,059,176	\$ 3,171,844

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

6. PROPERTY AND EQUIPMENT—NET:

Property and equipment consist of:

	September 30,	
	2016	2015
Domestic:		
Leasehold improvements	\$ 354,304	\$ 352,281
Furniture and equipment	409,677	409,677
Software	160,359	160,359
Vehicles	41,848	36,848
Manufacturing equipment	315,682	315,682
	1,281,870	1,274,847
Less accumulated depreciation	(915,597)	(780,826)
	366,273	494,021
International:		
Land	76,741	88,978
Buildings	163,899	184,296
Leasehold improvements	2,831	3,515
Furniture and equipment	272,019	285,729
Vehicles	1,013,561	704,933
	1,529,051	1,267,451
Less accumulated depreciation	(716,257)	(615,488)
	812,794	651,963
	\$ 1,179,067	\$ 1,145,984

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

7. NET ASSETS:

Net assets consist of:

	September 30,	
	2016	2015
Unrestricted:		
Undesignated	\$ 1,788,621	\$ 1,044,411
Net equity in inventory	3,059,176	3,171,844
Net equity in property and equipment	1,179,067	1,145,984
	<u>6,026,864</u>	<u>5,362,239</u>
Temporarily restricted:		
Purpose restrictions	2,576,613	3,250,699
Time restrictions	-	195,710
	<u>2,576,613</u>	<u>3,446,409</u>
	<u>\$ 8,603,477</u>	<u>\$ 8,808,648</u>

8. 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, 2016 and 2015, was \$2,117,980 and \$1,670,177, respectively.

9. SPECIAL EVENTS:

During the years ended September 30, 2016 and 2015, 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 \$384,220 less \$99,896 in costs for the benefits provided during the year ended September 30, 2016, and \$737,245 less \$267,924 in costs for the benefits provided during the year ended September 30, 2015.

WATER MISSION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

10. 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 \$8,958. The future minimum lease payments are as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2017	\$ 107,496
2018	<u>26,879</u>
	<u>\$ 134,375</u>

Rental expense under this lease for the years ended September 30, 2016 and 2015, was \$107,496 and \$107,496, respectively. Other rent expense is incurred from short-term or month-to-month agreements and discount amortization of promised future rents.

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.