

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

*CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT*

**SEPTEMBER 30, 2020 AND 2019**

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Water Missions International and Affiliates (d/b/a Water Mission), which comprise the consolidated statement of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

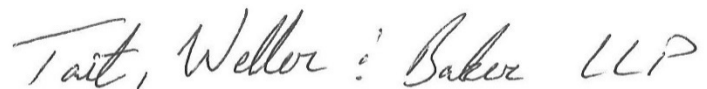
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Water Missions International and Affiliates (d/b/a Water Mission) as of September 30, 2020, and 2019, the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania**  
**January 11, 2021**

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2020 And 2019

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	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$15,115,871	\$10,182,077
Contributions receivable	174,451	307,595
Prepaid expenses and other assets	435,678	548,028
Inventory—net	4,163,359	3,880,981
Investments	4,406,259	7,843,086
Property and equipment—net	745,501	697,656
Assets to be transferred	<u>1,234,780</u>	<u>-</u>
Total Assets	<u>\$26,275,899</u>	<u>\$23,459,423</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 588,218	\$ 511,002
Accrued expenses	1,112,244	468,135
Deferred revenue	<u>770,414</u>	<u>273,678</u>
	<u>2,470,876</u>	<u>1,252,815</u>
<b>NET ASSETS</b>		
Without donor restrictions	9,207,283	6,430,266
With donor restrictions	<u>14,597,740</u>	<u>15,776,342</u>
	<u>23,805,023</u>	<u>22,206,608</u>
Total Liabilities and Net Assets	<u>\$26,275,899</u>	<u>\$23,459,423</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2020

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

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 6,402,387	\$ 11,067,672	\$ 17,470,059
Gifts-in-kind	3,444,012	-	3,444,012
Service income	4,566,690	-	4,566,690
Special events, net	178,843	-	178,843
Interest income, net	300,624	-	300,624
Other income	<u>61,213</u>	<u>-</u>	<u>61,213</u>
Total	14,953,769	11,067,672	26,021,441
Net assets released from restriction	<u>9,798,904</u>	<u>(9,798,904)</u>	<u>-</u>
Total support and revenue	<u>24,752,673</u>	<u>1,268,768</u>	<u>26,021,441</u>
<b>EXPENSES</b>			
Program services	21,155,011	-	21,155,011
Supporting activities:			
Management and general	1,423,221	-	1,423,221
Fund-raising	<u>1,705,384</u>	<u>-</u>	<u>1,705,384</u>
	<u>3,128,605</u>	<u>-</u>	<u>3,128,605</u>
Total expenses	<u>24,283,616</u>	<u>-</u>	<u>24,283,616</u>
Change in net assets before other changes	<u>469,057</u>	<u>1,268,768</u>	<u>1,737,825</u>
<b>OTHER CHANGES</b>			
Effect of translation adjustment	(122,806)	-	(122,806)
Realized and unrealized gain	69,917	-	69,917
Gain on disposal of fixed assets	<u>12,057</u>	<u>-</u>	<u>12,057</u>
Total other changes	<u>(40,832)</u>	<u>-</u>	<u>(40,832)</u>
Change in net assets	428,225	1,268,768	1,696,993
<b>NET ASSETS</b>			
Beginning of year	<u>6,002,041</u>	<u>14,507,574</u>	<u>20,509,615</u>
End of year	<u>\$ 6,430,266</u>	<u>\$ 15,776,342</u>	<u>\$ 22,206,608</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020

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

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2019

	Program Services	SUPPORTING ACTIVITIES			Total Expenses
		Management And General	Fund- Raising	Total Supporting Activities	
Salaries and benefits	\$ 5,303,618	\$ 1,329,603	\$ 954,365	\$ 2,283,968	\$ 7,587,586
Professional services	886,446	839,909	206,279	1,046,188	1,932,634
Supplies	465,780	349,181	203,582	552,763	1,018,543
Occupancy	868,231	19,412	36,329	55,741	923,972
Vehicle	241,576	110	1,226	1,336	242,912
Depreciation	274,013	14,697	12,306	27,003	301,016
Travel	1,435,630	69,911	119,276	189,187	1,624,817
Product and transport	10,031,365	12,022	9,636	21,658	10,053,023
Cost of sales	90,322	-	-	-	90,322
Other expenses	<u>357,784</u>	<u>113,631</u>	<u>37,376</u>	<u>151,007</u>	<u>508,791</u>
Total expenses before information technology allocation	19,954,765	2,748,476	1,580,375	4,328,851	24,283,616
Information technology allocation	<u>1,200,246</u>	<u>(1,325,255)</u>	<u>125,009</u>	<u>(1,200,246)</u>	<u>-</u>
Total expenses	<u>\$ 21,155,011</u>	<u>\$ 1,423,221</u>	<u>\$ 1,705,384</u>	<u>\$ 3,128,605</u>	<u>\$ 24,283,616</u>

See notes to consolidated financial statements.



# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,598,415	\$ 1,696,993
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	271,859	301,015
Realized and unrealized gains	(13,033)	(69,917)
Donated inventory	(2,189,559)	(2,306,400)
Distribution of donated inventory	2,157,963	2,443,406
Gain on disposal of property and equipment and other assets	(15,071)	-
Effect of translation adjustment	98,203	110,620
Changes in operating assets and liabilities:		
Service receivables	133,144	212,505
Prepaid expenses	112,350	(282,906)
Inventory	(333,800)	235,704
Assets to be transferred	(1,234,780)	-
Accounts payable	77,216	309,911
Accrued expenses	644,109	154,196
Deferred revenue	<u>496,737</u>	<u>(102,224)</u>
Net cash provided by operating activities	<u>1,803,753</u>	<u>2,702,903</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(339,819)	(387,661)
Purchase of investments	(3,626,611)	(9,798,169)
Proceeds from sale and maturities of investments	7,076,471	2,025,000
Proceeds on disposal of property and equipment	<u>20,000</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>3,130,041</u>	<u>(8,160,830)</u>
Net change in cash and cash equivalents	4,933,794	(5,457,927)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>10,182,077</u>	<u>15,640,004</u>
End of year	<u>\$15,115,871</u>	<u>\$10,182,077</u>

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## *NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*

September 30, 2020 And 2019

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### (1) NATURE OF ORGANIZATION

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. Driven by a two-pronged strategy of implementing best-in-class safe water and sanitation projects and serving as a resource to other organizations engaged in this work, Water Mission is committed to bringing an end to the global water crisis.

The implementation of best-in-class WASH solutions is accomplished through the work of more than 350 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. Water Mission consistently exhibits strong financial stewardship. Notably, Charity Navigator has awarded Water Mission its top four-star rating 14 years in a row (awarded in 2020 for FY2019 financial results), a distinction shared by less than one percent of the charities rated by the organization. Additionally, in 2019, Water Mission was awarded Charity Navigator's Perfect Score certification for Financial Health and Accountability and Transparency.

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

### ***COMMUNITY DEVELOPMENT***

Water Mission's holistic approach to community development through WASH is specifically designed to improve health in communities served and eliminate preventable illnesses and death. With more than 250 local professionals, many of whom live in and around the communities receiving services, Water Mission builds on local resources and relationships to create a collaborative environment for WASH projects. This collaboration allows the organization to focus on social, financial, and institutional sustainability initiatives necessary to ensure long-term success. To date, Water Mission has implemented over 2,500 safe water and sanitation projects.

In addition to providing comprehensive WASH solutions for those who live in communities lacking safe water and sanitation, Water Mission provides relief to those suffering as a result of natural disasters or humanitarian emergencies. The Living Water Treatment System (LWTS), originally designed in 1998 by Water Mission's co-founder and executive chair, 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. Using the LWTS and other related technology, Water Mission has provided more than 1.3 million people with access to safe water and sanitation following disasters and emergencies.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020 And 2019

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### ***DISASTER RESPONSE***

With over 20 years of disaster response experience, Water Mission is an expert at implementing emergency and long-term safe water solutions following natural disasters and during humanitarian crises.

- **Natural Disasters:** Water Mission has provided relief following some of the world's most devastating disasters, staying long after other relief agencies leave to build resilience and sustainability through long-term recovery efforts. Most recently, Water Mission responded to immediate needs in the Bahamas following Hurricane Dorian. The organization is assisting in long-term reconstruction, working with the Bahamian government to solarize municipal water systems. Water Mission also continues to assist in long-term recovery in Indonesia, following the devastation caused by the 2018 earthquakes and tsunamis. Following the extensive damage caused by Hurricane Maria in Puerto Rico, Water Mission's work focused on decreasing the island's reliance on electricity for safe water production by implementing power-blending systems that combine AC and solar power.
- **Humanitarian Crises:** Water Mission has responded to two major refugee crises: South Sudanese refugees who have fled to Northern Uganda and Burundian refugees who have settled in Western Tanzania. Water Mission has installed solar-powered water treatment systems in these settlements and provided nearly 350,000 refugees and nearby communities with access to WASH solutions. This work has earned Water Mission extensive recognition from reputable global institutions including the UN-affiliated International Organization for Migration (IOM). IOM identified Water Mission as the only non-governmental organization in Northern Uganda with the requisite in-house expertise to design and manage solar-powered water systems in refugee settlements.

### ***ENGINEERING INNOVATION***

Water Mission strives to be a leader in the WASH sector by constantly developing new technology and upgrading WASH solutions designed to tackle the global water crisis. Since 2001, Water Mission has used innovative technology and engineering expertise to provide access to safe water for more than four million people in 56 countries. Water Mission is committed to developing solutions that meet the same standards for water quality that are used in the United States.

Currently, Water Mission has 42 engineers working at its global headquarters and in its country program offices. These engineers are constantly innovating and refining how projects are implemented in the field. Water Mission's culture of constant innovation has led to four patents on various equipment used to provide custom WASH solutions. These customized solutions are one of Water Mission's differentiators. Water Mission has the skill set to develop context-appropriate solutions that combine expertise in areas including solar pumping, water treatment, and piped water distribution.

Working with UNICEF, Water Mission is currently creating solar-powered water pumping standards and online training sessions that will equip all UNICEF relief and development programs with formalized protocols and governance. This request from UNICEF speaks to the reputation that Water Mission has developed as a best-in-class organization and a leader in designing and using solar-powered systems. To date, Water Mission has installed more than 1,400 projects using solar panels.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020 And 2019

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Technology is always developed and utilized by Water Mission with sustainability in mind. To optimize the long-term performance of safe water and sanitation projects, Water Mission's operations include extensive monitoring, evaluation, research, and learning practices, spanning internal data and industry innovations and best practices. This research includes routine evaluation of field activities, remote monitoring of water supply systems, analysis of project performance data through a proprietary online global program management platform, and focused impact studies. In addition, Water Mission recently developed a qualitative survey tool to measure the changes in health and well-being that take place over time in communities that receive safe water and sanitation solutions. The program evaluation and research methods utilized are designed to allow the organization to adopt new approaches based on discovered successes and failures.

### **ADVOCACY**

One of Water Mission's top priorities is to be a resource that helps educate others about the global water crisis. This is accomplished by organizing events and creating educational programs that provide essential information on global water issues and encouraging financial support of transformative WASH solutions. One such event is Water Mission's annual Charleston Walk for Water, which draws thousands of people together. Smaller regional walks take place internationally as well as in cities across the United States. Additionally, Water Mission provides educational programming for students in fun and interactive ways at schools, educational conferences, and community events through a group of volunteers called the Educators Think Tank. This group, made up of former educators, works to engage younger generations in solving the global water crisis.

Water Mission™ is a trademark of Water Missions 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 of nearly 500 volunteers who work approximately 20,000 hours annually. Water Mission is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and is not a private foundation under Section 509(a) of the Code.

## **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

### ***BASIS OF PRESENTATION***

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

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

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

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

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

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

### ***ESTIMATES***

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

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

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

Cash balances of foreign subsidiaries are under the control of Water Mission. Total cash and cash equivalents held internationally amounted to \$1,012,956 and \$417,871 as of September 30, 2020 and 2019, respectively.

### ***CONTRIBUTIONS RECEIVABLE***

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

### ***INVENTORY***

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

### ***INVESTMENTS***

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

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

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

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### ***PROPERTY AND EQUIPMENT***

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

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

### ***COMPENSATED ABSENCES***

Employees of Water Mission are entitled to paid time off (PTO). Water Mission's policy allows employees to carry over a portion of unused PTO beyond the end of a calendar year. Accrued PTO as of September 30, 2020 and 2019, is included in accrued liabilities in the consolidated statements of financial position.

### ***SUPPORT AND REVENUE***

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

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

### ***EXPENSES***

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

Research and development costs are expensed as incurred.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

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### **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.

### **INCOME TAXES**

The consolidated financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of September 30, 2020, 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 2017.

### **NEW ACCOUNTING PRONOUNCEMENTS**

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. This ASU was adopted by Water Mission for the year ended September 30, 2020. As a result of this adoption, certain awards previously accounted for as exchange transactions were evaluated under the framework and considered to be conditional contributions. In 2020, Water Mission recorded approximately \$5,900,000 as conditional contributions as opposed to service income in the statement of activities.

During 2020, Water Mission adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance provides the framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and not-for-profit entities. Analysis of the provisions of this standard resulted in awards previously considered to be Revenue from Contracts with Customers to be accounted for as conditional contributions.

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

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

### **RECLASSIFICATIONS**

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

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

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### (3) INVENTORY – NET

Inventory consists of:

	<u>2020</u>	<u>2019</u>
Raw material, work in progress, and finished goods–U.S.	\$2,151,686	\$2,091,977
Obsolescence reserve	<u>(5,219)</u>	<u>(5,219)</u>
	<u>2,146,467</u>	<u>2,086,758</u>
Finished goods–International	2,039,109	1,842,411
Obsolescence reserve	<u>(22,217)</u>	<u>(48,188)</u>
	<u>2,016,892</u>	<u>1,794,223</u>
	<u>\$4,163,359</u>	<u>\$3,880,981</u>

### (4) INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
<b>Investments</b>		
United States Government and, Federal Agency Bonds	\$2,975,114	\$5,511,312
Corporate Bonds	<u>1,431,145</u>	<u>2,331,774</u>
<b>Total Investments</b>	<u>\$4,406,259</u>	<u>\$7,843,086</u>

Investment earnings for the years ended September 30, 2020 and 2019, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends, net*	\$250,504	\$300,624
Realized and unrealized gain	<u>13,033</u>	<u>69,917</u>
	<u>\$263,537</u>	<u>\$370,541</u>

\* Includes interest earned on the operating bank accounts



# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

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### (5) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

### (6) PROPERTY AND EQUIPMENT – NET

Property and equipment consist of:

	<u>2020</u>	<u>2019</u>
Domestic:		
Leasehold improvements	\$ 354,304	\$ 354,304
Furniture and equipment	385,493	385,493
Vehicles	190,208	95,753
Manufacturing equipment	<u>420,920</u>	<u>420,920</u>
	1,350,925	1,256,470
Less accumulated depreciation	<u>(1,054,946)</u>	<u>(976,158)</u>
	<u>295,979</u>	<u>280,312</u>
International:		
Land	42,773	46,014
Buildings	79,131	83,026
Leasehold improvements	13,542	14,816
Furniture and equipment	71,324	71,844
Vehicles	<u>1,617,966</u>	<u>1,478,653</u>
	1,824,736	1,694,353
Less accumulated depreciation	<u>(1,375,214)</u>	<u>(1,277,009)</u>
	<u>449,522</u>	<u>417,344</u>
	<u>\$ 745,501</u>	<u>\$ 697,656</u>

Depreciation expense was approximately \$271,900 and \$301,000 for the years ended September 30, 2020 and 2019 respectively.

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# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

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### (7) NET ASSETS

Net assets consist of:

	<u>2020</u>	<u>2019</u>
Without donor restriction:		
Undesignated	\$ 4,726,593	\$ 2,306,527
Net equity in inventory	3,735,189	3,426,083
Net equity in property and equipment	<u>745,501</u>	<u>697,656</u>
	<u>9,207,283</u>	<u>6,430,266</u>
With donor restriction:		
Purpose restrictions – non inventory	14,169,570	15,321,444
Purpose restrictions – inventory	<u>428,170</u>	<u>454,898</u>
	<u>14,597,740</u>	<u>15,776,342</u>
Total net assets	<u>\$23,805,023</u>	<u>\$22,206,608</u>

For the year ended September 30, 2020 and 2019, net assets of \$22,251,032 and \$9,798,904, respectively were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

### (8) DONATED MATERIALS AND SERVICES

Donated materials are reflected as contributions in the accompanying consolidated financial statements at their estimated fair market values at the date of receipt. Donated services include services provided by volunteers to assemble water treatment systems, skilled services provided by professionals, and other specialized services that would typically have to be purchased if not provided by donation. Additionally, the monthly rental of Water Mission's office space and warehouse in Charleston, South Carolina is being provided by the owner as an in-kind 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, 2020 and 2019, was \$3,557,167 and \$3,444,012, respectively.

### (9) SPECIAL EVENTS

During the years ended September 30, 2020 and 2019, 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 \$303,134 less \$163,171 in costs for the benefits provided during the year ended September 30, 2020, and \$356,904 less \$178,061 in costs for the benefits provided during the year ended September 30, 2019.

### (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, 2020 and 2019, Water Mission incurred expenses of approximately \$157,000 and \$118,000, respectively.

# WATER MISSIONS INTERNATIONAL AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

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### (11) CONTINGENCIES

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

### (12) RELATED PARTY TRANSACTIONS

Water Mission uses the services of a trust company where a board member is an advisor. Assets under management with this investment company totaled approximately \$8,200,000 and \$8,000,000 as of September 30, 2020 and 2019, respectively. Water Mission was charged investment fees by the investment company. The fee was approximately \$4,100 and \$3,100 for the years ended September 30, 2020 and 2019, respectively.

Water Mission received approximately \$488,000 and \$416,000 of donated delivery services from a multinational delivery service company in which a member of the board of trustees is a director as of September 30, 2020 and 2019, respectively.

Water Mission provided grants of approximately \$981,000 to the Global Water Center, a separately incorporated non-profit organization, in which certain board members of Water Mission are board members of Global Water Center.

### (13) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

At September 30, 2020 and 2019, 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:

<b><u>Financial Assets</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Cash and cash equivalents	\$ 15,115,871	\$ 10,182,077
Contributions receivable	174,451	307,595
Investments	<u>4,406,259</u>	<u>7,843,086</u>
Total financial assets available within one year	19,696,581	18,332,758
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with purpose or time restrictions	<u>(14,597,740)</u>	<u>(15,776,342)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,098,841</u>	<u>\$ 2,556,416</u>

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

### (14) SUBSEQUENT EVENTS

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