

GLOBAL WATER CENTER

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2021

GLOBAL WATER CENTER

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Global Water Center
North Charleston, South Carolina

We have audited the accompanying financial statements of Global Water Center, which comprise the statements of financial position as of September 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

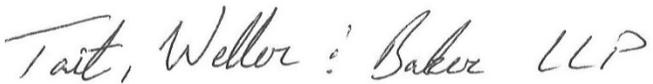
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Water Center as of September 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Global Water Center's 2020 financial statements and our report dated March 2, 2021 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.


TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
January 5, 2022

GLOBAL WATER CENTER

STATEMENTS OF FINANCIAL POSITION

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 1,482,047	\$ 300,995
Account receivable	15,674	-
Pledge receivable, net	836,052	-
Prepaid expenses and other assets	101,660	-
Inventory	19,444	-
Property and equipment, net	<u>4,002,017</u>	<u>-</u>
Total Assets	<u>\$ 6,456,894</u>	<u>\$ 300,995</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 472,245	\$ -
Accrued expenses	<u>94,831</u>	<u>-</u>
Total Liabilities	<u>567,076</u>	<u>-</u>
NET ASSETS		
Without donor restrictions		
Undesignated	1,051,749	300,995
Invested in property and equipment	<u>4,002,017</u>	<u>-</u>
	5,053,766	300,995
With donor restriction	<u>836,052</u>	<u>-</u>
Total Net Assets	<u>5,889,818</u>	<u>300,995</u>
Total Liabilities and Net Assets	<u>\$ 6,456,894</u>	<u>\$ 300,995</u>

GLOBAL WATER CENTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2021 with Summarized Information for 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021</u>	<u>2020</u>
SUPPORT AND REVENUE				
Contributions	\$ 4,001,107	\$ 1,086,052	\$ 5,087,159	\$ 993,305
Gifts-in-kind	4,407,267	-	4,407,267	-
Service income	-	25,200	25,200	-
Other income	232	-	232	-
Release from restriction	<u>275,200</u>	<u>(275,200)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,683,806</u>	<u>836,052</u>	<u>9,519,858</u>	<u>993,305</u>
EXPENSES				
Program services:	<u>3,077,648</u>	<u>-</u>	<u>3,077,648</u>	<u>494,978</u>
Supporting activities:				
Management and general	166,581	-	166,581	48,821
Fund-raising	<u>686,806</u>	<u>-</u>	<u>686,806</u>	<u>148,511</u>
	<u>853,387</u>	<u>-</u>	<u>853,387</u>	<u>197,332</u>
Total expenses	<u>3,931,035</u>	<u>-</u>	<u>3,931,035</u>	<u>692,310</u>
Change in net assets	4,752,771	836,052	5,588,823	300,995
NET ASSETS				
Beginning of year	<u>300,995</u>	<u>-</u>	<u>300,995</u>	<u>-</u>
End of year	<u>\$ 5,053,766</u>	<u>\$ 836,052</u>	<u>\$ 5,889,818</u>	<u>\$ 300,995</u>

GLOBAL WATER CENTER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2021 with Summarized Information for 2020

		SUPPORTING ACTIVITIES				
	<u>Program Services</u>	<u>Management And General</u>	<u>Fund-Raising</u>	<u>Total Supporting Activities</u>	<u>2021 Total Expenses</u>	<u>2020 Total Expenses</u>
Salaries and benefits	\$ 1,077,833	\$ 52,589	\$ 133,781	\$ 186,370	\$ 1,264,203	\$ 212,938
Professional services	690,656	103,620	534,653	638,273	1,328,929	447,721
Supplies	50,474	5,500	2,551	8,051	58,525	4,755
Occupancy	2,000	-	5,000	5,000	7,000	-
Travel and meetings	205,596	3,773	8,217	11,990	217,586	15,987
Cost of sales	10,331	-	-	-	10,331	-
Product and transport	587,928	-	2,549	2,549	590,477	10,904
Advertising	19,526	-	-	-	19,526	-
Depreciation	405,250	-	-	-	405,250	-
Other expenses	<u>28,054</u>	<u>1,099</u>	<u>55</u>	<u>1,154</u>	<u>29,208</u>	<u>5</u>
Total expenses	<u>\$ 3,077,648</u>	<u>\$ 166,581</u>	<u>\$ 686,806</u>	<u>\$ 853,387</u>	<u>\$ 3,931,035</u>	<u>\$ 692,310</u>

GLOBAL WATER CENTER

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,588,823	\$ 300,995
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation expense	405,250	-
Gifts-in-kind	(4,407,267)	-
Decrease (Increase) in operating assets:		
Accounts receivable	(15,674)	-
Pledges receivable	(836,052)	-
Prepaid expenses and other assets	(101,660)	-
Inventory	(19,444)	-
(Decrease) Increase in Operating Liabilities:		
Accounts payable	472,245	-
Accrued expenses	<u>94,831</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>1,181,052</u>	<u>300,995</u>
Net increase in cash and cash equivalents	1,181,052	300,995
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>300,995</u>	<u>-</u>
End of year	<u>\$ 1,482,047</u>	<u>\$ 300,995</u>
NONCASH INVESTING ACTIVITIES		
Transfer of property and equipment in-kind	<u>\$(4,407,267)</u>	<u>\$ -</u>

GLOBAL WATER CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(1) NATURE OF ORGANIZATION

The Global Water Center (GWC) is a collaborative platform creating a movement of millions of people and scaling the impact of safe water implementers, corporate partners, governmental agencies, and others to end the global water crisis by reaching 2.2 billion people with safe water and sanitation. The GWC Mission is to build capacity through collaboration, training, equipping, and supporting services to eradicate the global water crisis which claims over 2,300 lives every day.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

BASIS OF PRESENTATION

The GWC'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 net assets, revenue, support and expenses be classified as without donor restriction or with donor restriction based on the existence or absence of donor-imposed restrictions 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 GWC. These net assets may be used at the discretion of GWC.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of GWC 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.

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and savings accounts. Accounts may, at times, exceed federally insured limits. GWC has not experienced any losses in such accounts.

CONCENTRATION OF CREDIT RISK

GWC occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification ("***ASC***") 825, "***Financial Instruments***", identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made. See ***Note 6*** for additional concentrations from a related party.

INVENTORY

Inventory consists of purchased promotional materials sold at water center events. Inventory purchased by the Global Water Center is stated at weighted average costs.

GLOBAL WATER CENTER

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2021

PROPERTY AND EQUIPMENT

Property and equipment are stated at costs. GWC's policy is to capitalize all expenditures for property and equipment with a cost greater than \$2,000. Repairs and maintenance are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful life of the assets, which is 5 to 7 years.

SUPPORT AND REVENUE

The GWC recognizes contributions when cash, securities or other assets, and unconditional promise to give is received. Conditional contributions include donor-imposed conditions with one or more barriers that must be overcome before the GWC is entitled to the assets transferred or promised and there is a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. The GWC recognizes the contribution 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 the 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 asset released from restrictions.”***

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 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.

INCOME TAXES

The GWC is a not-for-profit South Carolina corporation exempt from federal income tax under Internal Revenue Code 501(c)(3). Accordingly, no provision has been made for federal or state taxes on the excess revenue over expenses.

Management has reviewed the tax positions for each open tax year (2020) or expected to be taken in the GWC's 2021 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

GLOBAL WATER CENTER

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 31, 2021

(2) PLEDGES RECEIVABLE

Unconditional promises to give are included in these financial statements as pledges receivable. Pledges are recorded after discounting to the present value of the future cash flows.

Unconditional promises to give at September 30, 2021 are expected to be realized as follows:

	<u>2021</u>
2022	\$ 100,000
2023	100,000
2024	100,000
2025	100,000
2026	100,000
Thereafter	<u>400,000</u>
	900,000
Less: reserve for uncollectible	<u>63,948</u>
Net pledges receivable	<u>\$ 836,052</u>

(3) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at September 30:

	<u>2021</u>
Mobile Discovery Center	\$ 4,407,267
Accumulated depreciation	<u>(405,250)</u>
	<u>\$ 4,002,017</u>

Depreciation expense of property and equipment was \$405,250 at September 30, 2021

(4) NET ASSETS

Net assets with restrictions at September 30 are available as follows:

	<u>2021</u>	<u>2020</u>
The Rockstad Foundation - time restricted	<u>\$836,052</u>	<u>\$ -</u>

Total releases from restriction were \$275,200 in 2021 and were related to either the passage of time or incurring expenditures in connection with the restricted purpose.

GLOBAL WATER CENTER

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 31, 2021

(5) 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 Global Water Center operations is not reasonably estimable at this time.

(6) RELATED PARTY TRANSACTIONS

GWC paid administrative fees and charges for its employees' salaries under a master services agreement to a not-for-profit organization ("Organization") in which certain members of the Organization's board of trustees and chief executive team are members of GWC's governing board. For the years ending September 30, 2021 and 2020, administrative fees of approximately \$218,000 and \$170,000, respectively, were paid to the Organization. For the years ending September 30, 2021 and 2020, salaries and benefits of approximately \$1,143,000 and \$213,000, respectively, were paid to this organization. GWC received approximately 88% of its revenue (approximately \$8,400,000 in support, including gifts in kind amounting to \$4,407,267) from the Organization.

(7) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects GWC's financial assets as of September 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor and/or contractual restrictions.

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	\$ 1,482,047	\$ 300,995
Accounts receivable	15,674	-
Pledges receivable, net – current portion	<u>100,000</u>	<u>-</u>
Total financial assets	1,597,721	300,995
Assets restricted as to use:		
Restricted by donor with purpose or time restrictions	<u>(836,052)</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 761,669</u>	<u>\$ 300,995</u>

As part of GWC's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

(8) SUBSEQUENT EVENTS

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