

GLOBAL WATER CENTER

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2022

GLOBAL WATER CENTER

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Trustees
Global Water Center
North Charleston, South Carolina**

Opinion

We have audited the accompanying financial statements of Global Water Center (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Global Water Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Water Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Board of Trustees
Global Water Center
North Charleston, South Carolina**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Global Water Center 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Water Center 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Global Water Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP
TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
December 5, 2022**

GLOBAL WATER CENTER

STATEMENTS OF FINANCIAL POSITION

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 2,508,444	\$ 1,482,047
Account receivable	10	15,674
Pledge receivable, net	688,268	836,052
Prepaid expenses and other assets	15,671	101,660
Inventory	-	19,444
Property and equipment, net	<u>3,232,116</u>	<u>4,002,017</u>
Total Assets	<u>\$ 6,444,509</u>	<u>\$ 6,456,894</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 114,737	\$ 472,245
Accrued expenses	<u>15,013</u>	<u>94,831</u>
Total Liabilities	<u>129,750</u>	<u>567,076</u>
NET ASSETS		
Without donor restrictions		
Undesignated	2,028,241	1,051,749
Invested in property and equipment	<u>3,232,116</u>	<u>4,002,017</u>
	5,260,357	5,053,766
With donor restriction	<u>1,054,402</u>	<u>836,052</u>
Total Net Assets	<u>6,314,759</u>	<u>5,889,818</u>
Total Liabilities and Net Assets	<u>\$ 6,444,509</u>	<u>\$ 6,456,894</u>

GLOBAL WATER CENTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2022 with Summarized Information for 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
SUPPORT AND REVENUE				
Contributions	\$ 3,525,500	\$ 489,897	\$ 4,015,397	\$ 5,087,159
Gifts-in-kind	14,495	-	14,495	4,407,267
Service income	54,179	-	54,179	25,200
Other income	1,400	-	1,400	232
Release from restriction	<u>271,547</u>	<u>(271,547)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,867,121</u>	<u>218,350</u>	<u>4,085,471</u>	<u>9,519,858</u>
EXPENSES				
Program services:	<u>2,903,265</u>	<u>-</u>	<u>2,903,265</u>	<u>3,077,648</u>
Supporting activities:				
Management and general	317,754	-	317,754	166,581
Fund-raising	<u>439,511</u>	<u>-</u>	<u>439,511</u>	<u>686,806</u>
	<u>757,265</u>	<u>-</u>	<u>757,265</u>	<u>853,387</u>
Total expenses	<u>3,660,530</u>	<u>-</u>	<u>3,660,530</u>	<u>3,931,035</u>
Change in net assets	206,591	218,350	424,941	5,588,823
NET ASSETS				
Beginning of year	<u>5,053,766</u>	<u>836,052</u>	<u>5,889,818</u>	<u>300,995</u>
End of year	<u>\$ 5,260,357</u>	<u>\$ 1,054,402</u>	<u>\$ 6,314,759</u>	<u>\$ 5,889,818</u>

GLOBAL WATER CENTER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2022 with Summarized Information for 2021

		SUPPORTING ACTIVITIES				
	<u>Program Services</u>	<u>Management And General</u>	<u>Fund-Raising</u>	<u>Total Supporting Activities</u>	<u>2022 Total Expenses</u>	<u>2021 Total Expenses</u>
Salaries and benefits	\$ 949,510	\$ 197,165	\$ 101,035	\$ 298,200	\$ 1,247,710	\$ 1,264,203
Professional services	274,935	98,428	297,897	396,325	671,260	1,328,929
Supplies	10,330	15,627	30,368	45,995	56,325	58,525
Occupancy	-	-	688	688	688	7,000
Travel and meetings	161,284	3,701	3,428	7,129	168,413	217,586
Cost of sales	15,106	-	-	-	15,106	10,331
Product and transport	528,187	1,693	338	2,031	530,218	590,477
Advertising	12,480	500	5,356	5,856	18,336	19,526
Depreciation	827,900	-	-	-	827,900	405,250
Other expenses	<u>123,533</u>	<u>640</u>	<u>401</u>	<u>1,041</u>	<u>124,574</u>	<u>29,208</u>
Total expenses	<u>\$ 2,903,265</u>	<u>\$ 317,754</u>	<u>\$ 439,511</u>	<u>\$ 757,265</u>	<u>\$ 3,660,530</u>	<u>\$ 3,931,035</u>

GLOBAL WATER CENTER

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 424,941	\$ 5,588,823
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation expense	827,900	405,250
Gifts-in-kind	-	(4,407,267)
Decrease (Increase) in operating assets:		
Accounts receivable	15,664	(15,674)
Pledges receivable	147,784	(836,052)
Prepaid expenses and other assets	85,989	(101,660)
Inventory	19,444	(19,444)
(Decrease) Increase in Operating Liabilities:		
Accounts payable	(357,508)	472,245
Accrued expenses	<u>(79,818)</u>	<u>94,831</u>
Net Cash Provided By Operating Activities	<u>1,084,396</u>	<u>1,181,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(57,999)</u>	<u>-</u>
Net Cash Used In Investing Activities	<u>(57,999)</u>	<u>-</u>
Net increase in cash and cash equivalents	1,026,397	1,181,052
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,482,047</u>	<u>300,995</u>
End of year	<u>\$ 2,508,444</u>	<u>\$ 1,482,047</u>
NONCASH INVESTING ACTIVITIES		
Transfer of property and equipment in-kind	<u>\$ -</u>	<u>\$ (4,407,267)</u>

GLOBAL WATER CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

(1) NATURE OF ORGANIZATION

The Global Water Center (GWC) is committed to the eradication of water poverty. Our ability to deliver on this mission is through Collective Action.

We believe that solutions to water poverty are found in our Partners. The GWC's commitment is to aggregate the wisdom, impact, and best practices of those (who are already demonstrating value in what they do) and help them operate at full capacity. Then through our learning and technical services to extend and replicate the wisdom, impact, and best practices of our partners, globally.

The GWC's global impact is accessible, measurable, and impactful. These are three components that are essential to all that we do:

Standards: Internationally accepted standards optimize the probability of long-term sustainability and replication of water systems.

Learning and Professional Services: Providing water providers with the knowledge and skills to meet the standards and achieve scale in their efforts, then replicating the wisdom, impact, and best practices of our partners, globally. We are currently offering these learning and professional services at regional, national, and international scale.

Monitoring, Evaluation, and Response: Through our monitoring and asset management tools the GWC is offering the automated ability to monitor results, support predictive maintenance, and reduce downtime of water systems. This will drive sustainable and reliable water service and allow providers a means of sharing this good news with funders.

(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.

GLOBAL WATER CENTER

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2022

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.

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.

GLOBAL WATER CENTER

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2022

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.

The GWC's federal information returns are generally subject to examination by the Internal Revenue Service for three years, the fiscal years ended September 30, 2020 and 2021, as well as the return to be filed for the fiscal year ended September 30, 2022. Management has reviewed the tax positions for each open tax year and concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(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, 2022 are expected to be realized as follows:

2023	\$ 50,000
2024	100,000
2025	100,000
2026	100,000
2027	100,000
Thereafter	<u>300,000</u>
	750,000
Less: reserve for uncollectible	<u>61,732</u>
Net pledges receivable	<u>\$ 688,268</u>

(3) PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Mobile Discovery Center	\$ 4,465,266	\$ 4,407,267
Accumulated depreciation	<u>(1,233,150)</u>	<u>(405,250)</u>
	<u>\$ 3,232,116</u>	<u>\$ 4,002,017</u>

Depreciation expense of property and equipment was \$827,900 and \$405,250 at September 30, 2022 and 2021, respectively.

GLOBAL WATER CENTER

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2022

(4) NET ASSETS

Net assets with restrictions at September 30 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Mobile Discovery Center	\$ 688,268	\$ 836,052
Water Curriculum Ghana	<u>366,134</u>	<u>-</u>
	<u>\$ 1,054,402</u>	<u>\$ 836,052</u>

For the years ended September 30, 2022 and 2021, net assets of \$271,547 and \$275,200, respectively were released from donor restrictions by incurring expenditures in connection with the restricted purposes.

(5) CONTINGENCIES

The COVID-19 pandemic has resulted in significant economic disruption affecting the overall economy. As vaccination efforts continue, restrictions on businesses have been lifted and a return to more normal economic activity has begun. However, a significant degree of uncertainty still exists concerning the ultimate duration and magnitude of the COVID-19 pandemic and subsequent outbreaks, including whether restrictions that have been lifted will need to be imposed again or tightened in the future. Given the ongoing and dynamic nature of the circumstances, it is still difficult to predict the full impact of the COVID-19 pandemic on the Global Water Center.

(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, 2022 and 2021, administrative fees of approximately \$96,000 and \$218,000, respectively, were paid to the Organization. For the years ending September 30, 2022 and 2021, salaries and benefits of approximately \$1,060,000 and \$1,143,000, respectively, were paid to this organization. During 2022, the GWC received a \$100,000 without donor restricted contribution from the Organization. In 2021, the 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.

The GWC received approximately \$2,000,000 and \$360,000 in contributions from board members at September 30, 2022 and 2021, respectively.

GLOBAL WATER CENTER

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2022

(7) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects GWC's financial assets as of September 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 2,508,444	\$1,482,047
Accounts receivable	10	15,674
Pledges receivable, net – current portion	<u>50,000</u>	<u>100,000</u>
Total financial assets	2,558,454	1,597,721
Assets restricted as to use:		
Restricted by donor with purpose or time restrictions	<u>(416,134)</u>	<u>(100,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,142,320</u>	<u>\$1,497,721</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.