Water.org, Inc.

Financial Report
September 30, 2023

Contents

Independent Auditor's Report

Board of Directors
Water.org, Inc.

Opinion
We have audited the financial statements of Water.org, Inc. (the Organization), which comprise the statements of financial position as of September 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 1 to the financial statements, effective October 1, 2022, the Organization adopted new accounting guidance Accounting Standards Codification 842, *Leases*, which changes certain accounting and disclosures regarding leases. Our opinion is not modified with respect to this matter.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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.

RSM US LLP

Kansas City, Missouri
May 7, 2024

Water.org, Inc.

Statements of Financial Position
September 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 38,962,980	$ 41,631,265
Contributions receivable	17,936,872	1,546,557
Other receivables	6,512	8,185
Prepaid expenses	239,141	265,838
Investments	1,469,142	1,406,842
Investment in WaterCredit Fund 3	1,048,656	1,284,458
Right-of-use asset operating lease	1,228,464	-
Property and equipment, net of accumulated depreciation, 2023—$1,084,366; 2022—$1,038,165	503,308	57,504
Total assets	$ 61,395,075	$ 46,200,649
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 467,082	$ 28,519
Accrued expenses	3,453,804	3,259,591
Right-of-use operating lease, current	295,536	-
Refundable advances	2,664,692	4,800,820
Total short term liabilities	6,881,114	8,088,930
Long term liabilities:		
Right-of-use operating lease, non-current	937,419	-
Total long term liabilities	937,419	-
Total liabilities	7,818,533	8,088,930
Net assets:		
Without donor restrictions	30,178,231	23,372,492
With donor restrictions	23,398,311	14,739,227
Total net assets	53,576,542	38,111,719
Total liabilities and net assets	$ 61,395,075	$ 46,200,649

See notes to financial statements.

Water.org, Inc.

Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions and grants:			
Foundations, corporations and other organizations	$ 12,987,595	$ 26,659,646	$ 39,647,241
Individuals	10,409,221	166,738	10,575,959
Investment return	1,318,560	(235,802)	1,082,758
Net assets released from restrictions	17,931,498	(17,931,498)	-
Total revenues, gains and other support	42,646,874	8,659,084	51,305,958
Expenses and losses:			
Program services:			
Water programs	28,931,520	-	28,931,520
Outreach	2,203,752	-	2,203,752
Total program services	31,135,272	-	31,135,272
Management and general	2,034,111	-	2,034,111
Fundraising	2,671,752	-	2,671,752
Total expenses and losses	35,841,135	-	35,841,135
Change in net assets	6,805,739	8,659,084	15,464,823
Net assets, beginning of year	23,372,492	14,739,227	38,111,719
Net assets, end of year	$ 30,178,231	$ 23,398,311	$ 53,576,542

See notes to financial statements.

Water.org, Inc.

Statement of Activities
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions and grants:			
Foundations, corporations and other organizations	$ 16,182,699	$ 11,716,567	$ 27,899,266
Individuals	9,487,746	6,878	9,494,624
Investment return	254,643	-	254,643
Forgiveness of Paycheck Protection Program	1,425,377	-	1,425,377
Net assets released from restrictions	11,706,251	(11,706,251)	-
Total revenues, gains and other support	39,056,716	17,194	39,073,910
Expenses and losses:			
Program services:			
Water programs	17,782,542	-	17,782,542
Outreach	2,281,872	-	2,281,872
Total program services	20,064,414	-	20,064,414
Management and general	5,551,473	-	5,551,473
Fundraising	3,227,276	-	3,227,276
Total expenses and losses	28,843,163	-	28,843,163
Change in net assets	10,213,553	17,194	10,230,747
Net assets, beginning of year	13,158,939	14,722,033	27,880,972
Net assets, end of year	$ 23,372,492	$ 14,739,227	$ 38,111,719

See notes to financial statements.

Water.org, Inc.

Statement of Functional Expenses
Year Ended September 30, 2023

	Program Services					
	Water Programs	Outreach	Subtotal	Management and General	Fundraising	Total
Salaries and taxes	$ 11,557,190	$ 135,919	$ 11,693,109	$ 1,433,425	$ 1,756,725	$ 14,883,259
Employee benefits	940,763	13,992	954,755	125,635	148,699	1,229,089
Other personnel expense	37,019	-	37,019	3,127	1,676	41,822
Contract services	2,773,193	38,591	2,811,784	158,883	341,108	3,311,775
Occupancy expense	692,570	-	692,570	26,945	31,082	750,597
Office expense	663,064	2	663,066	84,239	146,954	894,259
Telephone and related communications	13,975	-	13,975	198	105	14,278
Travel expense	1,260,771	15,208	1,275,979	58,336	98,918	1,433,233
Program specific expenses - grants	6,296,149	-	6,296,149			6,296,149
Program specific fees	82,555	-	82,555	-	-	82,555
Program implementation expense	3,513,118	-	3,513,118	1,490	1,502	3,516,110
Contribution expense	-	2,000,000	2,000,000	-	-	2,000,000
Bank and credit card fees	106,738	-	106,738	11,018	54,462	172,218
Corporate insurance	105,801	-	105,801	11,169	6,383	123,353
Service tax	(9,260)	-	(9,260)	-	-	(9,260)
Licenses & fees	12,111	-	12,111	2,140	1,535	15,786
Dues and subscriptions	32,277	-	32,277	9,723	16,489	58,489
Professional fees	754,811	-	754,811	72,294	55,499	882,604
Other corporate fees	98,675	40	98,715	35,489	10,615	144,819
	$ 28,931,520	$ 2,203,752	$ 31,135,272	$ 2,034,111	$ 2,671,752	$ 35,841,135

See notes to financial statements.

Water.org, Inc.

Statement of Functional Expenses
Year Ended September 30, 2022

	Program Services					
	Water Programs	Outreach	Subtotal	Management and General	Fundraising	Total
Salaries and wages	$ 7,410,920	$ 133,496	$ 7,544,416	$ 3,139,023	$ 1,907,335	$ 12,590,774
Payroll taxes	382,939	10,076	393,015	211,948	121,125	726,088
Employee benefits	616,884	12,367	629,251	371,645	172,454	1,173,350
Contractors	942,238	56,540	998,778	895,915	577,357	2,472,050
Occupancy-related	401,478	-	401,478	109,529	49,670	560,677
Office supplies	13,753	-	13,753	8,711	379	22,843
Postage and shipping	57,084	-	57,084	8,514	11,044	76,642
Printing and reproduction	43,308	64	43,372	526	16,782	60,680
Telephone and related communications	60,592	420	61,012	31,470	12,623	105,105
Office equipment, rental and maintenance	145,950	135	146,085	349,042	72,996	568,123
Travel	509,779	8,446	518,225	89,326	63,211	670,762
Grants to other organizations	2,838,988	-	2,838,988	-	-	2,838,988
Program fees and supplies	3,630,580	2,060,204	5,690,784	-	-	5,690,784
Advertising and marketing	48,279	-	48,279	-	32,186	80,465
Directors and officer insurance	81,716	-	81,716	30,426	15,169	127,311
Bank and credit card fees	96,686	-	96,686	11,798	50,223	158,707
Accounting and legal fees	371,044	-	371,044	170,226	70,257	611,527
Dues and subscriptions	38,032	-	38,032	44,084	36,435	118,551
Bad-debt expense	-	-	-	601	-	601
Foreign exchange loss	862	-	862	(5)	-	857
Other operating expenses	20,286	124	20,410	38,261	1,451	60,122
Depreciation	71,144	-	71,144	40,433	16,579	128,156
	$ 17,782,542	$ 2,281,872	$ 20,064,414	$ 5,551,473	$ 3,227,276	$ 28,843,163

See notes to financial statements.

Water.org, Inc.

Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 15,464,823	$ 10,230,747
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	50,037	128,156
Net unrealized (gains) loss on investments	182,605	(2,241)
Loss on disposition of property and equipment	2,316	6,131
Gain on extinguishment of Paycheck Protection loan	-	(1,425,377)
Changes in operating assets and liabilities:		
Contributions and other receivables	(16,388,642)	359,620
Prepaid expenses	26,697	75,444
Right-of-use operating lease asset	1,137,737	-
Accounts payable	438,563	(194,551)
Accrued expenses	194,213	164,165
Right-of-use operating lease	(1,133,246)	-
Refundable advances	(2,136,128)	(1,294,714)
Net cash (used in) provided by operating activities	(2,161,025)	8,047,380
Cash flows from investing activities:		
Purchase of property and equipment	(498,157)	(20,499)
Purchase of investments	(87,660)	-
Proceeds from sale of investments	78,557	-
Net cash used in investing activities	(507,260)	(20,499)
Net (decrease) increase in cash and cash equivalents	(2,668,285)	8,026,881
Cash and cash equivalents, beginning of year	41,631,265	33,604,384
Cash and cash equivalents, end of year	$ 38,962,980	$ 41,631,265
Supplemental disclosures of noncash information:		
Forgiveness of PPP Loan	$ -	$ 1,425,377
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	$ 808,983	$ -
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	$ 1,133,246	$ -

See notes to financial statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: Water.org, Inc. (Water.org or Organization) is a nonprofit corporation whose primary purpose is to provide technical assistance and financial support for water supply and sanitation solutions in developing countries, and to raise awareness of the drinking water and sanitation crisis. Water.org is headquartered in Kansas City, Missouri, with offices in Kenya, India, Indonesia, Peru, Bangladesh and the Philippines and operates across Latin America, Africa, South Asia, and Southeast Asia.

Water programs: The WaterCredit Initiative® is Water.org's core solution. Water.org works with their in-country financial partners to add loans for water and sanitation solutions to their portfolios. These partners then mobilize funding from capital markets to provide affordable loans to people in need of water. People living in poverty use these loans to put a tap or toilet in their homes. Every repaid loan creates the opportunity for another family to get the safer water and toilets they need.

Partnering to Accelerate Access: Water.org provides technical assistance, shares best practices, and collaborates with stakeholders to develop, implement and scale effective solutions.

Increasing access to financing at a system level: Water.org works with development agencies, governments, and other partners to influence public policy and practice changes that make more funds available for water and sanitation solutions, at local, national, and global levels.

Driving impact through evidence: Water.org generates a credible evidence base for influencing action to bring safe water and sanitation to all.

Scaling our solution through WaterEquity: Water.org established and continue to partner with WaterEquity, the first-ever impact investment manager dedicated to ending the global water crisis, with an exclusive focus on raising and deploying capital to water and sanitation enterprises throughout Asia, Africa, and Latin America.

Outreach: Water.org seeks to raise awareness of the global water and sanitation crisis and Water.org's solutions through presentations at high-level convenings, Water.org's own media channels and earned media coverage.

Management and general and fundraising: Management and general and fundraising provides oversight of programs and business management, record keeping, budgeting, financing and other administrative and fundraising activities for Water.org.

Basis of presentation: The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) Subtopic 958, Presentation of Financial Statements of Not-for-Profit Entities. Under this topic, Water.org is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of Water.org and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions but may be subject to designation by the Board for Water.org's mission. Water.org had no board designated net assets as of September 30, 2023 and 2022.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets with donor restrictions are those whose use by Water.org has been limited by donors to a specific time period or purpose.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Water.org considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2023 and 2022, cash equivalents consisted primarily of money market mutual funds with brokers and certificates of deposit. Water.org maintains deposits with money-center banks in excess of the insured limits and works to reduce exposure, and has not experienced any losses in such accounts.

Investments and investment return: Investments in equity securities having a readily determinable fair value, and in all debt securities, are carried at fair value. Other investments are valued using the practical expedient. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized and unrealized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as net assets without or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and equipment: Property and equipment is stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The Organization’s capitalization policy is $5,000.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Office equipment	10 years
Computer software	5 years

Long-lived asset impairment: Water.org evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2023 and 2022.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Leases: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. Water.org adopted Topic 842 on October 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, Water.org has applied Topic 842 to reporting periods beginning on October 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases.

Water.org elected the "package of practical expedients" under the transition guidance within Topic 842, in which Water.org does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. Water.org has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on October 1, 2022.

Water.org determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) Water.org obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Water.org also considers whether its service arrangements include the right to control the use of an asset.

Water.org made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or October 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, Water.org made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to Water.org's operating leases of approximately $778,609 and $773,984, respectively, at October 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets without donor restrictions.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Contributions and contributions receivable: Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets with donor restrictions and then released from restriction.

Gifts of equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restriction. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets with donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts are expected to be collected within one year and are reported at their net realizable value and are recognized as revenue in the period when the promise is received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized when the barriers on which they depend are substantially overcome and the gift becomes unconditional. See Note 5 in the financials for break out of conditional items.

All receivables recorded as of September 30, 2023 and 2022, are expected to be collected.

In-kind contributions: In addition to receiving cash contributions, Water.org receives in-kind contributions of goods and services from various donors. It is the policy of Water.org to record the estimated fair value of certain in-kind donations as an expense in the financial statements, and similarly increase contribution revenue by a like amount. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. There were no in-kind contributions as of September 30, 2023 and 2022.

Grant revenues: Water.org follows the latest FASB issued ASU 2018-08, clarifying the scope and the accounting guidance for contribution received by evaluating whether grants should be accounted for as contributions or as exchange transactions. Further, it distinguishes between conditional contributions and unconditional contributions. Conditional contributions are recorded as refundable advances until the conditions have been met.

Foreign currency translation and transactions: Assets recorded in functional currencies other than U.S. dollars are translated into U.S. dollars at the year-end rate of exchange. Revenue and expense transactions are recorded using a contemporaneous rate of exchange. The net currency translation and the gains and losses from foreign currency transactions are recorded in the change in net assets.

Functional allocation of expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs, management and general, and fundraising categories based on actual time expended.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Income taxes: Water.org is exempt from income taxes under section 501 of the Internal Revenue Code and a similar provision of state law. However, Water.org is subject to federal income tax on any unrelated business taxable income. Uncertain tax positions, if any, are recorded in accordance with ASC Topic 740, Income Taxes, which requires the recognition of a liability for tax positions taken that do not meet the more likely than not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at September 30, 2023 or 2022.

Water.org files tax returns in the U.S. federal jurisdiction.

WaterCredit Investment Fund 3's (WCIF 3) members have elected to have WCIF 3's income taxed as a partnership under provisions of the Internal Revenue Code and a similar section of the state income tax law. Therefore, taxable income or loss is reported to the individual members for inclusion in their respective tax returns, and no provision for federal and state income taxes is included in these financial statements.

Transfers between fair value hierarchy levels: Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date. There were no such transfers in 2023 or 2022.

Recent accounting pronouncements: In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct writedown. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The new standard is effective for fiscal year 2024. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Note 2. Liquidity and Availability of Resources

Water.org receives donor-restricted contributions with donor time and/or purpose restrictions. In addition, Water.org receives support without donor restrictions.

Investment income without donor restrictions, contributions without donor restrictions and contributions with donor restrictions for use in current activities and programs are available to meet general expenditure requirements. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during and included in the budget for a fiscal year.

Water.org manages its available cash to meet general expenditures adhering to three guiding principles:

- Operate within a prudent range of financial soundness and stability
- Maintain a sufficient level of asset liquidity
- Maintain and monitor reserves to provide reasonable assurance that long-term grant commitments and obligations will continue to be met

Note 2. Liquidity and Availability of Resources (Continued)

Water.org follows a liquidity policy mandating the maintenance of financial assets to meet general expenditures for management and general and fundraising expenses. To achieve this, Water.org forecasts its future cash flows and monitors its liquidity monthly.

The table below represents financial assets available for general expenditures within one year of September 30:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	$ 38,962,980	$ 41,631,265
Contribution receivables	17,936,872	1,546,557
Other receivables	6,512	8,185
Investments	2,517,798	2,691,300
Total financial assets	59,424,162	45,877,307
Less amounts not available to be used within one year:		
Investments in nonliquid securities	(1,048,656)	(1,284,458)
Cash and cash equivalents for IDR Loan Guarantees	(37,776)	(39,553)
Donor-imposed restrictions	(23,398,311)	(14,739,227)
Financial assets not available to be used within one year	(24,484,743)	(16,063,238)
Financial assets available to meet general expenditures within one year	$ 34,939,419	$ 29,814,069

Water.org has various sources of liquidity at its disposal, including cash and cash equivalents, and a line of credit with Bank of America totaling $4,000,000. See Note 8 for information about Water.org's line of credit.

Note 3. Investments

Investments at September 30, 2023 and 2022, consisted of the following:

	2023	2022
Mutual funds	$ 1,469,142	$ 1,406,842
Investment in WaterCredit Investment Fund 3	1,048,656	1,284,458
	$ 2,517,798	$ 2,691,300

Note 4. Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. Water.org accounts for its investments at fair value. In accordance with the guidance, Water.org has categorized its investments based on the priority of the inputs to the valuation technique, which gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs are quoted prices for identical instruments traded in active markets.

Level 2: Inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or derived from inputs that are observable.

Level 3: Inputs are valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker trade transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Recurring measurements: The following tables present the fair value measurements recognized in the acing statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023 and 2022:

	September 30, 2023			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
WaterCredit Investment Fund 3	$ 1,048,656	$ -	$ -	$ 1,048,656
Mutual funds	1,469,142	1,469,142	-	-
Total investments:	$ 2,517,798	$ 1,469,142	$ -	$ 1,048,656

	September 30, 2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
WaterCredit Investment Fund 3	$ 1,284,458	$ -	$ -	$ 1,284,458
Mutual funds	1,406,842	1,406,842	-	-
Total investments:	$ 2,691,300	$ 1,406,842	$ -	$ 1,284,458

Note 4. Fair Value of Assets and Liabilities (Continued)

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2023.

Mutual funds: These investments are reported at fair value based on quoted market prices obtained from exchanges.

Investment in WCIF 3: This investment is reported at fair value of net asset value (NAV) using the practical expedient, which is $1,048,656 and $1,284,458 at September 30, 2023 and 2022. The investment is a Cayman Islands exempted limited partnership. The fund's purpose is to address the global water crisis by financing improved access to safe water and sanitation for low-income individuals and groups. As described in Article 1.9 of the Limited Partnership Agreement, at all times the Partnership will be operated in a manner that furthers the charitable purposes of its Affiliate, WaterEquity, Inc., consistent with WaterEquity, Inc.'s status as an organization described in Code Section 501(c)(3).

There were no changes in securities measured at NAV as of September 30, 2023. Water.org does not have early redemption rights. Investments into the fund (principal) is expected to be returned at the end of the fund's seven-year term in 2027, with the possibility of two one-year extensions. The unfunded commitment is $0 for both September 30, 2023 and 2022.

Note 5. Conditional Gifts

Water.org has received conditional promises to give that are not recognized in the financial statements. Water.org must meet certain milestones as defined in the related grant agreements in order to recognize these grants as revenue. Management expects the conditions to be met over the next two years. Conditional promises at September 30, 2023 and 2022, were for the following purposes:

	2023	2022
Kenya Initiative (through 2022)	$ -	$ 330,203
India Initiative (through 2022)	-	3,716,979
Philippines Initiative (through 2022)	-	82,872
Mexico Initiative (through 2023)	-	200,000
Brazil Initiative (through 2024)	207,438	250,000
Indonesia Initiative (through 2024)	-	220,746
India Initiative (through 2025)	350,000	-
Indonesia Initiative (through 2025)	1,800,000	-
	$ 2,357,438	$ 4,800,800

Note 6. Grants Commitments

Water.org has entered into contracts and agreements with partner organizations to implement water projects. Funding for the related projects is generally conditional upon meeting certain milestones and submission of support for related expenditures. The grants will be considered unconditional and expensed when the contingency requirements have been met.

Outstanding conditional commitments as of September 30, 2023 and 2022, are expected to be funded within the next four years and are for the following programs:

	2023	2022
WaterCredit Initiative®	$ 3,807,490	$ 5,479,899

Note 7. Property and Equipment

Property and equipment at September 30, 2023 and 2022, consisted of the following:

	2023	2022
Office equipment	$ 1,513,567	$ 1,042,812
Computer software	74,107	52,857
	1,587,674	1,095,669
Less accumulated depreciation	1,084,366	1,038,165
	$ 503,308	$ 57,504

Note 8. Line of Credit and Paycheck Protection Program Loan

Water.org has a $4,000,000 revolving bank line of credit. At September 30, 2023 and 2022, there were no borrowings against this line. The interest rate is variable based on the greater of the BSBY Daily Floating Rate or the Index Floor plus 2.00%.

On March 27, 2020, the Coronavirus, Relief and Economic Security Act (CARES Act) was signed into law and is meant to address the economic fallout from the COVID-19 pandemic. In connection with the CARES Act, Water.org received a second Small Business Administration Paycheck Protection Program (PPP) loan for $1,425,377 on March 15, 2021. The loan was unsecured, bore interest at 1.00% and was set to mature on March 15, 2026. On May 26, 2022, Water.org was approved for full forgiveness of the loan and was recognized as loan forgiveness revenue in the statement of activities for the year ended September 30, 2022. The PPP loan is subject to an audit by the SBA for up to six years following the date of the loan forgiveness, at which time a refund of all or a portion of the PPP loan may be required.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions as of September 30, 2023 and 2022, are available for the following purposes:

	2023	2022
Grant and WaterCredit programs' net assets:		
Indonesia	$ 1,088,084	$ 166,426
India	176,905	-
Philippines	485,957	194,580
Peru	727,661	676,364
Honduras	530	10,293
Ghana	3,934	3,934
Cambodia	257,916	-
Brazil	767,042	1,294,757
Asia	70,355	536,098
Uganda	19,290	288,944
South America	136,583	-
Global	19,664,054	11,567,831
	$ 23,398,311	$ 14,739,227

During the years ended September 30, 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2023	2022
Grant and WaterCredit programs released:		
Indonesia	$ 1,915,800	$ 448,498
India	2,555,955	2,376,831
Bangladesh	192,849	1,119,011
Philippines	86,275	282,400
Peru	970,844	363,440
Kenya	2,142,730	324,374
Cambodia	22,472	216,557
Africa	328	1,366,723
Brazil	1,972,703	2,141,578
South America	259,226	166,656
Asia	2,836	-
Uganda	-	810,221
Global	7,809,480	2,089,962
	$ 17,931,498	$ 11,706,251

Note 10. Lease Commitments

Water.org leases real estate under operating lease agreements that have initial terms ranging from 2 to 7 years. Some leases include one or more options to renew, generally at Water.org's sole discretion, with renewal terms that can extend the lease term up to 5 years. In addition, certain leases contain termination options, where the rights to terminate are held by either Water.org, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that Water.org will exercise that option. Water.org's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended September 30, 2023:

Operating lease cost	$ 378,741
Total lease cost	$ 378,741

The rent expense for operating leases was approximately $408,139 for the year ended September 30, 2022.

Weighted-average remaining lease term:	
Operating leases	2.7 years
Weighted-average discount rate:	
Operating leases	6.8%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of September 30, 2023:

Years ending September 30:	
2024	$ 350,430
2025	308,767
2026	212,554
2027	158,808
2028	131,180
Thereafter	218,633
Total lease payments	1,380,372
Less imputed interest	(144,417)
Total present value of lease liabilities:	$ 1,235,955

Note 10. Lease Commitments (Continued)

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of September 30, 2022:

Years ending September 30:	
2023	$ 364,141
2024	248,557
2025	199,650
2026	91,058
2027	30,488
Total minimum lease payments	$ 933,894

Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	$ 808,983

Note 11. Employee Benefit Plan

Water.org has a 401(k) retirement plan covering substantially all U.S.-based employees. Water.org matches voluntary contributions to the plan up to 4% of the employees' compensation. Contributions to the U.S. plan were $318,448 and $335,421 for 2023 and 2022, respectively. Water.org also contributes to retirement plans for its international offices, and contributions to these plans were $370,256 and $6,227 for 2023 and 2022, respectively. Total contributions to all plans were $688,704 and $341,648 for 2023 and 2022, respectively.

Water.org has an incentive compensation plan that provides a range of organizational and personal goals to determine incentive compensation per employee. The incentive compensation payment in late December is based upon the finalization of the year's financial results and approval by the Executive Committee of the Board of Directors. As of September 30, 2023 and 2022, Water.org recorded approximately $1,155,990 and $1,433,925, respectively, of accrued incentive compensation expense in accrued expenses on the statements of financial position.

Note 12. Concentrations

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions: During the years ended September 30, 2023 and 2022, approximately 40% and 36%, respectively, of all contributions were received from two donors. These donors make up 72% and 0% of the outstanding contributions receivables for 2023 and 2022, respectively.

Note 13. Subsequent Events

Subsequent events were evaluated through May 7, 2024, which is the date the financial statements were available to be issued.