

**WATER FOR PEOPLE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**WATER FOR PEOPLE  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Water For People  
Denver, Colorado

We have audited the accompanying consolidated statement of financial position of Water For People (the Organization) as of December 31, 2009, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of the five consolidated country programs which statements reflect total assets of \$638,402 as of December 31, 2009, and total support and revenues of \$2,192,536 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the five country programs, is based solely on the reports of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Water For People as of and for the year ended December 31, 2009, and the consolidated changes in its net assets and its cash flows in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the consolidated financial statements, Water For People restated the January 1, 2009 beginning net assets to consolidate activity from five countries.

*LarsonAllen LLP*  
**LarsonAllen LLP**

Minneapolis, Minnesota  
June 15, 2010



(1)

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**WATER FOR PEOPLE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2009**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 2,565,595
Contributions Receivable	860,997
Inventory	4,356
Prepaid Expenses and Other Assets	<u>162,983</u>
Total Current Assets	3,593,931

**INVESTMENTS**

1,644,393

**PROPERTY AND EQUIPMENT, NET**

203,105

Total Assets

\$ 5,441,429

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 374,408
Due to American Water Works Association	991
Deferred Revenue	<u>112,089</u>
Total Current Liabilities	487,488

**PENSION LIABILITY**

112,772

**NET ASSETS**

Unrestricted	3,286,618
Temporarily Restricted	1,349,551
Permanently Restricted	<u>205,000</u>
Total Net Assets	<u>4,841,169</u>

Total Liabilities and Net Assets

\$ 5,441,429

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE</b>				
Contributions, Grants and Sponsorships	\$ 4,476,782	\$ 3,968,387	\$ -	\$ 8,445,169
In-Kind Contribution	779,180	-	-	779,180
Special Events	374,149	-	-	374,149
Interest Income	56,681	4,264	-	60,945
Unrealized Gain	210,116	9,940	-	220,056
Other Income	62,800	-	-	62,800
Subtotal	<u>5,959,708</u>	<u>3,982,591</u>	<u>-</u>	<u>9,942,299</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>3,060,396</u>	<u>(2,952,933)</u>	<u>(107,463)</u>	<u>-</u>
Total Revenue	9,020,104	1,029,658	(107,463)	9,942,299
<b>EXPENSE</b>				
Program Services:				
Developing Countries	7,615,084	-	-	7,615,084
Supporting Services:				
Management and General	768,276	-	-	768,276
Fundraising	752,924	-	-	752,924
Total Support Services	<u>1,521,200</u>	<u>-</u>	<u>-</u>	<u>1,521,200</u>
Total Expense	<u>9,136,284</u>	<u>-</u>	<u>-</u>	<u>9,136,284</u>
<b>CHANGE IN NET ASSETS</b>	(116,180)	1,029,658	(107,463)	806,015
Net Assets - Beginning of Year as Restated (Note 14)	<u>3,402,798</u>	<u>319,893</u>	<u>312,463</u>	<u>4,035,154</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 3,286,618</u></u>	<u><u>\$ 1,349,551</u></u>	<u><u>\$ 205,000</u></u>	<u><u>\$ 4,841,169</u></u>

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2009**

	Program Services	Supporting Services			Total Expenses
	Country Operations	Management and General	Fundraising	Total	
<b>EXPENSES</b>					
Salaries and Benefits	\$ 2,427,344	\$ 359,259	\$ 234,627	\$ 593,886	\$ 3,021,230
Country Contributions	3,628,729	122,152	15,043	137,195	3,765,924
Professional Fees and Contract Services	680,283	110,251	63,457	173,708	853,991
Travel and Meetings	352,506	12,758	56,754	69,512	422,018
Printing and Publications	56,050	7,903	32,559	40,462	96,512
Rent / Occupancy	100,480	42,715	9,777	52,492	152,972
Depreciation	28,101	47,401	312	47,713	75,814
Telephone	48,598	10,154	5,216	15,370	63,968
Insurance	27,711	9,826	4,011	13,837	41,548
Supplies	91,290	21,090	26,150	47,240	138,530
Postage	52,144	7,515	44,060	51,575	103,719
Special Events Expense	1,350	-	171,262	171,262	172,612
Other	120,498	17,252	89,696	106,948	227,446
Total Expenses	<u>\$ 7,615,084</u>	<u>\$ 768,276</u>	<u>\$ 752,924</u>	<u>\$ 1,521,200</u>	<u>\$ 9,136,284</u>

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 806,015
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	75,814
Unrealized (Gain) Loss on Investments	(220,056)
Changes in Assets and Liabilities:	
Receivables	(557,569)
Inventory	(4,356)
Prepaid Expenses and Other Assets	46,192
Prepaid Pension Asset	(69,976)
Accounts Payable and Accrued Expenses	59,665
Due to American Water Works Association	(5,585)
Deferred Revenue	98,172
Net Cash Provided by Operating Activities	<u>228,316</u>

**CASH FLOW FROM INVESTING ACTIVITIES**

Proceeds from Sale of Property and Equipment	6,378
Purchase of Property and Equipment	(90,521)
Proceeds from Sale of Investments	1,475,030
Purchase of Investments	<u>(771,889)</u>
Net Cash Provided by Investing Activities	<u>618,998</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

847,314

Cash and Cash Equivalents - Beginning of Year as Restated (Note 14)

1,718,281

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 2,565,595

*See accompanying Notes to Consolidated Financial Statements.*

**WATER FOR PEOPLE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 1 ORGANIZATION**

The purpose of Water For People (the "Organization") is to help people in developing countries improve their quality of life by supporting the development of locally sustainable drinking water resources, sanitation facilities and health and hygiene education programs.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Consolidated Financial Statements**

The consolidated financial statements include the accounts of the Water for People country programs in Malawi, Bolivia, Guatemala, Honduras and India. The accounts of these country programs are consolidated due to the control the Denver office has over the programs. All material intercompany activity has been eliminated.

**Basis of Accounting**

The Organization prepares its consolidated financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

**Estimates**

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

**Income Tax Status**

The Organization is exempt from the payment of Federal income taxes on its related activities under 501(c)(3) of the Internal Revenue Code and has been designated by the Internal Revenue Service as a "publicly supported" organization under Section 509(a) of the Code.

The Organization adopted the standard for uncertain tax positions on January 1, 2009 that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Organization files as a tax-exempt organization. The Organization's 2007, 2008 and 2009 tax years are open for examination by the IRS.

**WATER FOR PEOPLE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For financial statement purposes, the Organization considers cash and cash equivalents to include cash in banks, and liquid investments with an original maturity of three months or less.

**Fair Value Measurements**

The Organization follows a policy that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

The Organization accounts for its investments at fair value. In accordance with the policy, the Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The Organization follows a policy allowing the option of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value, however may elect to measure newly acquired financial instruments at fair value in the future.

**Investments**

Investments consist of primarily equity and government securities and are recorded at fair market value based on quoted market prices.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the balance sheets.

**Property and Equipment**

Acquisitions of property and equipment with a cost greater than \$1,000 are capitalized and depreciated on the straight-line basis over the estimated useful life of the related assets (three to five years). Property and equipment is valued at cost if purchased, or fair value if contributed.

**WATER FOR PEOPLE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Collections**

Contributions of significant art are capitalized at their fair value at the date of the donation.

**Contributions Receivable**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions receivable at December 31, 2009 are due within one year.

**Net Assets**

The Organization reports its net assets as unrestricted, temporarily restricted or permanently restricted based on the donor's intent. The purposes of each class of net assets are as follows:

Unrestricted – Represents net assets available for general operations.

Temporarily Restricted – Includes amounts with specific donor imposed purpose and/or time restrictions.

Permanently Restricted – Includes amounts received from donors which must be held in perpetuity.

**Revenue Recognition**

The Organization records revenue received as unrestricted, temporarily restricted or permanently restricted revenue depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire, or the funds are used for their restricted purpose and are reported in the accompanying statements of activities as net assets released from restrictions. Deferred revenue consists of advances for contracted programs that apply to future periods.

**Grant Revenue**

Grants are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred revenue.

**Allocation of Expenses**

The Organization's expenses have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**WATER FOR PEOPLE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign Currency Remeasurement Policy**

For the foreign subsidiaries whose functional currency is the local foreign currency, statement of financial position accounts are translated at exchange rates in effect at the end of the year and statement of activities accounts are translated at average exchange rates for the year ended December 31, 2009. Translation gains and losses are included in Other Income.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 15, 2010, the date the financial statements were available to be issued.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

Financial instruments, which subject the Organization to a concentration of credit risk, consist of demand deposits placed with financial institutions. At certain times during 2009, the Organization had funds invested with financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The Organization's funds exceeded FDIC limits by approximately \$500,000 at December 31, 2009, respectively. Management believes the risk of loss in these situations is minimal.

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable represent unconditional promises to give and are stated at their net realizable value. As of December 31, 2009, there are \$860,997 in unconditional promises to give that are expected to be collected in less than one year. At December 31, 2009 the allowance for uncollectible contributions receivable was \$22,170.

The Organization received \$910,640 in contribution revenue from The National Philanthropic Trust as of December 31, 2009. This accounts for 11% of total contributions on the statement of activities.

**WATER FOR PEOPLE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 5 INVESTMENTS**

The investments of the Organization consist of the following at December 31, 2009:

Mutual Funds	<u>\$ 1,644,393</u>
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The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Mutual Funds	<u>\$ 1,644,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,644,393</u>

**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2009:

Furniture and Equipment	\$ 280,710
Collections	7,000
Computer Equipment and Software	251,099
Leashold Improvements	<u>8,397</u>
Total	547,206
Accumulated Depreciation	<u>(344,101)</u>
Total	<u>\$ 203,105</u>

**NOTE 7 LINE OF CREDIT**

The Organization has a \$1,500,000 line of credit with a bank that has no maturity date. This line of credit was entered into by the Organization during 2009. Borrowing under the line bears interest 2% over LIBOR (2.24% as of December 31, 2009). As of December 31, 2009, there was no outstanding draws on the line of credit.

**WATER FOR PEOPLE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 8 NET ASSETS**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31, 2009:

Africa	\$ 1,168,416
Bolivia	57,441
Guatemala	2,905
Honduras	25,847
Malawi	70,739
Other	24,203
Total	<u>\$ 1,349,551</u>

**Permanently Restricted Net Assets**

Net assets were permanently restricted for the following purposes at December 31, 2009:

Richard V. Ford Endowment	\$ 105,000
JH Ware Scholarship Fund	100,000
Total	<u>\$ 205,000</u>

**NOTE 9 ENDOWMENTS**

The Organization's endowment consists of two funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and a fund designated by the board of directors to function as an endowment. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the Organization has interpreted the State's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**WATER FOR PEOPLE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 9 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

In accordance with the UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization.

Endowment net asset composition by type and changes in endowment net assets for the year ended December 31, 2009 is as follows:

	<u>Unrestricted Undesignated</u>	<u>Unrestricted Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Fund Net Assets by Type of Fund as of December 31, 2009:				
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 205,000	\$ 205,000
Board Restricted Endowment Funds	-	-	-	-
Total Endowment Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,000</u>	<u>\$ 205,000</u>

The endowment net assets and activity for 2009 consisted of the following:

	<u>Unrestricted Undesignated</u>	<u>Unrestricted Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Fund Balance as January 1, 2009	\$ (33,754)	\$ 1,872,405	\$ 312,463	\$ 2,151,114
Earnings:				
Interest and Dividends	-	31,459	-	31,459
Realized and Unrealized Gains and Losses	33,754	3,020	-	36,774
Total Investment Returns	33,754	34,479	-	68,233
Contributions	-	-	-	-
Releases	-	-	(107,463)	(107,463)
Appropriations for Expenditure	-	(1,906,884)	-	(1,906,884)
Endowment Fund Balance as December 31, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,000</u>	<u>\$ 205,000</u>

**WATER FOR PEOPLE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 9 ENDOWMENT (CONTINUED)**

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$-0- as of December 31, 2009.

**Investment Objectives and Strategies**

The Organization has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to maximize the benefit intended by the donor, produce current income to support the programs of the Organization and donor objectives, and achieve growth of both principal and income on a long-term basis sufficient to preserve or increase the purchasing power of the assets, and protect the assets against inflation. To achieve these objectives, the Organization follows its investment policy with target allocations of approximately 60% in equities or equity funds and 40% in fixed income instruments or funds.

**Spending Policy**

The Organization has an endowment spending policy that provides for distributing approximately 5% of market value, or the interest earned less administrative fees, whichever is less to the general fund of Water For People. In establishing this policy, the Organization considered the long-term expected return on its endowment. Approved distributions that are not used for a calendar year will accumulate and be available for distribution in subsequent years not to exceed three years. At no time will the distributions reduce the value of the endowment below donor contributions.

**NOTE 10 IN-KIND CONTRIBUTIONS**

Contributions of noncash assets (materials and equipment) are recorded at their fair values in the period received. Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

The Organization received contributed services and rent from the American Water Works Association (the "Association") for the year ended December 31, 2009. The Organization also received donated legal services for the year ended December 31, 2009. These in-kind contributions benefited program and supporting services as summarized in the accompanying statements of functional expenses. Beginning in 2007, Water For People began the World Water Corp initiative which utilizes volunteer time and services to further project activities in its program countries. An estimate of the value of volunteer time and expenses has been included as in-kind contributions.

**WATER FOR PEOPLE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 10 IN-KIND CONTRIBUTIONS (CONTINUED)**

The total in-kind contributions consist of the following for the year ended December 31, 2009:

Donated Services <sup>1</sup>	\$ 67,992
Donated Goods	23,804
World Water Corp	687,384
Total	<u>\$ 779,180</u>

<sup>1</sup> Includes receptionist, pension audit and actuarial costs, business insurance, internet service, etc.

**NOTE 11 RELATED PARTIES**

**American Water Works Association**

The Organization is affiliated with the American Water Works Association (the "Association"). One member of the Association's Board of Directors serves along with 29 other directors on the Organization's Board of Directors.

The Association provided the Organization with cash contributions totaling \$137,756 and expenditures made by the Association totaled \$200,364 for the year ended December 31, 2009.

A rental agreement with the Association was effective as of January 1, 2009. This rental agreement is effective through December 31, 2013. The Organization will have two separate options to renew this lease for a period of five years each. Minimum annual rental payments in 2009 are \$112,400.

**Water For People – Canada**

The Organization is affiliated with Water For People - Canada (the "WFPC"). One of the nine members on the WFPC board of directors also serves along with 29 other directors on the Organization's Board of Directors. The Organization provides support in the form of administrative services and facilities for the benefit of WFPC. WFPC provided the Organization with cash contributions in support of projects totaling \$221,278 for the year ended December 31, 2009.

**WATER FOR PEOPLE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 12 COMMITMENTS**

**Operating Lease**

The Organization rents equipment and office facilities under non-cancelable operating leases that will expire between 2010 and 2013. Rent expense for the leases totaled \$120,769 at December 31, 2009, respectively.

Minimum annual rental payments under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 125,398
2011	125,106
2012	127,357
2013	127,533
Total	<u>\$ 505,394</u>

**Software Contract**

In 2007, the Organization signed a contract for fundraising software which will expire at the end of 2010. In 2009, contract expense totaled \$17,513.

Minimum annual payments under this contract are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 17,513

**NOTE 13 EMPLOYEE BENEFIT PLAN**

Water For People, American Water Works Association (the Association) and Water Research Foundation (the Foundation) participate in a common defined benefit pension plan (the Plan) to provide pension benefits to substantially all employees. The Plan was amended as January 1, 2007 approving Water For People as a participating employer in the Plan and participation in the Plan by Water For People employees. Water For People employees and accumulated benefits were transferred from the Association on January 1, 2007. Benefits under the Plan are based upon the participant's length of service and level of compensation. Water For People's policy is to make periodic contributions in conformity with minimum funding requirements.

Effective December 31, 2007, the participating employers froze the defined benefit pension plan for all participants. There was a curtailment on February 28, 2007 due to this amendment. The effect of the curtailment was to reduce the remaining prior service cost and unrecognized gain (loss) and is reflected in the disclosures.

**WATER FOR PEOPLE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 13 EMPLOYEE BENEFIT PLAN (CONTINUED)**

A pension liability at December 31, 2009 of \$112,772 is recognized in the Statement of Financial Position.

The measurement date used for the Plan disclosures is as of December 31, 2009.

The changes in the projected benefit obligation are as follows:

<b>Change in Projected Benefit Obligation</b>	
Projected Benefit Obligation at Beginning of Year	\$ 605,195
Interest Cost	35,695
Benefits Paid	(22,057)
Actuarial Gain	11,406
Projected Benefit Obligation at End of Year	<u>\$ 630,240</u>
<b>Change in Plan Assets</b>	
Fair Value of Plan Assets at Beginning of Year	\$ 422,447
Employer Contributions	33,863
Benefits Paid	(22,057)
Actual Return on Plan Assets	83,215
Fair Value of Plan Assets at End of Year	<u>\$ 517,468</u>
<b>Funded Status of the Plan</b>	
Benefit Obligation	\$ 630,240
Fair Value of Plan Assets	<u>517,468</u>
Excess of Fair Value Over Benefit Obligation of Plan Assets	<u>\$ (112,772)</u>
<b>Components of Net Periodic Benefit Costs</b>	
Interest Cost	\$ 35,695
Expected Return on Plan Assets	(31,660)
Net Periodic Pension Cost	<u>\$ 4,035</u>

Weighted average assumptions used to determine net periodic benefit cost are as follows:

<b>Actuarial Assumptions</b>	
Assumptions Used to Determine Benefit Obligations at December 31:	
Assumed Discount Rate	5.83%
Assumptions Used to Determine Benefit Obligations for Years Ended December 31:	
Assumed Discount Rate	6.14%
Expected Long-Term Return on Plan Assets	7.50%

**WATER FOR PEOPLE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 13 EMPLOYEE BENEFIT PLAN (CONTINUED)**

**Basis Used to Determine Expected Long-Term Rate of Return**

The determination of the long-term rate of return on assets was developed based on the mix of assets in the portfolio. Based on an overall strategic mix of 60% of plan assets invested in equities with an expected long-term rate of return of 8.25%, and 40% of plan assets invested in fixed income investments with an expected long-term rate of return of 5.5%, the overall long-term rate of return is estimated to approximate 7.5% with expected fluctuations within categories during the year.

**Investment Policies and Strategies, Including Target Allocations**

The investment policy for the plan is to have approximately 60% of the plan's assets in equity funds and approximately 40% in fixed income investments. The percentage allocation to each asset class may vary as much as plus or minus 10% from the original target depending upon market conditions. The percentage of the fair value of total plan assets held as of December 31, 2009 (the measurement dates) by asset category are as follows:

<b>Asset Category</b>	
Equity	61 %
Debt	31
Other	8
Total	<u>100 %</u>

**Investment Policies and Strategies, Including Target Allocations (Continued)**

Water For People attempts to mitigate investment risk by rebalancing between debt and equity classes as the contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains and losses would not be realized unless the investments are sold.

Expected Water For People contributions in fiscal year 2010 are \$26,000. Estimated future benefit payments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2010	\$ 26,906
2011	29,862
2012	32,366
2013	34,599
2014	36,726
2015-2019	209,725

**WATER FOR PEOPLE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 13 EMPLOYEE BENEFIT PLAN (CONTINUED)**

The Plan uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. The following table presents the fair value hierarchy for the balances of the assets of the Plan measured at fair value on a recurring basis as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Collective Trust Funds:				
Equity Funds	\$ -	\$ 312,050	\$ -	\$ 312,050
Fixed Income Funds	-	162,992	-	162,992
Other	-	42,425	-	42,425
	<u>\$ -</u>	<u>\$ 517,468</u>	<u>\$ -</u>	<u>\$ 517,468</u>

**NOTE 14 RESTATEMENT**

The activity from the five established countries was not consolidated in the financial statements for the year ended December 31, 2008. The beginning net assets at January 1, 2009 have been restated to include the net assets related to these countries in the amount of \$399,436. Current year consolidated activity is included in both the statement of net assets and statement of activities. Cash in the amount of \$303,985 was added to the beginning cash and cash equivalents balance for the statement of cash flows.



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**INDEPENDENT AUDITORS' REPORT ON  
CONSOLIDATING INFORMATION**

Board of Directors  
Water For People  
Denver, Colorado

Our report on our audit of the consolidated financial statements of Water For People for December 31, 2009 appears on page 1. This audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statement of financial position and consolidating schedule of activity for 2009 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in the net assets and cash flows of the individual entities. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we express no opinion on it.

*LarsonAllen LLP*  
**LarsonAllen LLP**

Minneapolis, Minnesota  
June 15, 2010



**WATER FOR PEOPLE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - UNAUDITED**  
**DECEMBER 31, 2009**  
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

	Denver	Malawi	Honduras	Bolivia	Guatemala	India	Eliminations	Consolidated Total
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	\$ 2,224,160	\$ 140,657	\$ 44,055	\$ 64,283	\$ 26,588	\$ 65,852	\$ -	\$ 2,565,595
Contributions Receivable	797,750	56,375	986	22,709	27,924	2,835	(47,582)	860,997
Inventory	4,356	-	-	-	-	-	-	4,356
Prepaid Expenses and Other Assets	<u>132,558</u>	<u>23,986</u>	<u>775</u>	<u>20,048</u>	<u>6,550</u>	<u>-</u>	<u>(20,934)</u>	<u>162,983</u>
Total Current Assets	<u>3,158,824</u>	<u>221,018</u>	<u>45,816</u>	<u>107,040</u>	<u>61,062</u>	<u>68,687</u>	<u>(68,516)</u>	<u>3,593,931</u>
<b>INVESTMENTS</b>	1,642,131	-	-	2,262	-	-	-	1,644,393
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>70,588</u>	<u>44,018</u>	<u>25,729</u>	<u>26,241</u>	<u>25,003</u>	<u>11,526</u>	<u>-</u>	<u>203,105</u>
Total Assets	<u>\$ 4,871,543</u>	<u>\$ 265,036</u>	<u>\$ 71,545</u>	<u>\$ 135,543</u>	<u>\$ 86,065</u>	<u>\$ 80,213</u>	<u>\$ (68,516)</u>	<u>\$ 5,441,429</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES</b>								
Accounts Payable and Accrued Expenses	\$ 290,146	\$ 36,663	\$ 33,422	\$ 56,177	\$ 26,516	\$ -	\$ (68,516)	\$ 374,408
Due to American Water Works Association	991	-	-	-	-	-	-	991
Deferred Revenue	-	109,794	-	2,295	-	-	-	112,089
Total Current Liabilities	<u>291,137</u>	<u>146,457</u>	<u>33,422</u>	<u>58,472</u>	<u>26,516</u>	<u>-</u>	<u>(68,516)</u>	<u>487,488</u>
<b>PENSION LIABILITY</b>	112,772	-	-	-	-	-	-	112,772
<b>NET ASSETS</b>								
Unrestricted	2,959,403	72,259	38,123	77,071	59,549	80,213	-	3,286,618
Temporarily Restricted	1,303,231	46,320	-	-	-	-	-	1,349,551
Permanently Restricted	205,000	-	-	-	-	-	-	205,000
Total Net Assets	<u>4,467,634</u>	<u>118,579</u>	<u>38,123</u>	<u>77,071</u>	<u>59,549</u>	<u>80,213</u>	<u>-</u>	<u>4,841,169</u>
Total Liabilities and Net Assets	<u>\$ 4,871,543</u>	<u>\$ 265,036</u>	<u>\$ 71,545</u>	<u>\$ 135,543</u>	<u>\$ 86,065</u>	<u>\$ 80,213</u>	<u>\$ (68,516)</u>	<u>\$ 5,441,429</u>

**WATER FOR PEOPLE**  
**CONSOLIDATING STATEMENT OF ACTIVITY – UNAUDITED**  
**YEAR ENDED DECEMBER 31, 2009**  
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

	Denver			Malawi			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>							
Contributions, Grants and Sponsorships	\$ 4,239,811	\$ 3,922,067	\$ -	\$ 8,161,878	\$ 488,847	\$ 46,320	\$ 535,167
In-Kind Contribution	779,180	-	-	779,180	-	-	-
Special Events	374,149	-	-	374,149	-	-	-
Interest Income	53,870	4,264	-	58,134	430	-	430
Unrealized Gain	210,116	9,940	-	220,056	-	-	-
Other Income	6,913	-	-	6,913	49,253	-	49,253
Subtotal	<u>5,664,039</u>	<u>3,936,271</u>	<u>-</u>	<u>9,600,310</u>	<u>538,530</u>	<u>46,320</u>	<u>584,850</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>3,060,396</u>	<u>(2,952,933)</u>	<u>(107,463)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	8,724,435	983,338	(107,463)	9,600,310	538,530	46,320	584,850
<b>EXPENSE</b>							
Program Services:							
Developing Countries	7,469,035	-	-	7,469,035	549,004	-	549,004
Supporting Services:							
Management and General	568,617	-	-	568,617	54,900	-	54,900
Fundraising	730,742	-	-	730,742	6,100	-	6,100
Total Support Services	<u>1,299,359</u>	<u>-</u>	<u>-</u>	<u>1,299,359</u>	<u>61,000</u>	<u>-</u>	<u>61,000</u>
Total Expense	<u>8,768,394</u>	<u>-</u>	<u>-</u>	<u>8,768,394</u>	<u>610,004</u>	<u>-</u>	<u>610,004</u>
<b>CHANGE IN NET ASSETS</b>	(43,959)	983,338	(107,463)	831,916	(71,474)	46,320	(25,154)
Net Assets - Beginning of Year	<u>3,003,362</u>	<u>319,893</u>	<u>312,463</u>	<u>3,635,718</u>	<u>143,733</u>	<u>-</u>	<u>143,733</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,959,403</u>	<u>\$ 1,303,231</u>	<u>\$ 205,000</u>	<u>\$ 4,467,634</u>	<u>\$ 72,259</u>	<u>\$ 46,320</u>	<u>\$ 118,579</u>

**WATER FOR PEOPLE**  
**CONSOLIDATING STATEMENT OF ACTIVITY – UNAUDITED (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2009**  
**(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)**

	Bolivia	Guatemala	Honduras	India	Eliminations	Consolidated			
	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>									
Contributions, Grants and Sponsorships	\$ 474,432	\$ 423,253	\$ 457,813	\$ 243,173	\$ (1,850,547)	\$ 4,476,782	\$ 3,968,387	\$ -	\$ 8,445,169
In-Kind Contribution	-	-	-	-	-	779,180	-	-	779,180
Special Events	-	-	-	-	-	374,149	-	-	374,149
Interest Income	-	729	112	1,540	-	56,681	4,264	-	60,945
Unrealized Gain	-	-	-	-	-	210,116	9,940	-	220,056
Other Income	3,171	2,712	751	-	-	62,800	-	-	62,800
Subtotal	477,603	426,694	458,676	244,713	(1,850,547)	5,959,708	3,982,591	-	9,942,299
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	-	-	-	-	-	3,060,396	(2,952,933)	(107,463)	-
Total Revenue	477,603	426,694	458,676	244,713	(1,850,547)	9,020,104	1,029,658	(107,463)	9,942,299
<b>EXPENSE</b>									
Program Services:									
Developing Countries	464,428	397,706	419,305	166,153	(1,850,547)	7,615,084	-	-	7,615,084
Supporting Services:									
Management and General	46,443	39,771	41,930	16,615	-	768,276	-	-	768,276
Fundraising	5,160	4,418	4,659	1,845	-	752,924	-	-	752,924
Total Support Services	51,603	44,189	46,589	18,460	-	1,521,200	-	-	1,521,200
Total Expense	516,031	441,895	465,894	184,613	(1,850,547)	9,136,284	-	-	9,136,284
<b>CHANGE IN NET ASSETS</b>	(38,428)	(15,201)	(7,218)	60,100	-	(116,180)	1,029,658	(107,463)	806,015
Net Assets - Beginning of Year	115,499	74,750	45,341	20,113	-	3,402,798	319,893	312,463	4,035,154
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 77,071</u>	<u>\$ 59,549</u>	<u>\$ 38,123</u>	<u>\$ 80,213</u>	<u>\$ -</u>	<u>\$ 3,286,618</u>	<u>\$ 1,349,551</u>	<u>\$ 205,000</u>	<u>\$ 4,841,169</u>