

WATER FOR PEOPLE
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

**WATER FOR PEOPLE
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YEARS ENDED DECEMBER 31, 2010 AND 2009**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Water For People
Denver, Colorado

We have audited the accompanying consolidated statements of financial position of Water For People (the Organization) as of December 31, 2010 and 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 five consolidated country programs which statements reflect total assets of \$839,732 as of December 31, 2010, and total support and revenues of \$3,600,287 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 five country programs, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits 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 years ended December 31, 2010 and 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 made an adjustment to restate its 2009 consolidated financial statements to properly record a contribution from one country to another during 2009.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
May 4, 2011



(1)

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**WATER FOR PEOPLE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>Restated 2009</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,563,928	\$ 2,565,595
Contributions Receivable	1,290,619	860,997
Inventory	-	4,356
Prepaid Expenses and Other Assets	172,600	162,983
Total Current Assets	<u>3,027,147</u>	<u>3,593,931</u>
INVESTMENTS	3,213,572	1,644,393
PROPERTY AND EQUIPMENT, NET	<u>245,719</u>	<u>203,105</u>
Total Assets	<u><u>\$ 6,486,438</u></u>	<u><u>\$ 5,441,429</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 422,829	\$ 374,408
Due to American Water Works Association	1,929	991
Deferred Revenue	-	2,295
Total Current Liabilities	<u>424,758</u>	<u>377,694</u>
PENSION LIABILITY	95,586	112,772
NET ASSETS		
Unrestricted	2,582,403	3,396,412
Temporarily Restricted	3,273,691	1,349,551
Permanently Restricted	110,000	205,000
Total Net Assets	<u>5,966,094</u>	<u>4,950,963</u>
Total Liabilities and Net Assets	<u><u>\$ 6,486,438</u></u>	<u><u>\$ 5,441,429</u></u>

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE				
Contributions, Grants and Sponsorships	\$ 7,212,704	\$ 3,601,722	\$ 5,000	\$ 10,819,426
In-Kind Contributions	679,070	-	-	679,070
Special Events	439,343	-	-	439,343
Interest Income	41,904	2,264	-	44,168
Unrealized Gain	156,019	7,308	-	163,327
Other Income	171,862	-	-	171,862
Subtotal	<u>8,700,902</u>	<u>3,611,294</u>	<u>5,000</u>	<u>12,317,196</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,787,154</u>	<u>(1,687,154)</u>	<u>(100,000)</u>	<u>-</u>
Total Revenue	10,488,056	1,924,140	(95,000)	12,317,196
EXPENSE				
Program Services:				
Developing Countries	9,196,493	-	-	9,196,493
Supporting Services:				
Management and General	872,844	-	-	872,844
Fundraising	1,232,728	-	-	1,232,728
Total Support Services	<u>2,105,572</u>	<u>-</u>	<u>-</u>	<u>2,105,572</u>
Total Expense	<u>11,302,065</u>	<u>-</u>	<u>-</u>	<u>11,302,065</u>
CHANGE IN NET ASSETS	(814,009)	1,924,140	(95,000)	1,015,131
Net Assets - Beginning of Year	<u>3,396,412</u>	<u>1,349,551</u>	<u>205,000</u>	<u>4,950,963</u>
NET ASSETS - END OF YEAR	<u>\$ 2,582,403</u>	<u>\$ 3,273,691</u>	<u>\$ 110,000</u>	<u>\$ 5,966,094</u>

See accompanying Notes to Consolidated Financial Statements.

Restated
2009

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 4,476,782	\$ 3,968,387	\$ -	\$ 8,445,169
779,180	-	-	779,180
374,149	-	-	374,149
56,681	4,264	-	60,945
210,116	9,940	-	220,056
62,800	-	-	62,800
<u>5,959,708</u>	<u>3,982,591</u>	<u>-</u>	<u>9,942,299</u>
<u>3,060,396</u>	<u>(2,952,933)</u>	<u>(107,463)</u>	<u>-</u>
9,020,104	1,029,658	(107,463)	9,942,299
7,505,290	-	-	7,505,290
768,276	-	-	768,276
752,924	-	-	752,924
<u>1,521,200</u>	<u>-</u>	<u>-</u>	<u>1,521,200</u>
<u>9,026,490</u>	<u>-</u>	<u>-</u>	<u>9,026,490</u>
(6,386)	1,029,658	(107,463)	915,809
<u>3,402,798</u>	<u>319,893</u>	<u>312,463</u>	<u>4,035,154</u>
<u>\$ 3,396,412</u>	<u>\$ 1,349,551</u>	<u>\$ 205,000</u>	<u>\$ 4,950,963</u>

WATER FOR PEOPLE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	2010				
	Program Services	Supporting Services			
	Country Operations	Management and General	Fundraising	Total	Total Expenses
EXPENSES					
Salaries and Benefits	\$ 2,973,280	\$ 434,413	\$ 690,769	\$ 1,125,182	\$ 4,098,462
Country Contributions	3,468,836	6,570	-	6,570	3,475,406
Professional Fees and Contract Services	643,914	101,977	108,936	210,913	854,827
Travel and Meetings	409,547	54,726	56,386	111,112	520,659
Printing, Publications and Website	298,784	43,228	82,334	125,562	424,346
Rent / Occupancy	159,469	24,316	42,979	67,295	226,764
Depreciation	93,964	9,716	4,276	13,992	107,956
Telephone	116,427	26,711	14,700	41,411	157,838
Insurance	39,338	18,958	2,508	21,466	60,804
Supplies	162,344	77,157	35,251	112,408	274,752
Postage	38,646	2,246	14,539	16,785	55,431
Special Events Expense	81,922	8,634	117,490	126,124	208,046
In-Kind Expenses	613,240	64,192	18,108	82,300	695,540
Other	96,782	-	44,452	44,452	141,234
Total Expenses	\$ 9,196,493	\$ 872,844	\$ 1,232,728	\$ 2,105,572	\$ 11,302,065

See accompanying Notes to Consolidated Financial Statements.

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

EXPENSES	Restated 2009				
	Program Services	Supporting Services			Total Expenses
	Country Operations	Management and General	Fundraising	Total	
Salaries and Benefits	\$ 2,427,344	\$ 359,259	\$ 234,627	\$ 593,886	\$ 3,021,230
Country Contributions	2,984,389	120,269	14,362	134,631	3,119,020
Professional Fees and Contract Services	470,663	103,901	61,160	165,061	635,724
Travel and Meetings	352,506	12,758	56,754	69,512	422,018
Printing, Publications and Website	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
In-Kind Expenses	759,908	11,162	3,831	14,993	774,901
Other	104,756	14,323	88,843	103,166	207,922
Total Expenses	\$ 7,505,290	\$ 768,276	\$ 752,924	\$ 1,521,200	\$ 9,026,490

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	Restated 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,015,131	\$ 915,809
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	107,956	75,814
Unrealized Gain on Investments	(163,327)	(220,056)
Changes in Assets and Liabilities:		
Receivables	(429,622)	(557,569)
Inventory	4,356	(4,356)
Prepaid Expenses and Other Assets	(9,617)	46,192
Prepaid Pension Asset	(17,186)	(69,976)
Accounts Payable and Accrued Expenses	48,421	59,665
Due to American Water Works Association	938	(5,585)
Deferred Revenue	(2,295)	(11,622)
Net Cash Provided by Operating Activities	554,755	228,316
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	-	6,378
Purchase of Property and Equipment	(150,570)	(90,521)
Proceeds from Sale of Investments	486,843	1,475,030
Purchase of Investments	(1,892,695)	(771,889)
Net Cash Provided (Used) by Investing Activities	(1,556,422)	618,998
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,001,667)	847,314
Cash and Cash Equivalents - Beginning of Year	2,565,595	1,718,281
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,563,928	\$ 2,565,595

See accompanying Notes to Consolidated Financial Statements.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 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, India, Rwanda, and Central America's Regional Office (CAMRO). 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 (IRS) as a "publicly supported" organization under Section 509(a) of the Code.

The Organization follows the guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The Organization has no current obligation for unrelated business income tax. The Organization files as a tax-exempt organization. The Organization's 2007, 2008 and 2009 tax years are open for examination by the IRS.

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.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Collections

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

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2010 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.

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 years ended December 31, 2010 and 2009, respectively. Translation gains and losses are included in Other Income.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 4, 2011, 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 2010, 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, 2010, 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, 2010 and 2009, there are \$1,188,752 and \$860,997 in unconditional promises to give that are expected to be collected in less than one year, respectively. At December 31, 2010 and 2009 the allowance for uncollectible contributions receivable was \$7,876 and \$22,170, respectively.

The Organization received 19% and 11% of contribution revenue from one donor as of December 31, 2010 and 2009, respectively.

NOTE 5 INVESTMENTS

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

	<u>2010</u>	<u>2009</u>
Mutual Funds	<u>\$ 3,213,572</u>	<u>\$ 1,644,393</u>

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 5 INVESTMENTS (CONTINUED)

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, 2010 and 2009, respectively:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2010 Total</u>
Assets:				
Mutual Funds	<u>\$ 3,213,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,213,572</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2009 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:

	<u>2010</u>	<u>2009</u>
Furniture and Equipment	\$ 237,973	\$ 280,710
Collections	7,000	7,000
Computer Equipment and Software	253,534	251,099
Leasehold Improvements	12,608	-
Vehicles	191,779	8,397
Total	<u>702,894</u>	<u>547,206</u>
Accumulated Depreciation	<u>(457,175)</u>	<u>(344,101)</u>
Total	<u>\$ 245,719</u>	<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 (2.51% as of December 31, 2010). As of December 31, 2010 and 2009, there were no outstanding draws on the line of credit.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 8 NET ASSETS

Temporarily Restricted Net Assets

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

	2010	2009
Global Sanitation as a Business	\$ 1,520,012	\$ -
Africa PlayPumps Installation and Water	616,916	-
Nicaragua Water-Sanitation-Hygiene Education	318,056	-
India Water-Sanitation-Hygiene	245,885	-
Guatemala SWASH Program	184,667	-
Cochabamba, Bolivia Peri-Urban Water-Sanitation	84,700	-
WASH Advocacy Program	75,000	-
South America Sanitation	50,000	-
Global Latrine Emptying	49,431	-
Chikhwawa, Malawi Water-Sanitation	40,000	-
Africa general designation	28,952	1,168,416
FLOW Innovation	25,000	-
Rwanda Schools Water-Sanitation	17,000	-
Other	9,572	24,203
San Antonio Ilotenango, Guatemala Water-Sanitation-Hygiene Education	8,500	-
Bolivia general designation	-	57,441
Guatemala general designation	-	2,905
Honduras general designation	-	25,847
Malawi general designation	-	70,739
Total	\$ 3,273,691	\$ 1,349,551

Permanently Restricted Net Assets

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

	2010	2009
Richard V. Ford Endowment	\$ 110,000	\$ 105,000
JH Ware Scholarship Fund	-	100,000
Total	\$ 110,000	\$ 205,000

The J.H. Ware Scholarship Fund was released during the year ended December 31, 2010 per a donor request.

NOTE 9 ENDOWMENTS

The Organization's endowment consists of one fund established from a single donor. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 9 ENDOWMENTS (CONTINUED)

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.

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, 2010 and 2009 is as follows:

	<u>Unrestricted Undesignated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Fund Net Assets by Type of Fund as of December 31, 2010:				
Donor-Restricted Endowment Funds	\$ -	\$ 9,572	\$ 110,000	\$ 119,572
Board Restricted Endowment Funds	-	-	-	-
Total Endowment Funds	<u>\$ -</u>	<u>\$ 9,572</u>	<u>\$ 110,000</u>	<u>\$ 119,572</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>

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 9 ENDOWMENTS (CONTINUED)

The endowment net assets and activity for 2010 and 2009 consisted of the following:

	Unrestricted Undesignated	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance as January 1, 2010	\$ -	\$ -	\$ 205,000	\$ 205,000
Earnings:				
Interest and Dividends	-	2,264	-	2,264
Realized and Unrealized Gains and Losses	-	7,308	-	7,308
Total Investment Returns	-	9,572	-	9,572
Contributions	-	-	5,000	5,000
Releases	-	-	(100,000)	(100,000)
Appropriations for Expenditure	-	-	-	-
Endowment Fund Balance as December 31, 2010	<u>\$ -</u>	<u>\$ 9,572</u>	<u>\$ 110,000</u>	<u>\$ 119,572</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>

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, 2010 and 2009, respectively.

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.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 9 ENDOWMENT (CONTINUED)

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 donated legal services for the year ended December 31, 2010 and 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.

The total in-kind contributions consist of the following for the years ended December 31:

	2010	2009
Donated Services ¹	\$ 94,700	\$ 67,992
Donated Goods	10,850	23,804
World Water Corp	573,519	687,384
Total	<u>\$ 679,070</u>	<u>\$ 779,180</u>

¹ Includes legal services, silent auction donations, etc.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 \$68,956 and \$137,756 for the years ended December 31, 2010 and 2009, respectively. Expenditures made to the Association totaled \$178,671 and \$200,364 for the years ended December 31, 2010 and 2009, respectively.

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 2010 were approximately \$116,000.

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 \$281,619 and \$221,278 for the years ended December 31, 2010 and 2009.

NOTE 12 COMMITMENTS

Operating Lease

The Organization rents equipment and office facilities under non-cancelable operating leases that will expire between 2011 and 2015. Rent expense for the leases totaled \$124,951 and \$120,769 at December 31, 2010 and 2009, respectively.

Minimum annual rental payments under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 133,069
2012	136,585
2013	136,761
2014	9,228
2015	6,921
Total	<u>\$ 422,564</u>

The Organization also has a contract for public relations work that is effective through June 2011 with a contract value of approximately \$66,000 due in 2011.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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.

A pension liability at December 31, 2010 and 2009 of \$95,586 and \$112,772 is recognized in the Statement of Financial Position, respectively.

The measurement date used for the Plan disclosures is as of December 31, 2010 and 2009.

The changes in the projected benefit obligation are as follows:

	<u>2010</u>	<u>2009</u>
Change in Projected Benefit Obligation		
Projected Benefit Obligation at Beginning of Year	\$ 630,240	\$ 605,195
Interest Cost	38,780	35,695
Benefits Paid	(24,573)	(22,057)
Actuarial Gain	77,131	11,406
Projected Benefit Obligation at End of Year	<u>\$ 721,578</u>	<u>\$ 630,240</u>
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$ 517,468	\$ 422,447
Employer Contributions	35,632	33,863
Benefits Paid	(24,573)	(22,057)
Actual Return on Plan Assets	97,465	83,215
Fair Value of Plan Assets at End of Year	<u>\$ 625,992</u>	<u>\$ 517,468</u>

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 13 EMPLOYEE BENEFIT PLAN (CONTINUED)

	2010	2009
Funded Status of the Plan		
Benefit Obligation	\$ 721,578	\$ 630,240
Fair Value of Plan Assets	625,992	517,468
Deficit of Fair Value Over Benefit Obligation of Plan Assets	\$ (95,586)	\$ (112,772)
Components of Net Periodic Benefit Costs		
Interest Cost	\$ 38,780	\$ 35,695
Expected Return on Plan Assets	(41,903)	(31,660)
Amortization of Loss	19,477	26,680
Net Periodic Pension Cost	\$ 16,354	\$ 30,715

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

	2010	2009
Actuarial Assumptions		
Assumptions Used to Determine Benefit Obligations at December 31:		
Assumed Discount Rate	5.50%	5.83%
Assumptions Used to Determine Benefit Obligations for Years Ended December 31:		
Assumed Discount Rate	5.83%	6.14%
Expected Long-Term Return on Plan Assets	7.50%	7.50%

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.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 13 EMPLOYEE BENEFIT PLAN (CONTINUED)

Investment Policies and Strategies, Including Target Allocations (Continued)

The percentage of the fair value of total plan assets held as of December 31, 2010 and 2009 (the measurement dates) by asset category are as follows:

Asset Category	2010	2009
Equity	66 %	61 %
Debt	27	31
Other	7	8
Total	100 %	100 %

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 2011 are \$13,700. Estimated future benefit payments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2011	\$ 31,862
2012	35,046
2013	37,512
2014	39,858
2015	42,358
2016-2020	234,927

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 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, 2010 and 2009:

2010	Level 1	Level 2	Level 3	Total
Collective Trust Funds:				
Equity Funds	\$ -	\$ 413,155	\$ -	\$ 413,155
Fixed Income Funds	-	169,018	-	169,018
Other	-	43,819	-	43,819
	<u>\$ -</u>	<u>\$ 625,992</u>	<u>\$ -</u>	<u>\$ 625,992</u>
2009	Level 1	Level 2	Level 3	Total
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

Water For People has restated its December 31, 2009 consolidated financial statements for the proper revenue recognition of a transaction between two countries during 2009. Denver made a contribution to Malawi in the amount of \$109,794 during the year ended December 31, 2009. This amount was originally shown as deferred revenue but has been restated to show this contribution as unrestricted revenue as of December 31, 2009. This amount has also been properly eliminated as of December 31, 2009 for both the contribution for Malawi and the expense for Denver. The restatement increases the change in unrestricted net assets for the year ended December 31, 2009 by \$109,794, through an increase in contributions and an increase in the elimination of the developing countries expense of this same amount. There is no impact on beginning net assets as of December 31, 2008. At December 31, 2009, the restatement also decreased deferred revenue by \$109,794.



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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, 2010 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 2010 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
May 4, 2011



WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - UNAUDITED
DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

ASSETS	<u>Denver</u>	<u>Malawi</u>	<u>Bolivia</u>	<u>Guatemala</u>	<u>Honduras</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,114,941	\$ 44,797	\$ 69,203	\$ 147,636	\$ 46,600
Contributions Receivable	1,125,821	161,077	-	38,918	1,413
Prepaid Expenses and Other Assets	77,321	35,391	38,885	4,900	865
Total Current Assets	<u>2,318,083</u>	<u>241,265</u>	<u>108,088</u>	<u>191,454</u>	<u>48,878</u>
INVESTMENTS	3,213,572	-	-	-	-
PROPERTY AND EQUIPMENT, NET	<u>48,746</u>	<u>47,314</u>	<u>40,265</u>	<u>27,720</u>	<u>22,590</u>
Total Assets	<u>\$ 5,580,401</u>	<u>\$ 288,579</u>	<u>\$ 148,353</u>	<u>\$ 219,174</u>	<u>\$ 71,468</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 272,789	\$41,269	\$ 55,120	\$ 39,850	\$ 41,688
Due to American Water Works Association	1,929	-	-	-	-
Total Current Liabilities	<u>274,718</u>	<u>41,269</u>	<u>55,120</u>	<u>39,850</u>	<u>41,688</u>
PENSION LIABILITY	95,586	-	-	-	-
NET ASSETS					
Unrestricted	1,826,406	247,310	93,233	179,324	29,780
Temporarily Restricted	3,273,691	-	-	-	-
Permanently Restricted	110,000	-	-	-	-
Total Net Assets	<u>5,210,097</u>	<u>247,310</u>	<u>93,233</u>	<u>179,324</u>	<u>29,780</u>
Total Liabilities and Net Assets	<u>\$ 5,580,401</u>	<u>\$ 288,579</u>	<u>\$ 148,353</u>	<u>\$ 219,174</u>	<u>\$ 71,468</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – UNAUDITED (CONTINUED)
DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

ASSETS	<u>India</u>	<u>Rwanda</u>	<u>CAMRO</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 36,411	\$ 88,069	\$ 16,271	\$ -	\$ 1,563,928
Contributions Receivable	-	-	46,123	(82,733)	1,290,619
Prepaid Expenses and Other Assets	4,399	10,839	-	-	172,600
Total Current Assets	<u>40,810</u>	<u>98,908</u>	<u>62,394</u>	<u>(82,733)</u>	<u>3,027,147</u>
INVESTMENTS	-	-	-	-	3,213,572
PROPERTY AND EQUIPMENT, NET	<u>21,628</u>	<u>13,251</u>	<u>24,205</u>	<u>-</u>	<u>245,719</u>
Total Assets	<u>\$ 62,438</u>	<u>\$ 112,159</u>	<u>\$ 86,599</u>	<u>\$ (82,733)</u>	<u>\$ 6,486,438</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 5,074	\$ 41,610	\$ 8,162	\$ (82,733)	\$ 422,829
Due to American Water Works Association	-	-	-	-	1,929
Total Current Liabilities	<u>5,074</u>	<u>41,610</u>	<u>8,162</u>	<u>(82,733)</u>	<u>424,758</u>
PENSION LIABILITY	-	-	-	-	95,586
NET ASSETS					
Unrestricted	57,364	70,549	78,437	-	2,582,403
Temporarily Restricted	-	-	-	-	3,273,691
Permanently Restricted	-	-	-	-	110,000
Total Net Assets	<u>57,364</u>	<u>70,549</u>	<u>78,437</u>	<u>-</u>	<u>5,966,094</u>
Total Liabilities and Net Assets	<u>\$ 62,438</u>	<u>\$ 112,159</u>	<u>\$ 86,599</u>	<u>\$ (82,733)</u>	<u>\$ 6,486,438</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF ACTIVITY – UNAUDITED
YEAR ENDED DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

	Denver				Malawi				Bolivia	Guatemala
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Unrestricted
REVENUE										
Contributions, Grants and Sponsorships	\$ 6,531,667	\$ 3,601,722	\$ 5,000	\$ 10,138,389	\$ 470,152	\$ -	\$ -	\$ 470,152	\$ 13,106	\$ 10,279
In-Kind Contributions	668,220	-	-	668,220	-	-	-	-	-	-
Special Events	439,343	-	-	439,343	-	-	-	-	-	-
Interest Income	36,844	2,264	-	39,108	614	-	-	614	-	802
Unrealized Gain	156,019	7,308	-	163,327	-	-	-	-	-	-
Other Income	8,052	-	-	8,052	860,822	-	-	860,822	723,612	544,446
Subtotal	7,840,145	3,611,294	5,000	11,456,439	1,331,588	-	-	1,331,588	736,718	555,527
NET ASSETS RELEASED FROM RESTRICTIONS	1,740,834	(1,640,834)	(100,000)	-	46,320	(46,320)	-	-	-	-
Total Revenue	9,580,979	1,970,460	(95,000)	11,456,439	1,377,908	(46,320)	-	1,331,588	736,718	555,527
EXPENSE										
Program Services:										
Developing Countries	8,801,784	-	-	8,801,784	1,264,103	-	-	1,264,103	683,880	412,211
Supporting Services:										
Management and General	698,802	-	-	698,802	43,693	-	-	43,693	33,008	21,187
Fundraising	1,213,390	-	-	1,213,390	4,855	-	-	4,855	3,668	2,354
Total Support Services	1,912,192	-	-	1,912,192	48,548	-	-	48,548	36,676	23,541
Total Expense	10,713,976	-	-	10,713,976	1,312,651	-	-	1,312,651	720,556	435,752
CHANGE IN NET ASSETS	(1,132,997)	1,970,460	(95,000)	742,463	65,257	(46,320)	-	18,937	16,162	119,775
Net Assets - Beginning of Year	2,959,403	1,303,231	205,000	4,467,634	182,053	46,320	-	228,373	77,071	59,549
NET ASSETS - END OF YEAR	<u>\$ 1,826,406</u>	<u>\$ 3,273,691</u>	<u>\$ 110,000</u>	<u>\$ 5,210,097</u>	<u>\$ 247,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,310</u>	<u>\$ 93,233</u>	<u>\$ 179,324</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF ACTIVITY – UNAUDITED (CONTINUED)
YEAR ENDED DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

	Honduras	India	Rwanda	CAMRO	Eliminations	Consolidated			
	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE									
Contributions, Grants and Sponsorships	\$ 160,878	\$ -	\$ -	\$ 26,622	\$ -	\$ 7,212,704	\$ 3,601,722	\$ 5,000	\$ 10,819,426
In-Kind Contributions	-	-	10,850	-	-	679,070	-	-	679,070
Special Events	-	-	-	-	-	439,343	-	-	439,343
Interest Income	1,047	2,203	-	394	-	41,904	2,264	-	44,168
Unrealized Gain	-	-	-	-	-	156,019	7,308	-	163,327
Other Income	333,854	246,265	360,031	407,328	(3,312,548)	171,862	-	-	171,862
Subtotal	495,779	248,468	370,881	434,344	(3,312,548)	8,700,902	3,611,294	5,000	12,317,196
NET ASSETS RELEASED FROM RESTRICTIONS	-	-	-	-	-	1,787,154	(1,687,154)	(100,000)	-
Total Revenue	495,779	248,468	370,881	434,344	(3,312,548)	10,488,056	1,924,140	(95,000)	12,317,196
EXPENSE									
Program Services:									
Developing Countries	484,521	246,258	285,159	331,125	(3,312,548)	9,196,493	-	-	9,196,493
Supporting Services:									
Management and General	17,641	22,553	13,656	22,304	-	872,844	-	-	872,844
Fundraising	1,960	2,506	1,517	2,478	-	1,232,728	-	-	1,232,728
Total Support Services	19,601	25,059	15,173	24,782	-	2,105,572	-	-	2,105,572
Total Expense	504,122	271,317	300,332	355,907	(3,312,548)	11,302,065	-	-	11,302,065
CHANGE IN NET ASSETS	(8,343)	(22,849)	70,549	78,437	-	(814,009)	1,924,140	(95,000)	1,015,131
Net Assets - Beginning of Year	38,123	80,213	-	-	-	3,396,412	1,349,551	205,000	4,950,963
NET ASSETS - END OF YEAR	<u>\$ 29,780</u>	<u>\$ 57,364</u>	<u>\$ 70,549</u>	<u>\$ 78,437</u>	<u>\$ -</u>	<u>\$ 2,582,403</u>	<u>\$ 3,273,691</u>	<u>\$ 110,000</u>	<u>\$ 5,966,094</u>