

WATER FOR PEOPLE
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

**WATER FOR PEOPLE
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YEARS ENDED DECEMBER 31, 2011 AND 2010**

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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, 2011 and 2010, 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 audits. We did not audit the financial statements of nine and five, respectively, consolidated country programs which statements reflect total assets of \$1,212,938 and \$829,732, respectively, as of December 31, 2011 and 2010, and total support and revenues of \$5,866,484 and \$3,600,287, respectively, for the years 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 nine 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 audits 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, 2011 and 2010, 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.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 2, 2012

**WATER FOR PEOPLE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010**

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,757,526	\$ 1,563,928
Current Contributions Receivable	1,126,066	1,290,619
Prepaid Expenses and Other Assets	270,828	172,600
Total Current Assets	4,154,420	3,027,147
INVESTMENTS	3,111,618	3,213,572
PROPERTY AND EQUIPMENT, NET	370,222	245,719
Total Assets	\$ 7,636,260	\$ 6,486,438
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 822,467	\$ 422,829
Due to American Water Works Association	-	1,929
Total Current Liabilities	822,467	424,758
PENSION LIABILITY	235,579	95,586
NET ASSETS		
Unrestricted	3,345,147	2,582,403
Temporarily Restricted	3,123,067	3,273,691
Permanently Restricted	110,000	110,000
Total Net Assets	6,578,214	5,966,094
Total Liabilities and Net Assets	\$ 7,636,260	\$ 6,486,438

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE				
Contributions, Grants and Sponsorships	\$ 7,463,368	\$ 6,399,248	\$ -	\$ 13,862,616
In-Kind Contributions	990,176	-	-	990,176
Special Events	511,392	-	-	511,392
Interest Income	24,746	2,330	-	27,076
Unrealized Gain	80,611	5,114	-	85,725
Other Income	(70,066)	-	-	(70,066)
Subtotal	<u>9,000,226</u>	<u>6,406,692</u>	<u>-</u>	<u>15,406,918</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>6,557,316</u>	<u>(6,557,316)</u>	<u>-</u>	<u>-</u>
Total Revenue	15,557,542	(150,624)	-	15,406,918
EXPENSE				
Program Services:				
Developing Countries	11,980,571	-	-	11,980,571
Supporting Services:				
Management and General	1,154,333	-	-	1,154,333
Fundraising	1,659,894	-	-	1,659,894
Total Support Services	<u>2,814,227</u>	<u>-</u>	<u>-</u>	<u>2,814,227</u>
Total Expense	<u>14,794,798</u>	<u>-</u>	<u>-</u>	<u>14,794,798</u>
CHANGE IN NET ASSETS	762,744	(150,624)	-	612,120
Net Assets - Beginning of Year	<u>2,582,403</u>	<u>3,273,691</u>	<u>110,000</u>	<u>5,966,094</u>
NET ASSETS - END OF YEAR	<u>\$ 3,345,147</u>	<u>\$ 3,123,067</u>	<u>\$ 110,000</u>	<u>\$ 6,578,214</u>

See accompanying Notes to Consolidated Financial Statements.

2010

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 7,212,704	\$ 3,601,722	\$ 5,000	\$ 10,819,426
679,070	-	-	679,070
439,343	-	-	439,343
41,904	2,264	-	44,168
156,019	7,308	-	163,327
171,862	-	-	171,862
<u>8,700,902</u>	<u>3,611,294</u>	<u>5,000</u>	<u>12,317,196</u>
<u>1,787,154</u>	<u>(1,687,154)</u>	<u>(100,000)</u>	<u>-</u>
10,488,056	1,924,140	(95,000)	12,317,196
9,196,493	-	-	9,196,493
872,844	-	-	872,844
1,232,728	-	-	1,232,728
<u>2,105,572</u>	<u>-</u>	<u>-</u>	<u>2,105,572</u>
<u>11,302,065</u>	<u>-</u>	<u>-</u>	<u>11,302,065</u>
(814,009)	1,924,140	(95,000)	1,015,131
<u>3,396,412</u>	<u>1,349,551</u>	<u>205,000</u>	<u>4,950,963</u>
<u>\$ 2,582,403</u>	<u>\$ 3,273,691</u>	<u>\$ 110,000</u>	<u>\$ 5,966,094</u>

WATER FOR PEOPLE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

2011

EXPENSES	Program Services	Supporting Services			Total Expenses
	Field Operations	Management and General	Fundraising	Total	
Salaries and Benefits	\$ 3,651,634	\$ 680,740	\$ 894,511	\$ 1,575,251	\$ 5,226,885
Direct Program Expenses and Country Contributions	4,954,112	-	-	-	4,954,112
Professional Fees and Contract Services	664,526	174,371	241,704	416,075	1,080,601
Training, Travel and Meetings	763,386	82,358	69,497	151,855	915,241
Printing, Publications and Website	186,973	19,656	23,145	42,801	229,774
Rent / Occupancy	220,709	34,723	34,726	69,449	290,158
Depreciation	105,606	45,259	-	45,259	150,865
Telephone	121,992	13,130	11,471	24,601	146,593
Insurance	63,283	6,711	7,137	13,848	77,131
Technology and Supplies	246,830	26,753	21,002	47,755	294,585
Postage	41,054	4,243	5,944	10,187	51,241
Special Events Expense	74,008	8,410	142,368	150,778	224,786
In-Kind Expenses	787,248	80,673	122,254	202,927	990,175
Other	99,210	(22,695)	86,135	63,441	162,651
Total Expenses	<u>\$ 11,980,571</u>	<u>\$ 1,154,333</u>	<u>\$ 1,659,894</u>	<u>\$ 2,814,227</u>	<u>\$ 14,794,798</u>

See accompanying Notes to Consolidated Financial Statements.

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

2010

EXPENSES	Program Services	Supporting Services			Total Expenses
	Country Operations	Management and General	Fundraising	Total	
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	<u>\$ 9,196,493</u>	<u>\$ 872,844</u>	<u>\$ 1,232,728</u>	<u>\$ 2,105,572</u>	<u>\$ 11,302,065</u>

See accompanying Notes to Consolidated Financial Statements.

WATER FOR PEOPLE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 612,120	\$ 1,015,131
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	150,865	107,956
Unrealized Gain on Investments	(85,725)	(163,327)
Changes in Assets and Liabilities:		
Receivables	164,553	(429,622)
Inventory	-	4,356
Prepaid Expenses and Other Assets	(98,228)	(9,617)
Prepaid Pension Asset	139,993	(17,186)
Accounts Payable and Accrued Expenses	399,638	48,421
Due to American Water Works Association	(1,929)	938
Deferred Revenue	-	(2,295)
Net Cash Provided by Operating Activities	1,281,288	554,755
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(275,368)	(150,570)
Proceeds from Sale of Investments	2,178,326	486,843
Purchase of Investments	(1,990,647)	(1,892,695)
Net Cash Used by Investing Activities	(87,690)	(1,556,422)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,193,598	(1,001,667)
Cash and Cash Equivalents - Beginning of Year	1,563,928	2,565,595
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,757,526	\$ 1,563,928

See accompanying Notes to Consolidated Financial Statements.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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, Central America's Regional Office (CAMRO), Peru, South America's Regional Office (SAMRO), and Uganda and Nicaragua (included in 'Other'). 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 2008, 2009 and 2010 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, 2011 AND 2010

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 mutual funds and certificates of deposit 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 \$1,500 are capitalized and depreciated on the straight-line basis over the estimated useful life of the related assets (two to four 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, 2011 AND 2010

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.

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, 2011 and 2010, respectively. Translation gains and losses are included in Other Income.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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 2, 2012, 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 2011, 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 \$1,000,000 and \$500,000 at December 31, 2011 and 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. Contributions receivable are all due within one year and are as follows as of December 31:

	2011	2010
Current Contributions Receivable	<u>\$ 1,126,066</u>	<u>\$ 1,290,619</u>

At December 31, 2011 and 2010, the allowance for uncollectible contributions receivable was \$-0- and \$7,876, respectively. This amount is included within the current portion of contributions receivable.

The Organization received 11% and 19% of contribution revenue from one donor as of December 31, 2011 and 2010, respectively. As of December 31, 2011, 29% of total contributions receivable is from one donor. No such concentration existed as of December 31, 2010.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 5 INVESTMENTS

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

	<u>2011</u>	<u>2010</u>
Mutual Funds	\$ 125,131	\$ 3,213,572
Certificates of Deposit	2,986,487	-
	<u>\$ 3,111,618</u>	<u>\$ 3,213,572</u>

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, 2011 and 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2011 Total</u>
Assets:				
Mutual Funds	\$ 125,131	\$ -	\$ -	\$ 125,131
Certificates of Deposit	-	2,986,487	-	2,986,487
Total	<u>\$ 125,131</u>	<u>\$ 2,986,487</u>	<u>\$ -</u>	<u>\$ 3,111,618</u>
	<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>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Furniture and Equipment	\$ 205,153	\$ 237,973
Collections	7,000	7,000
Computer Equipment and Software	302,142	253,534
Leasehold Improvements	14,898	12,608
Vehicles	388,664	191,779
Total	<u>917,857</u>	<u>702,894</u>
Accumulated Depreciation	<u>(547,635)</u>	<u>(457,175)</u>
Total	<u>\$ 370,222</u>	<u>\$ 245,719</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 2.75% over LIBOR (3.05% as of December 31, 2011). As of December 31, 2011 and 2010, there were no outstanding draws on the line of credit.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 8 NET ASSETS

Temporarily Restricted Net Assets

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

	<u>2011</u>	<u>2010</u>
Global Sanitation as a Business	\$ 1,965,078	\$ 1,520,012
Nicaragua Water-Sanitation-Hygiene Education	334,006	318,056
India General Designation	330,000	-
Guatemala Water-Sanitation-Hygiene	160,459	-
IP FLOW	148,308	-
South America Sanitation	50,000	50,000
Africa general designation	44,225	28,952
Global Latrine Emptying	43,191	49,431
Rwanda Schools Water-Sanitation	25,000	17,000
Restricted Endowment Earnings	17,016	9,572
Peru Market-Based Water-Sanitation	5,785	-
Africa PlayPumps Installation and Water	-	616,916
India Water-Sanitation-Hygiene	-	245,885
Guatemala SWASH Program	-	184,667
Cochabamba, Bolivia Peri-Urban Water-Sanitation	-	84,700
WASH Advocacy Program	-	75,000
Chikhwawa, Malawi Water-Sanitation	-	40,000
FLOW Innovation	-	25,000
San Antonio Ilotenango, Guatemala Water-Sanitation-Hygiene Education	-	8,500
Total	<u>\$ 3,123,067</u>	<u>\$ 3,273,691</u>

Permanently Restricted Net Assets

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

	<u>2011</u>	<u>2010</u>
Richard V. Ford Endowment	<u>\$ 110,000</u>	<u>\$ 110,000</u>

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, 2011 AND 2010**

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, 2011 and 2010 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, 2011:				
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 17,016</u>	<u>\$ 110,000</u>	<u>\$ 127,016</u>
Endowment Fund Net Assets by Type of Fund as of December 31, 2010:				
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 9,572</u>	<u>\$ 110,000</u>	<u>\$ 119,572</u>

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 9 ENDOWMENTS (CONTINUED)

The endowment net assets and activity for 2011 and 2010 consisted of the following:

	Unrestricted Undesignated	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance as January 1, 2011	\$ -	\$ 9,572	\$ 110,000	\$ 119,572
Earnings:				
Interest and Dividends	-	2,330	-	2,330
Realized and Unrealized Gains and Losses	-	5,114	-	5,114
Total Investment Returns	-	7,444	-	7,444
Contributions	-	-	-	-
Releases	-	-	-	-
Appropriations for Expenditure	-	-	-	-
Endowment Fund Balance as December 31, 2011	<u>\$ -</u>	<u>\$ 17,016</u>	<u>\$ 110,000</u>	<u>\$ 127,016</u>
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>

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.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010. 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:

	2011	2010
Donated Services ¹	\$ 333,368	\$ 94,700
Donated Goods	42,420	10,850
World Water Corp	614,388	573,519
Total	\$ 990,176	\$ 679,070

¹ Includes legal services, silent auction donations, etc.

NOTE 11 RELATED PARTIES

American Water Works Association

The Organization was affiliated with the American Water Works Association (the Association) during 2010. One member of the Association's Board of Directors served along with 13 other directors on the Organization's Board of Directors. This affiliation did not exist during 2011.

The Association provided the Organization with cash contributions totaling \$52,625 and \$68,956 for the years ended December 31, 2011 and 2010, respectively. Expenditures made to the Association totaled \$162,374 and \$178,671 for the years ended December 31, 2011 and 2010, 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 2011 were approximately \$119,000. The remaining future payments are noted within Note 12.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 11 RELATED PARTIES (CONTINUED)

Water For People – Canada

The Organization is affiliated with Water For People - Canada (the WFPC). The Organization held one seat on the Board of Directors designated for the President of WFPC as an ex officio member of the Board. 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 \$109,496 and \$281,619 for the years ended December 31, 2011 and 2010, respectively.

NOTE 12 COMMITMENTS

Operating Lease

The Organization rents equipment and office facilities under non-cancelable operating leases that will expire between 2012 and 2016. Rent expense for the leases totaled \$127,728 and \$124,951 at December 31, 2011 and 2010, respectively.

Minimum annual rental payments under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 131,244
2013	134,760
2014	8,340
2015	6,255
Total	<u>\$ 280,599</u>

The Organization also had a contract for strategic resource development work that was effective through September 2011 with a final payment of \$40,000 due in 2012.

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.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 13 EMPLOYEE BENEFIT PLAN (CONTINUED)

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, 2011 and 2010 of \$235,579 and \$95,586, respectively, is recognized in the statements of financial position.

The measurement date used for the Plan disclosures is as of December 31, 2011 and 2010.

The changes in the projected benefit obligation are as follows:

	2011	2010
Change in Projected Benefit Obligation		
Projected Benefit Obligation at Beginning of Year	\$ 721,578	\$ 630,240
Interest Cost	40,368	38,780
Benefits Paid	(27,982)	(24,573)
Actuarial Gain	127,264	77,131
Projected Benefit Obligation at End of Year	\$ 861,228	\$ 721,578
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$ 625,992	\$ 517,468
Employer Contributions	27,405	35,632
Benefits Paid	27,982	(24,573)
Actual Return on Plan Assets	(55,730)	97,465
Fair Value of Plan Assets at End of Year	\$ 625,649	\$ 625,992
	2011	2010
Funded Status of the Plan		
Benefit Obligation	\$ 861,228	\$ 721,578
Fair Value of Plan Assets	625,649	625,992
Deficit of Fair Value Over Benefit Obligation of Plan Assets	\$ (235,579)	\$ (95,586)
Components of Net Periodic Benefit Costs		
Interest Cost	\$ 40,368	\$ 38,780
Expected Return on Plan Assets	(48,028)	(41,903)
Amortization of Loss	19,008	19,477
Net Periodic Pension Cost	\$ 11,348	\$ 16,354

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 13 EMPLOYEE BENEFIT PLAN (CONTINUED)

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

	<u>2011</u>	<u>2010</u>
Actuarial Assumptions		
Assumptions Used to Determine Benefit Obligations at December 31:		
Assumed Discount Rate	4.51%	5.50%
Assumptions Used to Determine Benefit Obligations for Years Ended December 31:		
Assumed Discount Rate	5.50%	5.83%
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. For the first 10 months of the year, the asset mix was approximately 60% equities and 40% fixed income which results in an expected rate of return of approximately 6.3 %, of which 5.1 % is expected from equity funds and 1.2% is expected from fixed income fund. For the last two months of the year, the asset mix was approximately 40% equities and 60% fixed income which results in an expected rate of return of approximately 5.5 %, of which 3.7 % is expected from equity funds and 1.8% is expected from fixed income fund.

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, 2011 and 2010 (the measurement dates) by asset category are as follows:

Asset Category	<u>2011</u>	<u>2010</u>
Equity	40 %	66 %
Debt	60	27
Other	-	7
Total	<u>100 %</u>	<u>100 %</u>

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 13 EMPLOYEE BENEFIT PLAN (CONTINUED)

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 2012 are \$34,550. Estimated future benefit payments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2012	\$ 36,449
2013	39,441
2014	41,903
2015	44,474
2016	46,049
2017-2021	252,081

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, 2011 and 2010:

<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2011 Total</u>
Collective Trust Funds:				
Equity Funds	\$ -	\$ 250,260	\$ -	\$ 250,260
Fixed Income Funds	-	375,389	-	375,389
Other	-	-	-	-
	<u>\$ -</u>	<u>\$ 625,649</u>	<u>\$ -</u>	<u>\$ 625,649</u>
<u>2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2010 Total</u>
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>



CliftonLarsonAllen

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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, 2011 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 2011 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 2, 2012

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - UNAUDITED
DECEMBER 31, 2011
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

ASSETS	<u>Denver</u>	<u>Malawi</u>	<u>Bolivia</u>	<u>Guatemala</u>	<u>Honduras</u>	<u>India</u>	<u>Rwanda</u>
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 2,026,045	\$ 224,811	\$ 5,829	\$ 121,465	\$ 71,720	\$ 39,884	\$ 141,143
Current Contributions Receivable	1,008,776	130,812	1,108	1,749	655	5,569	5,899
Prepaid Expenses and Other Assets	104,676	20,884	43,304	897	740	57,110	9,197
Total Current Assets	<u>3,139,496</u>	<u>376,508</u>	<u>50,242</u>	<u>124,111</u>	<u>73,115</u>	<u>102,563</u>	<u>156,240</u>
INVESTMENTS	3,111,618	-	-	-	-	-	-
PROPERTY AND EQUIPMENT, NET	<u>100,094</u>	<u>65,740</u>	<u>38,751</u>	<u>15,056</u>	<u>4,341</u>	<u>32,471</u>	<u>44,010</u>
Total Assets	<u>\$ 6,351,208</u>	<u>\$ 442,248</u>	<u>\$ 88,992</u>	<u>\$ 139,167</u>	<u>\$ 77,456</u>	<u>\$ 135,034</u>	<u>\$ 200,250</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable and Accrued Expenses Due to American Water Works Association	\$ 384,001	\$ 27,413	\$ 59,797	\$ 61,556	\$ 39,740	\$ 18,766	\$ 121,341
Total Current Liabilities	<u>384,001</u>	<u>27,413</u>	<u>59,797</u>	<u>61,556</u>	<u>39,740</u>	<u>18,766</u>	<u>121,341</u>
PENSION LIABILITY	235,579	-	-	-	-	-	-
NET ASSETS							
Unrestricted	2,498,561	414,835	29,195	77,611	37,716	116,268	78,909
Temporarily Restricted	3,123,067	-	-	-	-	-	-
Permanently Restricted	110,000	-	-	-	-	-	-
Total Net Assets	<u>5,731,628</u>	<u>414,835</u>	<u>29,195</u>	<u>77,611</u>	<u>37,716</u>	<u>116,268</u>	<u>78,909</u>
Total Liabilities and Net Assets	<u>\$ 6,351,208</u>	<u>\$ 442,248</u>	<u>\$ 88,992</u>	<u>\$ 139,167</u>	<u>\$ 77,456</u>	<u>\$ 135,034</u>	<u>\$ 200,250</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – UNAUDITED (CONTINUED)
DECEMBER 31, 2011
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

ASSETS	<u>CAMRO</u>	<u>Peru</u>	<u>SAMRO</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 12,198	\$ 53,271	\$ 21,855	\$ 39,304	\$ -	\$ 2,757,526
Current Contributions Receivable	652	-	-	-	(29,155)	1,126,066
Prepaid Expenses and Other Assets	1,012	359	-	32,648	-	270,828
Total Current Assets	<u>13,863</u>	<u>53,630</u>	<u>21,855</u>	<u>71,952</u>	<u>(29,155)</u>	<u>4,154,420</u>
INVESTMENTS	-	-	-	-	-	3,111,618
PROPERTY AND EQUIPMENT, NET	<u>3,781</u>	<u>36,662</u>	<u>-</u>	<u>29,317</u>	<u>-</u>	<u>370,222</u>
Total Assets	<u>\$ 17,644</u>	<u>\$ 90,292</u>	<u>\$ 21,855</u>	<u>\$ 101,269</u>	<u>\$ (29,155)</u>	<u>\$ 7,636,260</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 61,968	\$ 50,168	\$ 2,736	\$ 24,136	\$ (29,155)	\$ 822,467
Due to American Water Works Association	-	-	-	-	-	-
Total Current Liabilities	<u>61,968</u>	<u>50,168</u>	<u>2,736</u>	<u>24,136</u>	<u>(29,155)</u>	<u>822,467</u>
PENSION LIABILITY	-	-	-	-	-	235,579
NET ASSETS						
Unrestricted	(44,324)	40,124	19,119	77,133	-	3,345,147
Temporarily Restricted	-	-	-	-	-	3,123,067
Permanently Restricted	-	-	-	-	-	110,000
Total Net Assets	<u>(44,324)</u>	<u>40,124</u>	<u>19,119</u>	<u>77,133</u>	<u>-</u>	<u>6,578,214</u>
Total Liabilities and Net Assets	<u>\$ 17,644</u>	<u>\$ 90,292</u>	<u>\$ 21,855</u>	<u>\$ 101,269</u>	<u>\$ (29,155)</u>	<u>\$ 7,636,260</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF ACTIVITY – UNAUDITED
YEAR ENDED DECEMBER 31, 2011
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

	Denver				Malawi	Bolivia	Guatemala	Honduras	India	Rwanda
	Unrestricted	Temporarily	Permanently	Total	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
		Restricted	Restricted							
REVENUE										
Contributions, Grants and Sponsorships	\$ 6,772,772	\$ 6,399,248	\$ -	\$ 13,172,020	\$ 535,067	\$ 72	\$ -	\$ 101,807	\$ -	\$ 3,729
In-Kind Contributions	990,176	-	-	990,176	-	-	-	-	-	-
Special Events	511,392	-	-	511,392	-	-	-	-	-	-
Interest Income	17,397	2,330	-	19,727	1,253	-	2,450	2,022	1,029	-
Unrealized Gain	80,611	5,114	-	85,725	-	-	-	-	-	-
Other Income	30,222	-	-	30,222	1,149,875	748,318	619,398	531,262	636,490	803,901
Subtotal	8,402,570	6,406,692	-	14,809,262	1,686,194	748,390	621,847	635,091	637,519	807,630
NET ASSETS RELEASED FROM RESTRICTIONS	6,557,316	(6,557,316)	-	-	-	-	-	-	-	-
Total Revenue	14,959,885	(150,624)	-	14,809,262	1,686,194	748,390	621,847	635,091	637,519	807,630
EXPENSE										
Program Services:										
Developing Countries	11,876,671	-	-	11,876,671	1,425,214	750,626	672,905	585,059	547,547	747,208
Supporting Services:										
Management and General	795,093	-	-	795,093	83,168	55,943	45,513	37,651	26,960	46,401
Fundraising	1,615,967	-	-	1,615,967	10,287	5,857	5,142	4,446	4,108	5,661
Total Support Services	2,411,060	-	-	2,411,060	93,455	61,801	50,655	42,097	31,068	52,062
Total Expense	14,287,731	-	-	14,287,731	1,518,669	812,427	723,560	627,155	578,615	799,270
CHANGE IN NET ASSETS	672,155	(150,624)	-	521,531	167,525	(64,038)	(101,713)	7,936	58,904	8,360
Net Assets - Beginning of Year	1,826,406	3,273,691	110,000	5,210,097	247,310	93,233	179,324	29,780	57,364	70,549
NET ASSETS - END OF YEAR	<u>\$ 2,498,561</u>	<u>\$ 3,123,067</u>	<u>\$ 110,000</u>	<u>\$ 5,731,628</u>	<u>\$ 414,835</u>	<u>\$ 29,195</u>	<u>\$ 77,611</u>	<u>\$ 37,716</u>	<u>\$ 116,268</u>	<u>\$ 78,909</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF ACTIVITY – UNAUDITED (CONTINUED)
YEAR ENDED DECEMBER 31, 2011
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

	CAMRO	Peru	SAMRO	Other	Eliminations	Consolidated			
	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE									
Contributions, Grants and Sponsorships	\$ 49,921	\$ -	\$ -	\$ -	\$ -	\$ 7,463,368	\$ 6,399,248	\$ -	\$ 13,862,616
In-Kind Contributions	-	-	-	-	-	990,176	-	-	990,176
Special Events	-	-	-	-	-	511,392	-	-	511,392
Interest Income	403	-	3	189	-	24,746	2,330	-	27,076
Unrealized Gain	-	-	-	-	-	80,611	5,114	-	85,725
Other Income	174,574	251,658	253,253	470,070	(5,739,086)	(70,066)	-	-	(70,066)
Subtotal	224,899	251,658	253,256	470,258	(5,739,086)	9,000,226	6,406,692	-	15,406,918
NET ASSETS RELEASED FROM RESTRICTIONS	-	-	-	-	-	6,557,316	(6,557,316)	-	-
Total Revenue	224,899	251,658	253,256	470,258	(5,739,086)	15,557,542	(150,624)	-	15,406,918
EXPENSE									
Program Services:									
Developing Countries	335,751	195,098	215,940	367,638	(5,739,086)	11,980,571	-	-	11,980,571
Supporting Services:									
Management and General	9,441	14,935	16,534	22,692	-	1,154,333	-	-	1,154,333
Fundraising	2,468	1,502	1,663	2,795	-	1,659,894	-	-	1,659,894
Total Support Services	11,909	16,436	18,197	25,487	-	2,814,227	-	-	2,814,227
Total Expense	347,660	211,534	234,137	393,126	(5,739,086)	14,794,798	-	-	14,794,798
CHANGE IN NET ASSETS	(122,761)	40,124	19,119	77,133	-	762,744	(150,624)	-	612,120
Net Assets - Beginning of Year	78,437	-	-	-	-	2,582,403	3,273,691	110,000	5,966,094
NET ASSETS - END OF YEAR	<u>\$ (44,324)</u>	<u>\$ 40,124</u>	<u>\$ 19,119</u>	<u>\$ 77,133</u>	<u>\$ -</u>	<u>\$ 3,345,147</u>	<u>\$ 3,123,067</u>	<u>\$ 110,000</u>	<u>\$ 6,578,214</u>