

WATER FOR PEOPLE
CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

**WATER FOR PEOPLE
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CliftonLarsonAllen

CliftonLarsonAllen LLP
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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 September 30, 2012, and the related consolidated statement of activities, functional expenses, and cash flows for the nine month period 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 twelve consolidated country offices which statements reflect total assets of \$1,587,481 as of September 30, 2012, and total support and revenues of \$5,062,333 for the nine month period 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 twelve country offices, 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 nine month period ended September 30, 2012 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 11, 2013

**WATER FOR PEOPLE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 3,271,039
Current Contributions Receivable	1,435,916
Prepaid Expenses and Other Assets	<u>323,576</u>
Total Current Assets	5,030,531

INVESTMENTS

2,863,370

LONG-TERM CONTRIBUTIONS RECEIVABLE, NET

680,656

PROPERTY AND EQUIPMENT, NET

393,160

Total Assets

\$ 8,967,717

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 938,301
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PENSION LIABILITY

258,582

NET ASSETS

Unrestricted:	
Designated	250,000
Unrestricted, Undesignated	3,419,781
Temporarily Restricted	3,986,053
Permanently Restricted	<u>115,000</u>
Total Net Assets	<u>7,770,834</u>

Total Liabilities and Net Assets

\$ 8,967,717

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE
CONSOLIDATED STATEMENT OF ACTIVITIES
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE				
Contributions, Grants and Sponsorships	\$ 7,172,018	\$ 3,540,907	\$ 5,000	\$ 10,717,925
In-Kind Contributions	426,510	-	-	426,510
Special Events	592,378	-	-	592,378
Interest Income	13,448	1,757	-	15,205
Unrealized Gain	1,987	11,072	-	13,059
Other Income	21,329	-	-	21,329
Subtotal	<u>8,227,670</u>	<u>3,553,736</u>	<u>5,000</u>	<u>11,786,406</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>2,690,750</u>	<u>(2,690,750)</u>	<u>-</u>	<u>-</u>
Total Revenue	10,918,420	862,986	5,000	11,786,406
EXPENSE				
Program Services:				
Developing Countries	8,407,418	-	-	8,407,418
Supporting Services:				
Management and General	1,042,032	-	-	1,042,032
Fundraising	1,144,336	-	-	1,144,336
Total Support Services	<u>2,186,368</u>	<u>-</u>	<u>-</u>	<u>2,186,368</u>
Total Expense	<u>10,593,786</u>	<u>-</u>	<u>-</u>	<u>10,593,786</u>
CHANGE IN NET ASSETS	324,634	862,986	5,000	1,192,620
Net Assets - Beginning of Year	<u>3,345,147</u>	<u>3,123,067</u>	<u>110,000</u>	<u>6,578,214</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,669,781</u></u>	<u><u>\$ 3,986,053</u></u>	<u><u>\$ 115,000</u></u>	<u><u>\$ 7,770,834</u></u>

See accompanying Notes to Consolidated Financial Statements.

WATER FOR PEOPLE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

	Program Services	Supporting Services			Total Expenses
	Field Operations	Management and General	Fundraising	Total	
EXPENSES					
Salaries and Benefits	\$ 3,006,413	\$ 606,872	\$ 550,228	\$ 1,157,100	\$ 4,163,513
Water, Sanitation, Hygiene and Partner Funding	3,460,858	-	-	-	3,460,858
Professional Fees and Contract Services	406,267	85,992	91,531	177,523	583,790
Training, Travel and Meetings	445,151	88,663	76,319	164,982	610,133
Printing, Publications and Website	100,895	22,154	26,175	48,329	149,224
Rent / Occupancy	196,579	37,543	26,756	64,299	260,878
Depreciation	108,931	20,548	13,722	34,270	143,201
Telephone	70,260	13,293	9,023	22,316	92,576
Insurance	42,110	8,850	9,216	18,066	60,176
Technology and Supplies	90,298	17,987	15,490	33,477	123,775
Postage	21,081	4,768	6,068	10,836	31,917
Special Events Expense	-	-	194,881	194,881	194,881
In-Kind Expenses	277,232	63,977	85,302	149,279	426,511
Other	181,343	71,385	39,625	111,010	292,353
Total Expenses	<u>\$ 8,407,418</u>	<u>\$ 1,042,032</u>	<u>\$ 1,144,336</u>	<u>\$ 2,186,368</u>	<u>\$ 10,593,786</u>

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE
CONSOLIDATED STATEMENT OF CASH FLOWS
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,192,620
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	143,201
Unrealized Gain on Investments	(13,059)
Changes in Assets and Liabilities:	
Receivables	(990,506)
Prepaid Expenses and Other Assets	(52,748)
Prepaid Pension Asset	23,003
Accounts Payable and Accrued Expenses	115,834
Net Cash Provided by Operating Activities	<u>418,345</u>

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(166,139)
Proceeds from Sale of Investments	1,334,046
Purchase of Investments	<u>(1,072,739)</u>
Net Cash Provided by Investing Activities	<u>95,168</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

513,513

Cash and Cash Equivalents - Beginning of Year

2,757,526

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 3,271,039

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

During 2012, the Organization changed its fiscal year-end from December 31 to September 30 to better align operations with revenue streams. This change resulted in a nine month accounting period which is not indicative of twelve months of operations.

The consolidated financial statements include the accounts of the Water for People country offices in Malawi, Bolivia, Guatemala, Honduras, India, Rwanda, Central America's Regional Office (CAMRO), Peru, South America's Regional Office (SAMRO), and Uganda, Ecuador, Nicaragua, and Africa's Regional Office (AFRO) (included in 'Other'). The accounts of these country offices are consolidated due to the control the Denver office has over the offices. 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 2009, 2010 and 2011 tax years are open for examination by the IRS.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 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
SEPTEMBER 30, 2012

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 resources over which the board of directors has discretionary control. Designated amounts represent revenues that the Organization has set aside for a particular purpose.

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.

Restricted gifts received and fully satisfied during the fiscal year will now be shown as unrestricted activity. Net assets that have no donor-stipulated restrictions, as well as contributions for which donors have stipulated restrictions that have been met within the same reporting period, are reported as unrestricted support.

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
SEPTEMBER 30, 2012

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 nine month period ended September 30, 2012. 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 February 11, 2013, 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 2012, 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 \$1,700,000 at September 30, 2012. 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 September 30:

Contributions Receivable	\$ 2,233,429
Less: Discount (3.25%) on Contributions Receivable	(69,344)
Less: Allowance for Uncollectible Contributions Receivable	<u>(47,513)</u>
Subtotal	2,116,572
Less: Current Portion	<u>(1,435,916)</u>
Net Long-Term Contributions Receivable	<u><u>\$ 680,656</u></u>

The allowance for uncollectible contributions is included within the current portion of contributions receivable.

The Organization received 12% of total contribution revenue from one donor as of September 30, 2012. As of September 30, 2012, 76% of total contributions receivable is from two donors.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5 INVESTMENTS

The investments of the Organization consist of the following at September 30:

Mutual Funds	\$ 137,350
Certificates of Deposit	<u>2,726,020</u>
	<u>\$ 2,863,370</u>

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Mutual Funds	\$ 137,350	\$ -	\$ -	\$ 137,350
Certificates of Deposit	-	<u>2,726,020</u>	-	<u>2,726,020</u>
Total	<u>\$ 137,350</u>	<u>\$ 2,726,020</u>	<u>\$ -</u>	<u>\$ 2,863,370</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

Furniture and Equipment	\$ 209,681
Collections	7,000
Computer Equipment and Software	455,360
Leasehold Improvements	14,898
Vehicles	<u>362,921</u>
Total	1,049,860
Accumulated Depreciation	<u>(656,700)</u>
Total	<u>\$ 393,160</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 (2.98% as of September 30, 2012). As of September 30, 2012 there were no outstanding draws on the line of credit.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 8 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

Global Sanitation as a Business	\$ 1,711,496
Nicaragua Water-Sanitation-Hygiene Education	1,250,000
India & Peru Water-Sanitation-Hygiene and Flow - 2013	488,750
Rwanda Water-Sanitation-Hygiene	400,000
India & Peru Water-Sanitation-Hygiene and Flow - 2012	40,526
Restricted Endowment Earnings	29,845
India Jalabandhu	26,295
Guatemala Water-Sanitation-Hygiene	16,628
IP FLOW	12,513
Rwanda Programming Designation	10,000
Total	<u>\$ 3,986,053</u>

Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes at September 30:

Richard V. Ford Endowment	<u>\$ 115,000</u>
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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.

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
SEPTEMBER 30, 2012**

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 nine month period ended September 30, 2012 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 September 30, 2012:				
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 29,845</u>	<u>\$ 115,000</u>	<u>\$ 144,845</u>

The endowment net assets and activity for the nine month period ended September 30, 2012 consisted of the following:

	<u>Unrestricted Undesignated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Fund Balance as January 1, 2012	\$ -	\$ 17,016	\$ 110,000	\$ 127,016
Earnings:				
Interest and Dividends	-	1,757	-	1,757
Realized and Unrealized Gains and Losses	-	11,072	-	11,072
Total Investment Returns	-	12,829	-	12,829
Contributions	-	-	5,000	5,000
Releases	-	-	-	-
Appropriations for Expenditure	-	-	-	-
Endowment Fund Balance as September 30, 2012	<u>\$ -</u>	<u>\$ 29,845</u>	<u>\$ 115,000</u>	<u>\$ 144,845</u>

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 9 ENDOWMENTS (CONTINUED)

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 donated legal services for the nine month period ended September 30, 2012. 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 nine months ended September 30:

Donated Services ¹	\$ 89,861
Donated Goods	36,882
World Water Corp	299,767
Total	<u><u>\$ 426,510</u></u>

¹ Includes legal services, silent auction donations, etc.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 11 COMMITMENTS

Operating Lease

The Organization rents equipment and office facilities under non-cancelable operating leases that will expire between 2012 and 2015. Rent expense for the leases totaled \$98,433 at September 30, 2012.

Minimum annual rental payments under these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2013	\$ 133,881
2014	39,945
2015	8,340
Total	<u>\$ 182,166</u>

The Organization also has various contracts for marketing, business development, and strategic guidance that are effective through 2013 with outstanding committed costs of approximately \$352,000.

NOTE 12 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 September 30, 2012 of \$258,582 is recognized in the statement of financial position.

The measurement date used for the Plan disclosures is as of September 30, 2012.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 12 EMPLOYEE BENEFIT PLAN (CONTINUED)

The changes in the projected benefit obligation are as follows for the nine month period ended September 30, 2012:

Change in Projected Benefit Obligation	
Projected Benefit Obligation at Beginning of Year	\$ 861,228
Interest Cost	29,931
Benefits Paid	(27,847)
Actuarial Gain	130,270
Projected Benefit Obligation at End of Year	<u>\$ 993,582</u>
Change in Plan Assets	
Fair Value of Plan Assets at Beginning of Year	\$ 625,649
Employer Contributions	18,967
Benefits Paid	27,847
Actual Return on Plan Assets	62,537
Fair Value of Plan Assets at End of Year	<u>\$ 735,000</u>
Funded Status of the Plan	
Benefit Obligation	\$ 993,582
Fair Value of Plan Assets	<u>735,000</u>
Deficit of Fair Value Over	
Benefit Obligation of Plan Assets	<u>\$ (258,582)</u>
Components of Net Periodic Benefit Costs	
Interest Cost	\$ 29,931
Expected Return on Plan Assets	(29,998)
Amortization of Loss	27,149
Net Periodic Pension Cost	<u>\$ 27,083</u>

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

Actuarial Assumptions	
Assumptions Used to Determine Benefit Obligations at September 30:	
Assumed Discount Rate	3.80%
Assumptions Used to Determine Benefit Obligations for Years Ended September 30:	
Assumed Discount Rate	4.51%
Expected Long-Term Return on Plan Assets	6.00%

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 12 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. For the nine 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 6.0 %, of which 5.0 % is expected from equity funds and 1.0 % is expected from fixed income fund.

Investment Policies and Strategies, Including Target Allocations

The investment policy for the plan is to have approximately 40% of the plan's assets in equity funds and approximately 60% 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 September 30, 2012 (the measurement dates) by asset category are as follows:

Asset Category	
Equity	40 %
Debt	60
Total	<u>100 %</u>

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 2013 are \$50,000. Estimated future benefit payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2013	\$ 39,475
2014	42,004
2015	44,567
2016	47,069
2017	48,557
2018-2022	268,007

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 12 EMPLOYEE BENEFIT PLAN (CONTINUED)

Investment Policies and Strategies, Including Target Allocations (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 September 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Collective Trust Funds:				
Equity Funds	\$ -	\$ 294,000	\$ -	\$ 294,000
Fixed Income Funds	-	441,000	-	441,000
	<u>\$ -</u>	<u>\$ 735,000</u>	<u>\$ -</u>	<u>\$ 735,000</u>

NOTE 13 SUBSEQUENT EVENTS

Subsequent to year-end, the Organization entered into a lease for space that is effective from April 2013 through nine years ending March 2022. Total escalating payments over the life of the lease will be approximately \$1,193,000.

Subsequent to year end, the Organization received approval from a donor to release the final remaining permanently restricted endowment. During the fiscal year ended September 30, 2013, this fund will be released into operations in according with the donor release request.



CliftonLarsonAllen

CliftonLarsonAllen LLP
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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 basic consolidated financial statements of Water For People for the year ended September 30, 2012 appears on page 1. That audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating statement of financial position and consolidating statement of activity on pages 19 through 22 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 11, 2013

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – UNAUDITED
SEPTEMBER 30, 2012
(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	\$ 2,238,703	\$ 165,713	\$ 153,423	\$ 55,544	\$ 119,861	\$ 118,349	\$ 187,139
Current Contributions Receivable	1,367,789	123,282	1,539	475	1,734	2,299	370
Prepaid Expenses and Other Assets	99,944	21,200	66,808	1,452	1,390	38,551	4,397
Total Current Assets	<u>3,706,436</u>	<u>310,195</u>	<u>221,770</u>	<u>57,471</u>	<u>122,985</u>	<u>159,199</u>	<u>191,906</u>
INVESTMENTS	2,863,370	-	-	-	-	-	-
LONG-TERM CONTRIBUTIONS RECEIVABLE, NET	680,656	-	-	-	-	-	-
PROPERTY AND EQUIPMENT, NET	<u>196,414</u>	<u>25,166</u>	<u>37,270</u>	<u>7,952</u>	<u>3,825</u>	<u>45,537</u>	<u>29,163</u>
Total Assets	<u><u>\$ 7,446,876</u></u>	<u><u>\$ 335,361</u></u>	<u><u>\$ 259,040</u></u>	<u><u>\$ 65,423</u></u>	<u><u>\$ 126,810</u></u>	<u><u>\$ 204,736</u></u>	<u><u>\$ 221,069</u></u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable and Accrued Expenses	\$ 386,033	\$ 20,629	\$ 54,634	\$ 69,293	\$ 83,951	\$ 31,290	\$ 166,296
PENSION LIABILITY	258,582	-	-	-	-	-	-
NET ASSETS							
Unrestricted							
Designated	250,000	-	-	-	-	-	-
Unrestricted, Undesignated	2,451,208	314,732	204,406	(3,870)	42,859	173,446	54,773
Temporarily Restricted	3,986,053	-	-	-	-	-	-
Permanently Restricted	115,000	-	-	-	-	-	-
Total Net Assets	<u>6,802,261</u>	<u>314,732</u>	<u>204,406</u>	<u>(3,870)</u>	<u>42,859</u>	<u>173,446</u>	<u>54,773</u>
Total Liabilities and Net Assets	<u><u>\$ 7,446,876</u></u>	<u><u>\$ 335,361</u></u>	<u><u>\$ 259,040</u></u>	<u><u>\$ 65,423</u></u>	<u><u>\$ 126,810</u></u>	<u><u>\$ 204,736</u></u>	<u><u>\$ 221,069</u></u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – UNAUDITED (CONTINUED)
SEPTEMBER 30, 2012
(SEE INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION)

	<u>CAMRO</u>	<u>Peru</u>	<u>SAMRO</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 15,448	\$ 34,529	\$ 121,284	\$ 61,046	\$ -	\$ 3,271,039
Current Contributions Receivable	551	121	810	50,415	(113,469)	1,435,916
Prepaid Expenses and Other Assets	1,353	1,720	17,566	69,195	-	323,576
Total Current Assets	<u>17,352</u>	<u>36,370</u>	<u>139,660</u>	<u>180,656</u>	<u>(113,469)</u>	<u>5,030,531</u>
INVESTMENTS	-	-	-	-	-	2,863,370
LONG-TERM CONTRIBUTIONS RECEIVABLE, NET						
	-	-	-	-	-	680,656
PROPERTY AND EQUIPMENT, NET						
	<u>273</u>	<u>-</u>	<u>-</u>	<u>47,560</u>	<u>-</u>	<u>393,160</u>
Total Assets	<u>\$ 17,625</u>	<u>\$ 36,370</u>	<u>\$ 139,660</u>	<u>\$ 228,216</u>	<u>\$ (113,469)</u>	<u>\$ 8,967,717</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 98,869	\$ 32,575	\$ 21,829	\$ 86,371	\$ (113,469)	\$ 938,301
PENSION LIABILITY						
	-	-	-	-	-	258,582
NET ASSETS						
Unrestricted						
Designated	-	-	-	-	-	250,000
Unrestricted, Undesignated	(81,244)	3,795	117,831	141,845	-	3,419,781
Temporarily Restricted	-	-	-	-	-	3,986,053
Permanently Restricted	-	-	-	-	-	115,000
Total Net Assets	<u>(81,244)</u>	<u>3,795</u>	<u>117,831</u>	<u>141,845</u>	<u>-</u>	<u>7,770,834</u>
Total Liabilities and Net Assets	<u>\$ 17,625</u>	<u>\$ 36,370</u>	<u>\$ 139,660</u>	<u>\$ 228,216</u>	<u>\$ (113,469)</u>	<u>\$ 8,967,717</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF ACTIVITY – UNAUDITED
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012
(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	\$ 6,596,954	\$ 3,540,907	\$ 5,000	\$ 10,142,861	\$ 374,856	\$ 191,682	\$ -	\$ -	\$ -	\$ -
In-Kind Contributions	426,510	-	-	426,510	-	-	-	-	-	-
Special Events	592,378	-	-	592,378	-	-	-	-	-	-
Interest Income	8,932	1,757	-	10,689	1,678	-	932	1,517	-	-
Unrealized Gain	1,987	11,072	-	13,059	-	-	-	-	-	-
Other Income	29,482	-	-	29,482	625,329	477,784	307,079	330,406	399,307	894,819
Subtotal	7,656,243	3,553,736	5,000	11,214,979	1,001,863	669,466	308,011	331,923	399,307	894,819
NET ASSETS RELEASED FROM RESTRICTIONS	2,690,750	(2,690,750)	-	-	-	-	-	-	-	-
Total Revenue	10,346,993	862,986	5,000	11,214,979	1,001,863	669,466	308,011	331,923	399,307	894,819
EXPENSE										
Program Services:										
Developing Countries	8,476,597	-	-	8,476,597	959,337	460,932	353,698	296,456	291,870	881,929
Supporting Services:										
Management and General	631,229	-	-	631,229	118,366	25,918	27,840	23,585	39,090	28,798
Fundraising	1,036,520	-	-	1,036,520	24,263	7,405	7,954	6,739	11,169	8,228
Total Support Services	1,667,749	-	-	1,667,749	142,629	33,323	35,794	30,324	50,259	37,026
Total Expense	10,144,346	-	-	10,144,346	1,101,966	494,255	389,492	326,780	342,129	918,955
CHANGE IN NET ASSETS	202,647	862,986	5,000	1,070,633	(100,103)	175,211	(81,481)	5,143	57,178	(24,136)
Net Assets - Beginning of Year	2,498,561	3,123,067	110,000	5,731,628	414,835	29,195	77,611	37,716	116,268	78,909
NET ASSETS - END OF YEAR	<u>\$ 2,701,208</u>	<u>\$ 3,986,053</u>	<u>\$ 115,000</u>	<u>\$ 6,802,261</u>	<u>\$ 314,732</u>	<u>\$ 204,406</u>	<u>\$ (3,870)</u>	<u>\$ 42,859</u>	<u>\$ 173,446</u>	<u>\$ 54,773</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF ACTIVITY – UNAUDITED (CONTINUED)
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012
(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	\$ -	\$ 8,526	\$ -	\$ -	\$ -	\$ 7,172,018	\$ 3,540,907	\$ 5,000	\$ 10,717,925
In-Kind Contributions	-	-	-	-	-	426,510	-	-	426,510
Special Events	-	-	-	-	-	592,378	-	-	592,378
Interest Income	89	-	-	300	-	13,448	1,757	-	15,205
Unrealized Gain	-	-	-	-	-	1,987	11,072	-	13,059
Other Income	149,043	208,972	360,239	827,795	(4,588,926)	21,329	-	-	21,329
Subtotal	149,132	217,498	360,239	828,095	(4,588,926)	8,227,670	3,553,736	5,000	11,786,406
NET ASSETS RELEASED FROM RESTRICTIONS	-	-	-	-	-	2,690,750	(2,690,750)	-	-
Total Revenue	149,132	217,498	360,239	828,095	(4,588,926)	10,918,420	862,986	5,000	11,786,406
EXPENSE									
Program Services:									
Developing Countries	152,585	217,560	221,715	683,665	(4,588,926)	8,407,418	-	-	8,407,418
Supporting Services:									
Management and General	26,030	28,208	30,965	62,003	-	1,042,032	-	-	1,042,032
Fundraising	7,437	8,059	8,847	17,715	-	1,144,336	-	-	1,144,336
Total Support Services	33,467	36,267	39,812	79,718	-	2,186,368	-	-	2,186,368
Total Expense	186,052	253,827	261,527	763,383	(4,588,926)	10,593,786	-	-	10,593,786
CHANGE IN NET ASSETS	(36,920)	(36,329)	98,712	64,712	-	324,634	862,986	5,000	1,192,620
Net Assets - Beginning of Year	(44,324)	40,124	19,119	77,133	-	3,345,147	3,123,067	110,000	6,578,214
NET ASSETS - END OF YEAR	<u>\$ (81,244)</u>	<u>\$ 3,795</u>	<u>\$ 117,831</u>	<u>\$ 141,845</u>	<u>\$ -</u>	<u>\$ 3,669,781</u>	<u>\$ 3,986,053</u>	<u>\$ 115,000</u>	<u>\$ 7,770,834</u>