

WATER FOR PEOPLE
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

**WATER FOR PEOPLE
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – UNAUDITED	21
CONSOLIDATING STATEMENT OF ACTIVITY – UNAUDITED	23



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Water For People
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Water For People, which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of ten country programs which statements reflect total assets of \$2,531,008 and \$1,704,819 as of September 30, 2016 and 2015, respectively, and total support and revenues of \$12,360,059 and \$9,662,872, 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 the ten country programs, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Water For People as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and the consolidating statement of activity on pages 21 through 25, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 6, 2017

WATER FOR PEOPLE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,227,377	\$ 3,316,508
Current Contributions Receivable	3,178,328	1,543,058
Prepaid Expenses and Other Assets	496,845	457,766
Total Current Assets	6,902,550	5,317,332
INVESTMENTS	4,268,843	4,985,536
LONG-TERM CONTRIBUTIONS RECEIVABLE, NET	367,189	829,368
PROPERTY AND EQUIPMENT, NET	738,203	640,306
Total Assets	\$ 12,276,785	\$ 11,772,542
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,557,552	\$ 1,101,876
Deferred Rent	125,997	131,685
Total Current Liabilities	1,683,549	1,233,561
PENSION LIABILITY	242,029	267,078
NET ASSETS		
Unrestricted	8,384,057	6,734,892
Temporarily Restricted	1,967,150	3,537,011
Total Net Assets	10,351,207	10,271,903
Total Liabilities and Net Assets	\$ 12,276,785	\$ 11,772,542

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions, Grants and Sponsorships	\$ 10,944,263	\$ 8,270,306	\$ 19,214,569
In-Kind Contributions	734,763	-	734,763
Special Events	230,837	-	230,837
Interest Income	38,390	-	38,390
Unrealized Loss	(3,414)	-	(3,414)
Other Income	176,528	-	176,528
Subtotal	<u>12,121,367</u>	<u>8,270,306</u>	<u>20,391,673</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>9,840,167</u>	<u>(9,840,167)</u>	<u>-</u>
Total Revenue	21,961,534	(1,569,861)	20,391,673
EXPENSE			
Program Services	16,056,070	-	16,056,070
Supporting Services:			
Management and General	2,185,421	-	2,185,421
Fundraising	<u>2,070,878</u>	<u>-</u>	<u>2,070,878</u>
Total Support Services	<u>4,256,299</u>	<u>-</u>	<u>4,256,299</u>
Total Expense	<u>20,312,369</u>	<u>-</u>	<u>20,312,369</u>
CHANGE IN NET ASSETS	1,649,165	(1,569,861)	79,304
Net Assets - Beginning of Year	<u>6,734,892</u>	<u>3,537,011</u>	<u>10,271,903</u>
NET ASSETS - END OF YEAR	<u><u>\$ 8,384,057</u></u>	<u><u>\$ 1,967,150</u></u>	<u><u>\$ 10,351,207</u></u>

See accompanying Notes to Consolidated Financial Statements.

**WATER FOR PEOPLE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions, Grants and Sponsorships	\$ 10,575,522	\$ 8,061,843	\$ 18,637,365
In-Kind Contributions	253,521	-	253,521
Special Events	59,640	-	59,640
Interest Income	39,257	-	39,257
Unrealized Gain	7,125	-	7,125
Other Income	48,948	-	48,948
Subtotal	<u>10,984,013</u>	<u>8,061,843</u>	<u>19,045,856</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>7,115,896</u>	<u>(7,115,896)</u>	<u>-</u>
Total Revenue	18,099,909	945,947	19,045,856
EXPENSE			
Program Services	13,330,044	-	13,330,044
Supporting Services:			
Management and General	1,974,794	-	1,974,794
Fundraising	1,810,289	-	1,810,289
Total Support Services	<u>3,785,083</u>	<u>-</u>	<u>3,785,083</u>
Total Expense	<u>17,115,127</u>	<u>-</u>	<u>17,115,127</u>
CHANGE IN NET ASSETS	984,782	945,947	1,930,729
Net Assets - Beginning of Year	<u>5,750,110</u>	<u>2,591,064</u>	<u>8,341,174</u>
NET ASSETS - END OF YEAR	<u><u>\$ 6,734,892</u></u>	<u><u>\$ 3,537,011</u></u>	<u><u>\$ 10,271,903</u></u>

See accompanying Notes to Consolidated Financial Statements.

WATER FOR PEOPLE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 4,332,715	\$ 1,041,511	\$ 1,241,835	\$ 6,616,061
Direct Program Expenses and Country Contributions	8,867,036	3,738	21,062	8,891,836
Professional Fees and Contract Services	468,729	319,192	305,952	1,093,873
Training, Travel and Meetings	748,256	139,991	162,682	1,050,929
Printing, Publications and Website	283,617	1,737	82,475	367,829
Rent / Occupancy	271,991	223,482	-	495,473
Depreciation	293,033	55,874	87,182	436,089
Telephone	130,563	4,365	1,148	136,076
Insurance	35,647	57,208	-	92,855
Technology and Supplies	233,409	33,728	4,422	271,559
Postage	4,459	930	6,928	12,317
Special Events Expense	3,726	-	77,581	81,307
In-Kind Expenses	99,578	193,846	33,174	326,598
Other	283,311	109,819	46,437	439,567
 Total Expenses	 <u>\$ 16,056,070</u>	 <u>\$ 2,185,421</u>	 <u>\$ 2,070,878</u>	 <u>\$ 20,312,369</u>

See accompanying Notes to Consolidated Financial Statements.

WATER FOR PEOPLE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2015

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 3,839,626	\$ 1,083,283	\$ 1,004,729	\$ 5,927,638
Direct Program Expenses and Country Contributions	6,570,972	-	-	6,570,972
Professional Fees and Contract Services	896,173	271,991	216,857	1,385,021
Training, Travel and Meetings	587,077	206,404	108,206	901,687
Printing, Publications and Website	74,544	5,601	5,897	86,042
Rent / Occupancy	323,929	81,676	72,783	478,388
Depreciation	182,497	50,275	46,258	279,030
Telephone	87,605	14,083	9,810	111,498
Insurance	64,103	17,206	15,689	96,998
Technology and Supplies	188,035	63,748	62,396	314,179
Postage	11,300	2,461	2,591	16,352
Special Events Expense	-	-	50,314	50,314
In-Kind Expenses	127,948	61,172	64,402	253,522
Other	376,235	116,894	150,357	643,486
 Total Expenses	 <u>\$ 13,330,044</u>	 <u>\$ 1,974,794</u>	 <u>\$ 1,810,289</u>	 <u>\$ 17,115,127</u>

See accompanying Notes to Consolidated Financial Statements.

WATER FOR PEOPLE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 79,304	\$ 1,930,729
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Contributed Property and Equipment	(408,165)	-
Depreciation	436,089	279,030
Realized Gain on Sale of Property and Equipment	(5,210)	-
Loss on Write-Off of Property and Equipment	49,302	-
Realized Gain on Investments	(31,619)	(18,226)
Unrealized (Gain) Loss on Investments	3,414	(7,125)
Changes in Assets and Liabilities:		
Receivables	(1,173,091)	(651,685)
Prepaid Expenses and Other Assets	(39,079)	(208,732)
Accounts Payable and Accrued Expenses	455,676	(500,655)
Deferred Rent	(5,688)	(569)
Pension Liability	(25,049)	99,687
Net Cash Provided (Used) by Operating Activities	<u>(664,116)</u>	<u>922,454</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	3,859	-
Purchase of Property and Equipment	(173,772)	(326,413)
Proceeds from Sale of Investments	1,789,059	1,049,280
Purchase of Investments	<u>(1,044,161)</u>	<u>(4,696,645)</u>
Net Cash Provided (Used) by Investing Activities	<u>574,985</u>	<u>(3,973,778)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(89,131)	(3,051,324)
Cash and Cash Equivalents - Beginning of Year	<u>3,316,508</u>	<u>6,367,832</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,227,377</u>	<u>\$ 3,316,508</u>
SUPPLEMENTAL DISCLOSURES		
Noncash Investing Transactions:		
Donated Property and Equipment	<u>\$ 408,165</u>	<u>\$ -</u>

See accompanying Notes to Consolidated Financial Statements.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1 ORGANIZATION

Water For People (the Organization) is a global nonprofit working across 9 countries to achieve lasting quality water and sanitation services. The purpose of Water For People is to promote the development of high-quality drinking water and sanitation services, accessible to all, and sustained by strong communities, businesses, and governments. Water For People does this through a model called “Everyone Forever”.

Everyone Forever is defined as reliable and lasting water and sanitation services for every family, clinic and school in the regions where Water For People works. To do this, financial, physical, and operational investments are made by local and national governments, community residents, entrepreneurs, and other organizations to address current and future challenges of water systems and services. Water For People monitors field results until water service is sustainable by the local service authority and the monitoring capacity and responsibility are firmly embedded within communities and government. Data and results are publicly available to everyone through Water For People’s visually dynamic reporting platform, EF Tracker.

Everyone Forever programming expands from full coverage at district levels to national level and beyond, freeing countries from water and sanitation aid dependency, and providing a sustainable solution to end the global water and sanitation crisis.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Water For People country offices in Malawi, Bolivia, Guatemala, Honduras, India, Rwanda, Peru, Uganda, Nicaragua, and Africa’s Regional Office (Africa-RO). 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.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 certificates of deposit and are recorded at fair market value based on quoted market prices.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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 consolidated statements of financial position.

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). Leasehold improvements are amortized over the shorter of the life of the lease or the life of the asset. Property and equipment are valued at cost if purchased, or fair value if contributed.

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 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.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated statements of activities as net assets released from restrictions. Funds received but not yet earned are shown as deferred revenue.

Grant Revenue

Grants are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made.

Allocation of Expenses

The Organization's expenses have been summarized on a functional basis in the accompanying consolidated 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, statements of financial position accounts are translated at exchange rates in effect at the end of the year and statements of activities accounts are translated at average exchange rates for the years ended September 30, 2016 and 2015. 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 6, 2017, 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 2016 and 2015, 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 \$625,000 and \$763,000 at September 30, 2016 and 2015, respectively. Management believes the risk of loss in these situations is minimal.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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:

	<u>2016</u>	<u>2015</u>
Contributions Receivable	\$ 3,578,328	\$ 2,443,058
Less: Discount (3.28% to 2.94%) on Contributions Receivable	<u>(32,811)</u>	<u>(70,632)</u>
Subtotal	3,545,517	2,372,426
Less: Current Portion	<u>(3,178,328)</u>	<u>(1,543,058)</u>
Net Long-Term Contributions Receivable	<u>\$ 367,189</u>	<u>\$ 829,368</u>

There is no allowance for uncollectible contributions as of September 30, 2016 and 2015 based on management's assessment of the outstanding contributions receivable.

The Organization received 30% of total contribution revenue from two donors and 16% of total contribution revenue from one donor as of September 30, 2016 and 2015, respectively. As of September 30, 2016, 17% of total contributions receivable is from one donor. As of September 30, 2015, 48% of total contributions receivable is from two donors.

The Organization has conditional gifts outstanding that are not recorded as either contributions receivable or recognized contribution revenue due to the Organization needing to meet certain requirements. As of September 30, 2016 and 2015, the Organization had the following conditional gifts where the conditional requirements were not yet met as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Raise Matching Funds	\$ 5,848,759	\$ 7,293,768
Obtain Third Party Funding	-	93,282
Meeting Specific Performance Targets	165,334	404,104
Meeting Specific Spending Metrics	<u>157,434</u>	<u>94,323</u>
Total	<u>\$ 6,171,527</u>	<u>\$ 7,885,477</u>

NOTE 5 INVESTMENTS

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

	<u>2016</u>	<u>2015</u>
Certificates of Deposit	<u>\$ 4,268,843</u>	<u>\$ 4,985,536</u>

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 5 INVESTMENTS (CONTINUED)

The following tables present the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30:

	2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Certificates of Deposit	\$ -	\$ 4,268,843	\$ -	\$ 4,268,843
	2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Certificates of Deposit	\$ -	\$ 4,985,536	\$ -	\$ 4,985,536

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2016	2015
Furniture and Equipment	\$ 237,397	\$ 233,700
Collections	7,000	7,000
Computer Equipment and Software	1,193,059	825,096
Leasehold Improvements	119,958	120,290
Vehicles	777,671	626,090
Total	2,335,085	1,812,176
Accumulated Depreciation	(1,596,882)	(1,171,870)
Total	\$ 738,203	\$ 640,306

NOTE 7 LINE OF CREDIT

The Organization has a \$1,500,000 line of credit with a bank that has no maturity date. Collateral on the line is securities held with the bank. Borrowing under the line bears an interest rate of 2.75% plus 30-day LIBOR (3.28% as of September 30, 2016). As of September 30, 2016 and 2015, there were no outstanding draws on the line of credit.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 8 NET ASSETS

Temporarily Restricted Net Assets

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

	2016	2015
Malawi Water	\$ 406,583	\$ 154,598
Rwanda EF	400,000	653,579
San Rafael EF	250,000	518,436
Malawi WASH	222,635	4,949
Blantyre Water	117,839	106,926
Time-Restricted General Operating	100,000	150,000
Cochabamba WASH	97,053	21,731
Kampala Sanitation	81,212	5,671
Rwanda WASH	75,985	-
India Sanitation	71,238	44,898
El Quiche WASH	64,007	171,462
Bolivia EF	34,877	82,607
Chikhwawa WASH	21,978	66,597
Blantyre WASH	13,892	70,733
India WASH	3,384	42,501
Bihar Sanitation	3,286	56,311
Malawi Sanitation	2,501	3,237
India EF	680	482,089
Sheohar EF	-	358,275
Honduras WASH	-	99,205
Chikhwawa EF	-	55,462
Sanitation	-	50,449
Blantyre SWASH	-	50,101
Uganda Sanitation	-	38,121
Guatemala SWASH	-	37,594
Guatemala EF	-	34,545
EF Tracker	-	33,573
Peru EF	-	23,861
Bolivia Sanitation	-	22,599
Malawi EF	-	20,332
Guatemala WASH	-	20,030
Biguli EF	-	16,586
Kitgum Sanitation	-	14,351
Kamwenge Water	-	14,103
Uganda EF	-	10,088
Rhumpi EF	-	-
Uganda Water	-	1,191
Nicaragua EF	-	220
Total	<u>\$ 1,967,150</u>	<u>\$ 3,537,011</u>

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 8 NET ASSETS (CONTINUED)

Releases of \$9,838,655 for the year ended September 30, 2016 were all purpose releases for program expenditures. Releases of \$7,115,896 for the year ended September 30, 2015 were all purpose releases for program expenditures.

NOTE 9 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 September 30, 2016. These in-kind contributions benefited program and supporting services as summarized in the accompanying consolidated 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 September 30:

	2016	2015
Donated Services ¹	\$ 203,846	\$ 246,321
Donated Goods ¹	432,491	100
World Water Corp	98,426	7,100
Total	\$ 734,763	\$ 253,521

¹ Includes legal services, silent auction donations, etc.

NOTE 10 COMMITMENTS

Operating Lease

The Organization rents equipment and office facilities under non-cancelable operating leases that have various expiration dates through 2022. Effective April 1, 2013, the Organization entered into a lease for space with a term of nine years ending March 2022. Rent expense for the leases totaled \$142,077 and \$141,447 at September 30, 2016 and 2015, respectively.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 10 COMMITMENTS (CONTINUED)

Operating Lease (Continued)

Minimum annual rental payments under these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 143,346
2018	148,466
2019	153,585
2020	158,705
2021	166,384
Thereafter	84,472
Total	<u>\$ 854,958</u>

Other Agreements

On March 24, 2015, the Organization entered into a contract with Servicio Autónomo Nacional de Acueductos y Alcantarillados for the construction of two water and sanitation projects in Honduras. The cost of the project in San Antonio de Cortés is estimated at \$341,000 and the one in Santa Bárbara is estimated at \$68,055. The completion date of both projects is expected to be during the year ending September 30, 2017.

On May 9, 2016, the Organization signed a non-refundable financing agreement of investment called Fondo de Múltiples Donantes Aquafund GRT/MA-15412-HO with Banco Interamericano de Desarrollo. The purpose of the fund is to contribute to the execution of a project about model of intervention in water and sanitation for the dispersal rural area in Honduras. As part of the agreement the Organization has committed to contributing an estimated \$45,316. As of September 30, 2016, no payments have been made.

NOTE 11 EMPLOYEE BENEFIT PLAN

Water For People participates in a common defined benefit pension plan (the Plan) with American Water Works Association (the Association) and Water Research Foundation (the Foundation) to provide pension benefits to employees. Each organization's plan assets, periodic benefits costs and funded status are allocated based upon projected benefit obligation.

Effective December 31, 2007, the participating employers froze the defined benefit pension plan for all participants.

Water For People has a pension liability at September 30, 2016 and 2015 of \$242,029 and \$267,078, respectively, which is recognized in the consolidated statement of financial position.

The measurement date used for the Plan disclosures is as of September 30, 2016.

WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 11 EMPLOYEE BENEFIT PLAN (CONTINUED)

The changes in the projected benefit obligation for Water For People's portion of the Plan are as follows for the years ended September 30:

	2016	2015
Change in Projected Benefit Obligation		
Projected Benefit Obligation at Beginning of Year	\$ 1,201,676	\$ 1,060,620
Interest Cost	39,987	44,104
Benefits Paid	(47,224)	(51,115)
Settlements/ Curtailments	(95,353)	-
Actuarial Gain	(80,460)	148,067
	<u>\$ 1,018,626</u>	<u>\$ 1,201,676</u>
	2016	2015
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$ 934,598	\$ 893,229
Employer Contributions	39,130	44,590
Benefits Paid	(142,577)	51,115
Actual Return on Plan Assets	(54,554)	(54,336)
	<u>\$ 776,597</u>	<u>\$ 934,598</u>
	2016	2015
Funded Status of the Plan		
Benefit Obligation	\$ 1,018,626	\$ 1,201,676
Fair Value of Plan Assets	776,597	934,598
	<u>\$ (242,029)</u>	<u>\$ (267,078)</u>
	2016	2015
Components of Net Periodic Benefit Costs		
Interest Cost	\$ 39,987	\$ 44,104
Expected Return on Plan Assets	(37,944)	(46,321)
Amortization of Loss	39,779	34,625
Net Periodic Pension Cost	<u>\$ 41,822</u>	<u>\$ 32,408</u>

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 11 EMPLOYEE BENEFIT PLAN (CONTINUED)

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

	<u>2016</u>	<u>2015</u>
Actuarial Assumptions		
Assumptions Used to Determine Benefit Obligations at September 30:		
Assumed Discount Rate	4.19%	4.09%
Assumptions Used to Determine Benefit Obligations for Years Ended September 30:		
Assumed Discount Rate	4.19%	4.09%
Expected Long-Term Return on Plan Assets	5.00%	5.00%

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 year, the asset mix was approximately 40% equities and 60% fixed income which results in an expected rate of return of approximately 5.0%, of which 4.0% 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, 2016 and 2015 (the measurement dates) by asset category are as follows:

Asset Category	<u>2016</u>	<u>2015</u>
Equity	40%	37%
Debt	60%	63%
Other	0%	0%
Total	<u>100%</u>	<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.

**WATER FOR PEOPLE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 11 EMPLOYEE BENEFIT PLAN (CONTINUED)

Expected Water For People contributions in fiscal year 2016 are \$40,000. Estimated future benefit payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 57,995
2018	59,655
2019	61,775
2020	63,693
2021	54,168
2022-2026	284,135

The Plan uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. The following tables present 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, 2016 and 2015:

	<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Collective Trust Funds:				
Equity Funds	\$ -	\$ 310,639	\$ -	\$ 310,639
Fixed Income Funds	-	465,958	-	465,958
Other	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 776,597</u>	<u>\$ -</u>	<u>\$ 776,597</u>
	<u>2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Collective Trust Funds:				
Equity Funds	\$ -	\$ 345,801	\$ -	\$ 345,801
Fixed Income Funds	-	588,797	-	588,797
Other	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 934,598</u>	<u>\$ -</u>	<u>\$ 934,598</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – UNAUDITED
SEPTEMBER 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

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	\$ 1,601,514	\$ 607,768	\$ 100,641	\$ 10,900	\$ 215,346	\$ 74,614	\$ 452,368
Current Contributions Receivable	2,938,695	23,002	-	84,119	25,307	-	-
Intercompany Receivable	80,714	898	3,698	1,366	10,773	1,513	6,794
Prepaid Expenses and Other Assets	233,020	117,709	32,217	10,315	24,810	12,269	11,185
Total Current Assets	<u>4,853,943</u>	<u>749,377</u>	<u>136,556</u>	<u>106,700</u>	<u>276,236</u>	<u>88,396</u>	<u>470,347</u>
INVESTMENTS	4,268,843	-	-	-	-	-	-
LONG-TERM CONTRIBUTIONS RECEIVABLE, NET	367,189	-	-	-	-	-	-
PROPERTY AND EQUIPMENT, NET	<u>369,254</u>	<u>100,452</u>	<u>20,174</u>	<u>65,465</u>	<u>7,147</u>	<u>35,286</u>	<u>57,403</u>
Total Assets	<u>\$ 9,859,229</u>	<u>\$ 849,829</u>	<u>\$ 156,730</u>	<u>\$ 172,165</u>	<u>\$ 283,383</u>	<u>\$ 123,682</u>	<u>\$ 527,750</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable and Accrued Expenses	\$ 492,535	\$ 234,173	\$ 91,219	\$ 144,129	\$ 53,456	\$ 72,967	\$ 271,462
Intercompany Payable	32,173	15,561	297	16,019	253	-	10,302
Deferred Rent	125,997	-	-	-	-	-	-
Total Current Liabilities	<u>650,705</u>	<u>249,734</u>	<u>91,516</u>	<u>160,148</u>	<u>53,709</u>	<u>72,967</u>	<u>281,764</u>
PENSION LIABILITY	242,029	-	-	-	-	-	-
NET ASSETS							
Unrestricted	7,952,388	(185,436)	(31,839)	(32,257)	229,674	46,749	243,028
Temporarily Restricted	1,014,107	785,531	97,053	44,274	-	3,966	2,958
Total Net Assets	<u>8,966,495</u>	<u>600,095</u>	<u>65,214</u>	<u>12,017</u>	<u>229,674</u>	<u>50,715</u>	<u>245,986</u>
Total Liabilities and Net Assets	<u>\$ 9,859,229</u>	<u>\$ 849,829</u>	<u>\$ 156,730</u>	<u>\$ 172,165</u>	<u>\$ 283,383</u>	<u>\$ 123,682</u>	<u>\$ 527,750</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – UNAUDITED (CONTINUED)
SEPTEMBER 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>Peru</u>	<u>Uganda</u>	<u>Nicaragua</u>	<u>Africa-RO</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 5,836	\$ 14,354	\$ 19,283	\$ 44,006	\$ 80,747	\$ 3,227,377
Current Contributions Receivable	77,053	109,444	1,410	45	(80,747)	3,178,328
Intercompany Receivable	-	1,817	334	5,545	(113,452)	-
Prepaid Expenses and Other Assets	2,366	17,613	33,718	1,623	-	496,845
Total Current Assets	<u>85,255</u>	<u>143,228</u>	<u>54,745</u>	<u>51,219</u>	<u>(113,452)</u>	<u>6,902,550</u>
INVESTMENTS	-	-	-	-	-	4,268,843
LONG-TERM CONTRIBUTIONS RECEIVABLE, NET	-	-	-	-	-	367,189
PROPERTY AND EQUIPMENT, NET	889	74,384	7,749	-	-	738,203
Total Assets	<u>\$ 86,144</u>	<u>\$ 217,612</u>	<u>\$ 62,494</u>	<u>\$ 51,219</u>	<u>\$ (113,452)</u>	<u>\$ 12,276,785</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 50,098	\$ 80,764	\$ 36,475	\$ 30,274	\$ -	\$ 1,557,552
Intercompany Payable	27,010	-	-	11,837	(113,452)	-
Deferred Rent	-	-	-	-	-	125,997
Total Current Liabilities	<u>77,108</u>	<u>80,764</u>	<u>36,475</u>	<u>42,111</u>	<u>(113,452)</u>	<u>1,683,549</u>
PENSION LIABILITY	-	-	-	-	-	242,029
NET ASSETS						
Unrestricted	9,036	117,587	26,019	9,108	-	8,384,057
Temporarily Restricted	-	19,261	-	-	-	1,967,150
Total Net Assets	<u>9,036</u>	<u>136,848</u>	<u>26,019</u>	<u>9,108</u>	<u>-</u>	<u>10,351,207</u>
Total Liabilities and Net Assets	<u>\$ 86,144</u>	<u>\$ 217,612</u>	<u>\$ 62,494</u>	<u>\$ 51,219</u>	<u>\$ (113,452)</u>	<u>\$ 12,276,785</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF ACTIVITY
YEAR ENDED SEPTEMBER 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Denver		Malawi		Bolivia		Guatemala	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
REVENUE								
Contributions, Grants and Sponsorships	\$ 10,598,363	\$ 6,757,639	\$ 313,454	\$ 1,830,039	\$ 668,431	\$ 391,633	\$ 511,691	\$ 648,175
In-Kind Contributions	733,611	-	1,152	-	-	-	-	-
Special Events	230,837	-	-	-	-	-	-	-
Interest Income	37,238	-	1,152	-	-	-	-	-
Unrealized Gain	(4,240)	-	-	-	816	-	10	-
Other Income (Loss)	272,892	-	(89,654)	-	(4,113)	-	978	-
Subtotal	11,868,701	6,757,639	226,104	1,830,039	665,134	391,633	512,679	648,175
NET ASSETS RELEASED FROM RESTRICTIONS	8,436,784	(8,436,784)	1,482,447	(1,482,447)	338,910	(338,910)	753,763	(753,763)
Total Revenue	20,305,485	(1,679,145)	1,708,551	347,592	1,004,044	52,723	1,266,442	(105,588)
EXPENSE								
Program Services	14,752,376	-	1,896,239	-	1,020,345	-	1,245,898	-
Supporting Services:								
Management and General	2,185,421	-	-	-	-	-	-	-
Fundraising	2,070,878	-	-	-	-	-	-	-
Total Support Services	4,256,299	-	-	-	-	-	-	-
Total Expense	19,008,675	-	1,896,239	-	1,020,345	-	1,245,898	-
CHANGE IN NET ASSETS	1,296,810	(1,679,145)	(187,688)	347,592	(16,301)	52,723	20,544	(105,588)
Net Assets - Beginning of Year	6,655,578	2,693,252	2,252	437,939	(15,538)	44,330	(52,801)	149,862
NET ASSETS - END OF YEAR	<u>\$ 7,952,388</u>	<u>\$ 1,014,107</u>	<u>\$ (185,436)</u>	<u>\$ 785,531</u>	<u>\$ (31,839)</u>	<u>\$ 97,053</u>	<u>\$ (32,257)</u>	<u>\$ 44,274</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF ACTIVITY (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Honduras		India		Rwanda		Peru	Uganda	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Unrestricted	Temporarily Restricted
REVENUE									
Contributions, Grants and Sponsorships	\$ 597,566	\$ 351,980	\$ 409,129	\$ 249,941	\$ 617,094	\$ 2,410,363	\$ 620,230	\$ 1,574,669	\$ 230,309
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Special Events	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-
Unrealized Gain	-	-	-	-	-	-	-	-	-
Other Income (Loss)	4,096	-	(1,105)	-	(20,868)	-	2,725	13,947	-
Subtotal	601,662	351,980	408,024	249,941	596,226	2,410,363	622,955	1,588,616	230,309
NET ASSETS RELEASED FROM RESTRICTIONS	393,868	(393,868)	353,360	(353,360)	2,407,405	(2,407,405)	-	270,382	(270,382)
Total Revenue	995,530	(41,888)	761,384	(103,419)	3,003,631	2,958	622,955	1,858,998	(40,073)
EXPENSE									
Program Services	899,617	-	611,512	-	2,857,391	-	580,636	1,739,809	-
Supporting Services:									
Management and General	-	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-	-
Total Support Services	-	-	-	-	-	-	-	-	-
Total Expense	899,617	-	611,512	-	2,857,391	-	580,636	1,739,809	-
CHANGE IN NET ASSETS	95,913	(41,888)	149,872	(103,419)	146,240	2,958	42,319	119,189	(40,073)
Net Assets - Beginning of Year	133,761	41,888	(103,123)	107,385	96,788	-	(33,283)	(1,602)	59,334
NET ASSETS - END OF YEAR	<u>\$ 229,674</u>	<u>\$ -</u>	<u>\$ 46,749</u>	<u>\$ 3,966</u>	<u>\$ 243,028</u>	<u>\$ 2,958</u>	<u>\$ 9,036</u>	<u>\$ 117,587</u>	<u>\$ 19,261</u>

WATER FOR PEOPLE
CONSOLIDATING STATEMENT OF ACTIVITY (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Nicaragua		Africa-RO		Eliminations		Consolidated		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
REVENUE									
Contributions, Grants and Sponsorships	\$ 727,523	\$ -	\$ 301,066	\$ -	\$ (5,994,953)	\$ (4,599,773)	\$ 10,944,263	\$ 8,270,306	\$ 19,214,569
In-Kind Contributions	-	-	-	-	-	-	734,763	-	734,763
Special Events	-	-	-	-	-	-	230,837	-	230,837
Interest Income	-	-	-	-	-	-	38,390	-	38,390
Unrealized Gain	-	-	-	-	-	-	(3,414)	-	(3,414)
Other Income (Loss)	681	-	(3,051)	-	-	-	176,528	-	176,528
Subtotal	728,204	-	298,015	-	(5,994,953)	(4,599,773)	12,121,367	8,270,306	20,391,673
NET ASSETS RELEASED FROM RESTRICTIONS	-	-	3,021	(3,021)	(4,599,773)	4,599,773	9,840,167	(9,840,167)	-
Total Revenue	728,204	-	301,036	(3,021)	(10,594,726)	-	21,961,534	(1,569,861)	20,391,673
EXPENSE									
Program Services	768,243	-	278,730	-	(10,594,726)	-	16,056,070	-	16,056,070
Supporting Services:									
Management and General	-	-	-	-	-	-	2,185,421	-	2,185,421
Fundraising	-	-	-	-	-	-	2,070,878	-	2,070,878
Total Support Services	-	-	-	-	-	-	4,256,299	-	4,256,299
Total Expense	768,243	-	278,730	-	(10,594,726)	-	20,312,369	-	20,312,369
CHANGE IN NET ASSETS	(40,039)	-	22,306	(3,021)	-	-	1,649,165	(1,569,861)	79,304
Net Assets - Beginning of Year	66,058	-	(13,198)	3,021	-	-	6,734,892	3,537,011	10,271,903
NET ASSETS - END OF YEAR	<u>\$ 26,019</u>	<u>\$ -</u>	<u>\$ 9,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,384,057</u>	<u>\$ 1,967,150</u>	<u>\$ 10,351,207</u>