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SURGE FOR WATER, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2018

eder, casella & co.

SURGE FOR WATER, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Surge for Water, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of

Surge for Water, Inc.
(a nonprofit organization)

which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Surge for Water, Inc. as of December 31, 2018, and the changes in its net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 8 to the financial statements, the Organization implemented ASU 2016-14, *Presentation of Financial Statements of Not-for Profit Entities*. Our opinion is not modified with respect to this matter.


EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
May 2, 2019

SURGE FOR WATER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 201,650
Investments, at fair value	9,578
Prepaid expenses	30
Total Current Assets	<u>\$ 211,258</u>
 TOTAL ASSETS	 <u><u>\$ 211,258</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 12,077
Payroll Liabilities	958
Total Current Liabilities	<u>\$ 13,035</u>
 NET ASSETS	
Without Donor Restrictions	\$ 135,197
With Donor Restrictions	63,026
Total Net Assets	<u>\$ 198,223</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 211,258</u></u>

SURGE FOR WATER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions	\$ 217,484	\$ 63,026	\$ 280,510
Sponsorships	105,843	-	105,843
Special Events (net of \$56,661 special event expense)	55,150		55,150
Unrealized Gain/(Loss) on Investments	(581)		(581)
TOTAL REVENUE	<u>\$ 377,896</u>	<u>\$ 63,026</u>	<u>\$ 440,922</u>
EXPENSES			
Program Services			
Direct Support for Field Project	\$ 284,871	\$ -	\$ 284,871
Other Project Related Expenses	1,246	-	1,246
Total Program Service Expenses	<u>\$ 286,117</u>	<u>\$ -</u>	<u>\$ 286,117</u>
Supporting Services			
Management and General Expenses	72,637	-	72,637
Fundraising Expenses	9,595	-	9,595
TOTAL EXPENSES	<u>\$ 368,349</u>	<u>\$ -</u>	<u>\$ 368,349</u>
CHANGE IN NET ASSETS	\$ 9,547	\$ 63,026	\$ 72,573
NET ASSETS AT BEGINNING OF YEAR	<u>125,650</u>	<u>-</u>	<u>125,650</u>
NET ASSETS AT END OF YEAR	<u>\$ 135,197</u>	<u>\$ 63,026</u>	<u>\$ 198,223</u>

The Notes to Financial Statements are an integral part of this statement.

SURGE FOR WATER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Wages	\$ -	\$ 43,860	\$ -	\$ 43,860	\$ 43,860
Payroll Expenses	-	3,845	-	3,845	3,845
Professional Fees	-	14,514	-	14,514	14,514
Dues and Subscriptions	-	468	2,988	3,456	3,456
Bank charges and credit card fees	698	-	6,607	6,607	7,305
Computer expenses	-	3,985	-	3,985	3,985
Direct support for field project partners	284,871	-	-	-	284,871
Meals	-	942	-	942	942
Postage and printing	348	44	-	44	392
Program promotion	200	2,026	-	2,026	2,226
Supplies	-	99	-	99	99
Taxes and Licenses	-	430	-	430	430
Travel	-	2,424	-	2,424	2,424
	<u>\$ 286,117</u>	<u>\$ 72,637</u>	<u>\$ 9,595</u>	<u>\$ 82,232</u>	<u>\$ 368,349</u>

The Notes to Financial Statements are an integral part of this statement.

SURGE FOR WATER, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 72,573
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities	
Unrealized (Gains)/Losses	581
Donated Investments included in Contributions	(10,159)
Decrease/(Increase) in Assets:	
Prepaid Expenses	(30)
Increase/(Decrease) in Liabilities	
Accounts Payable	12,077
Payroll Liabilities	(82)
Net Cash Flows Provided/(Used) by Operating Activities	<u>\$ 74,960</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Cash Flows Provided/(Used) by Investing Activities	<u>\$ -</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net Cash Flows Provided/(Used) by Financing Activities	<u>\$ -</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 74,960
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>126,690</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 201,650</u></u>

The Notes to Financial Statements are an integral part of this statement.

SURGE FOR WATER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Surge for Water, Inc. (Organization), is an Illinois not-for-profit corporation formed in 2012. The Organization's purpose is to fund projects that provide access to safe water, sanitation and hygiene; to engage, educate and empower communities around the world; and to invest in innovation that drive sustainable solutions.

The Organization is supported primarily from private donors, sponsorships and fundraising.

A. Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles for not-for-profit organizations. Accordingly, all significant receivables, payables, and other liabilities have been reflected. Additionally, revenue is recognized when earned and expenses are recognized when incurred. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

B. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, checking accounts, savings accounts, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents are accounted for at cost, which equals market.

C. Investments

Investments are stated at fair market value. Unrealized gains and losses are included in the change in net assets.

D. Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as

NOTES TO FINANCIAL STATEMENTS (Continued)

increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

E. Donated Services

GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. The value or contributed time (unpaid volunteers) is not reflected in these statements since it is not susceptible to objective measurement of valuation.

F. In-Kind Contributions

In-Kind contributions, if any, are recorded as revenues and expenses at their estimated fair values.

G. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses were allocated to the functional area the expense supported. There was no formula applied since it was just a direct placement of the full cost of that activity to the function.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

I. Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes appears in these financial statements. The Organization's management believes there are no uncertain tax positions.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Organization maintains its cash accounts at local financial institutions. Accounts at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018, the uninsured balance is \$2,689. The Organization believes it is not exposed to any significant credit risk on its cash balance.

NOTE 3 - INVESTMENTS

Investments are stated at fair market value and consist of the following:

	Cost	Fair Market Value	Unrealized Appreciation
Stocks	\$ 10,159	\$ 9,578	\$ (581)
	<u>\$ 10,159</u>	<u>\$ 9,578</u>	<u>\$ (581)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Investment income for the year ended December 31, 2018 consists of the following:

Realized/Unrealized Gain/(Loss) on Investments	\$ (581)
	<u>\$ (581)</u>

NOTE 4 - FAIR VALUE MEASUREMENT

The Organization categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Organization has the following recurring fair value measurements as of December 31, 2018:

	<u>Fair Value Measurements Using</u>	
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Stocks	\$ 9,578	\$ 9,578
	<u>\$ 9,578</u>	<u>\$ 9,578</u>

NOTE 5 - NET ASSETS

Net assets with donor restrictions for the year ended December 31, 2018 are as follows:

Ugandan Communities WAS	\$ 63,026
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NOTE 6 - AVAILABILITY AND LIQUIDITY

The following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year end:	
Cash and Cash Equivalents	\$ 201,650
Investments	9,578
Total Financial Assets	<u>\$ 211,228</u>
Less amounts not available to be used within one year:	
Net Assets with donor restrictions	\$ 63,026
Less net assets with purpose restrictions to be met in less than a year	(63,026)
	<u>\$ -</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 211,228</u>

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Excess financial assets are invested in short-term investments. The Organization is also supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors.

NOTE 7 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 2, 2019, the date on which the financial statements were available to be issued.

NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.