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SURGE FOR WATER, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019, 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 Organization'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 Organization'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.

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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, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
May 8, 2020

SURGE FOR WATER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 158,912
Contributions Receivable	70,537
Prepaid expenses	<u>2,340</u>
Total Current Assets	\$ 231,789
Investments	<u>15,184</u>
TOTAL ASSETS	<u><u>\$ 246,973</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 2,798
Payroll Liabilities	<u>2,345</u>
Total Current Liabilities	<u>\$ 5,143</u>
TOTAL LIABILITIES	<u><u>\$ 5,143</u></u>
NET ASSETS	
Without Donor Restrictions	\$ 167,838
With Donor Restrictions	<u>73,992</u>
Total Net Assets	<u><u>\$ 241,830</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 246,973</u></u>

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

SURGE FOR WATER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restricted	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions	\$ 202,812	\$ 73,992	\$ 276,804
Sponsorships	125,103	-	125,103
Special Events	158,357	-	158,357
Other Revenue			
Return on Investment, Net	3,145	-	3,145
Net Assets Released from Restriction	63,026	(63,026)	-
TOTAL REVENUE	<u>\$ 552,443</u>	<u>\$ 10,966</u>	<u>\$ 563,409</u>
EXPENSES			
Program Services	\$ 347,537	\$ -	\$ 347,537
Supporting Services			
Management and General Expenses	53,694	-	53,694
Fundraising Expenses	63,094	-	63,094
Cost of Direct Benefit to Donor	55,477	-	55,477
TOTAL EXPENSES	<u>\$ 519,802</u>	<u>\$ -</u>	<u>\$ 519,802</u>
CHANGE IN NET ASSETS	\$ 32,641	\$ 10,966	\$ 43,607
NET ASSETS AT BEGINNING OF YEAR	<u>135,197</u>	<u>63,026</u>	<u>198,223</u>
NET ASSETS AT END OF YEAR	<u>\$ 167,838</u>	<u>\$ 73,992</u>	<u>\$ 241,830</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, 2019

	Supporting Services					Total
	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donor	Total Supporting Services	
Administrative Expense	\$ -	\$ 261	\$ -	\$ -	\$ 261	\$ 261
Bank charges and credit card fees	707	1,674	10,237	-	11,911	12,618
Computer expenses	-	2,052	-	-	2,052	2,052
Direct support for field project partners	306,868	-	-	-	-	306,868
Dues and Subscriptions	-	-	3,142	-	3,142	3,142
Insurance	-	590	-	-	590	590
Meals & Entertainment	-	1,083	134	24,665	25,882	25,882
Miscellaneous Expense	-	-	1,689	-	1,689	1,689
Occupancy	-	-	-	9,843	9,843	9,843
Payroll Fees	-	504	-	-	504	504
Payroll Taxes	2,619	1,996	2,765	-	4,761	7,380
Postage and printing	31	737	51	-	788	819
Prizes	-	-	-	20,969	20,969	20,969
Professional Fees	753	14,523	808	-	15,331	16,084
Program promotion	-	2,202	-	-	2,202	2,202
Salaries and Wages	34,230	\$ 20,586	36,139	-	56,725	90,955
Supplies	-	-	6,590	-	6,590	6,590
Office Expense	-	965	-	-	965	965
Taxes and Licenses	-	126	147	-	273	273
Telephone	-	1,235	-	-	1,235	1,235
Training	993	4,797	-	-	4,797	5,790
Travel	1,336	363	1,392	-	1,755	3,091
	<u>\$ 347,537</u>	<u>\$ 53,694</u>	<u>\$ 63,094</u>	<u>\$ 55,477</u>	<u>\$ 172,265</u>	<u>\$ 519,802</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 43,607	
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Unrealized (Gains)/Losses	(2,965)	
Decrease/(Increase) in Assets:		
Contributions Receivable	(70,537)	
Prepaid Expenses	(2,310)	
Increase/(Decrease) in Liabilities		
Accounts Payable	(9,279)	
Payroll Liabilities	1,387	
Net Cash Flows Provided/(Used) by Operating Activities	<u> </u>	\$ (40,097)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	<u>\$ (2,641)</u>	
Net Cash Flows Provided/(Used) by Investing Activities		(2,641)
CASH FLOWS FROM FINANCING ACTIVITIES		
		<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		\$ (42,738)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		<u>201,650</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		<u><u>\$ 158,912</u></u>

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

SURGE FOR WATER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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 (GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

C. Financial Statement Presentation

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.

D. 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.

E. Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Equity securities without readily determinable fair values are stated at cost.

F. 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

NOTES TO FINANCIAL STATEMENTS (Continued)

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 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. Contributions receivable are due in less than one year and Management represents that such amounts are 100% collectible; therefore, no allowance is provided in the financial statements.

G. *In-Kind Contributions*

In-kind contributions, if any, of property and equipment are recorded as contribution at the estimated fair values of the property contributed at the date of donation.

In-kind contributions of services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out their mission. However, these services do not meet the criteria for recognition as contributed services.

H. *Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expense. All direct expenses have been allocated to the respective function. Salaries are allocated based on the time spent on each activity.

I. *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Management evaluates, on an ongoing basis, the estimates and assumptions based on new information. Management represents that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

J. *Income Tax Status*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and reported no unrelated business income for the year ended December 31, 2019. Management represents there are no uncertain tax position or other provision for income taxes that should be recognized in these financial statements. In addition, the Organization qualifies to receive deductible charitable contributions pursuant to Section 170(b)(1)(A)(vi).

NOTE 2 - CASH AND CASH EQUIVALENTS

The Organization maintains its cash and cash equivalent balance in several financial institutions. Deposits with financial institutions which includes deposits covered by federal depositing insurance or collateral held by the financial institutions.

NOTE 3 - FAIR VALUE MEASUREMENT

The Organization's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the

NOTES TO FINANCIAL STATEMENTS (Continued)

Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	Fair Value Measurements Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Stocks	\$ 15,184	\$ 15,184
	<u>\$ 15,184</u>	<u>\$ 15,184</u>

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when level 1 or level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the share held by the Association at year-end. The fair values of common stock, corporate bonds, and U.S. Government securities are based on quoted market prices.

NOTE 4 - INVESTMENTS

Investments held by the Organization are stated at fair market value and consist of the following at December 31, 2019:

	Cost	Fair Market Value	Unrealized Appreciation
Stocks	\$ 12,219	\$ 15,184	\$ 2,965
	<u>\$ 12,219</u>	<u>\$ 15,184</u>	<u>\$ 2,965</u>

Investment income for the year ended December 31, 2019 consists of the following:

Unrealized Gain/(Loss) on Investments	\$ 2,965
Realized Gain(Loss) on Investments	50
Interest and Dividends	130
	<u>\$ 3,145</u>

NOTE 5 - 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:

NOTES TO FINANCIAL STATEMENTS (Continued)

Financial assets at year end:

Cash and Cash Equivalents	\$	158,912
Investments		15,184
Contributions Receivable		70,537
Total Financial Assets	\$	<u>244,633</u>

Less amounts not available to be used within one year:

Net Assets with donor restrictions	\$	73,922
Less net assets with purpose restrictions to be met in less than a year		<u>(73,922)</u>
	\$	<u>-</u>

Financial assets available to meet general expenditures over the next twelve months

\$ 244,633

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 6 - NET ASSETS

Net assets with donor restrictions for the year ended December 31, 2019 are as follows:

<u>Purpose for Restrictions</u>	<u>Amount</u>
Ugandan Communities WAS	\$ 73,992

Net assets released from donor restrictions due to occurrence of expenditures in the amount of \$63,026 is reported on the statement of activities for the year ended December 31, 2019.

NOTE 7 - IN-KIND CONTRIBUTIONS

The Organization relies on in-kind contributions to conduct its fundraising activities. In-kind contributions of goods and services in the amount of \$10,367 are reported as Contributions on the Statement of Activities and as Direct Benefits to Donors on the Statement of Functional Expenses for the year ended December 31, 2019.

NOTE 8 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 8, 2020, the date on which the financial statements were available to be issued.

Prior to the date of this report, the COVID-19 outbreak in the United States has created disruptions in various businesses/non-profits and will continue to impact these organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of time. The extent of the impact on the Organization is uncertain and cannot be reasonably estimated at this time.