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SURGE FOR WATER, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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, 2020, 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.

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, 2020, 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.

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Change in Accounting Principle

As described in Note 10 to the financial statements, the Organization adopted new accounting guidance, ASU 2014-09, *Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively ASC 606)* and ASU 2018-08, *Not-for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Eder, Casella & Co.

EDER, CASELLA & CO.

Certified Public Accountants

McHenry, Illinois
May 10, 2021

SURGE FOR WATER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 213,748	
Contributions Receivable	64,188	
Total Current Assets		\$ 277,936
Investments		37,989
TOTAL ASSETS		\$ 315,925
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 7,390	
Payroll Liabilities	2,750	
PPP Loan Payable	4,000	
Total Current Liabilities		\$ 14,140
TOTAL LIABILITIES		\$ 14,140
NET ASSETS		
Without Donor Restrictions	\$ 249,168	
With Donor Restrictions	52,617	
Total Net Assets		301,785
TOTAL LIABILITIES AND NET ASSETS		\$ 315,925

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

SURGE FOR WATER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Local Grants	\$ 16,500	\$ 10,000	\$ 26,500
Contributions	185,732	42,617	228,349
Sponsorships	96,033	-	96,033
Special Events	131,738	-	131,738
In-Kind Contributions	14,997	-	14,997
Other Revenue			
Other Income	18,300	-	18,300
Return on Investment, Net	16,452	-	16,452
Net Assets Released from Restriction	73,992	(73,992)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>\$ 553,744</u>	<u>\$ (21,375)</u>	<u>\$ 532,369</u>
EXPENSES			
Program Services	\$ 336,043	\$ -	\$ 336,043
Supporting Services			
Management and General Expenses	58,421	-	58,421
Fundraising Expenses	49,277	-	49,277
Cost of Direct Benefit to Donor	28,673	-	28,673
TOTAL EXPENSES	<u>\$ 472,414</u>	<u>\$ -</u>	<u>\$ 472,414</u>
CHANGE IN NET ASSETS	\$ 81,330	\$ (21,375)	\$ 59,955
NET ASSETS AT BEGINNING OF YEAR	<u>167,838</u>	<u>73,992</u>	<u>241,830</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 249,168</u></u>	<u><u>\$ 52,617</u></u>	<u><u>\$ 301,785</u></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, 2020

	Supporting Services					Total
	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donor	Total Supporting Services	
Salaries and Wages	\$ 41,745	\$ 34,218	\$ 35,154	\$ -	\$ 69,372	\$ 111,117
Payroll Taxes	2,712	2,076	4,150	-	6,226	8,938
Payroll Fees	-	579	-	-	579	579
Professional Fees	1,616	12,106	2,148	-	14,254	15,870
Dues and Subscriptions	-	79	747	-	826	826
Bank Charges and Credit Card Fees	756	120	6,828	-	6,948	7,704
Computer Expenses	-	1,605	-	-	1,605	1,605
Direct Support for Field Project Partners	289,214	-	-	-	-	289,214
Meals and Entertainment	-	766	197	12,130	13,093	13,093
Postage and Printing	-	699	53	153	905	905
Prizes	-	-	-	10,284	10,284	10,284
Program Promotion	-	2,416	-	-	2,416	2,416
Office Expense	-	1,093	-	-	1,093	1,093
Taxes and Licenses	-	38	-	-	38	38
Training	-	56	-	-	56	56
Venue	-	-	-	6,106	6,106	6,106
Telephone	-	1,954	-	-	1,954	1,954
Travel	-	26	-	-	26	26
Insurance	-	590	-	-	590	590
	<u>\$ 336,043</u>	<u>\$ 58,421</u>	<u>\$ 49,277</u>	<u>\$ 28,673</u>	<u>\$ 136,371</u>	<u>\$ 472,414</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	59,955
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Unrealized (Gains)/Losses		(6,168)
Decrease/(Increase) in Assets:		
Contributions Receivable		6,349
Prepaid Expenses		2,340
Increase/(Decrease) in Liabilities		
Accounts Payable		4,592
Payroll Liabilities		405
PPP Loan Payable		4,000
Net Cash Flows Provided/(Used) by Operating Activities		\$ 71,473
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$	(16,637)
Net Cash Flows Provided/(Used) by Investing Activities		(16,637)
CASH FLOWS FROM FINANCING ACTIVITIES		
		-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	54,836
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		158,912
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	213,748

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

SURGE FOR WATER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, hygiene, and menstrual health; to engage, educate and strengthen communities around the world in an effort to end the cycle of poverty.

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

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. Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. 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 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

NOTES TO FINANCIAL STATEMENTS (Continued)

amounts are 100% collectible; therefore, no allowance is provided in the financial statements. The Organization records special events revenue equal to the fair value of direct benefit to donors and contributions income for the excess received when the event takes place.

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 and professional service costs are allocated based on the time spent on each activity. All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs and management and general using a base that results in an equitable distribution. Travel is based on the purpose of the travel.

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, 2020. 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. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits with financial institutions are Category 1 which includes deposits covered by federal depositing insurance or collateral held by the financial institutions.

NOTE 3 - FAIR VALUE MEASUREMENT

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when

NOTES TO FINANCIAL STATEMENTS (Continued)

measuring fair value. The asset or liability’s measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

For investments – investments are carried at fair value as described in Note 4, based on quoted prices in active markets for identical assets. All are considered Level 1 observable inputs.

Fair values approximate carrying value for all assets and current liabilities, measured on a recurring basis, at December 31, 2020. All are considered Level 1 observable inputs; the carrying amount approximates fair value because of the short maturities thereof.

NOTE 4 - INVESTMENTS

Investments held by the Organization are stated at fair market value and consist of the following at December 31, 2020:

	Cost	Fair Market Value	Unrealized Appreciation
Stocks	\$ 31,821	\$ 37,989	\$ 6,168
	<u>\$ 31,821</u>	<u>\$ 37,989</u>	<u>\$ 6,168</u>

Investment income for the year ended December 31, 2020 consists of the following:

Unrealized Gain/(Loss) on Investments	\$ 6,168
Realized Gain(Loss) on Investments	10,085
Interest and Dividends	199
	<u>\$ 16,452</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 Statement of Financial Position date to meet general expenditures:

NOTES TO FINANCIAL STATEMENTS (Continued)

Financial assets at year end:	
Cash and Cash Equivalents	\$ 213,748
Investments	37,989
Contributions Receivable	64,188
Total Financial Assets	<u>\$ 315,925</u>
Less amounts not available to be used within one year:	
Net Assets with donor restrictions	\$ 52,617
Less net assets with purpose restrictions to be met in less than a year	(52,617)
	<u>\$ -</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 315,925</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 6 - NET ASSETS

Net assets with donor restrictions for the year ended December 31, 2020 are as follows:

Purpose for Restrictions	Amount
Ugandan Communities WAS	\$ 52,617

Net assets released from donor restrictions due to occurrence of expenditures in the amount of \$73,992 is reported on the Statement of Activities for the year ended December 31, 2020.

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 \$14,997 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, 2020.

NOTE 8 - PAYCHECK PROTECTION PROGRAM

The Organization received a forgivable loan through the US Small Business Administration under the CARES Act Paycheck Protection Program. The loan was \$22,300. The proceeds must be used for payroll costs, rent, and utilities over the 24-week period beginning from the day the funds were disbursed. At the end of the period, the Organization applied for and was granted forgiveness for \$18,300 of this amount, and are paying back \$4,000 to the bank. The proceeds that are not forgiven will become converted to a note payable over a period of 5 years at an interest rate of 1%.

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 10, 2021, the date on which the financial statements were available to be issued.

Prior to the date of this report the Organization received an additional SBA loan for \$22,700 through the Paycheck Protection Program under the Coronavirus CARES Act.

NOTES TO FINANCIAL STATEMENTS (Continued)

Since March 2020, the COVID-19 outbreak in the United States has created disruptions in various non-profit organizations and has continued to impact these organizations. The Organization was impacted during the year ended December 31, 2020. However, the extent of any additional impact on the Organization is uncertain and cannot be reasonably estimated at this time.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU 2018-08, *Not-for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.