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***SURGE FOR WATER, INC.***

***AUDITED FINANCIAL STATEMENTS***

***DECEMBER 31, 2021***

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SURGE FOR WATER, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Surge for Water, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Surge for Water, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Surge for Water, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As described in Note 11 to the financial statements, the Organization adopted new accounting guidance ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Surge for Water, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Surge for Water, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Surge for Water, Inc.'s ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
March 28, 2022

SURGE FOR WATER, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 209,024	
Contributions Receivable	146,860	
Total Current Assets		\$ 355,884
Investments		46,237
TOTAL ASSETS		\$ 402,121
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 7,942	
Payroll Liabilities	2,792	
Total Current Liabilities		\$ 10,734
TOTAL LIABILITIES		\$ 10,734
NET ASSETS		
Without Donor Restrictions	\$ 325,120	
With Donor Restrictions	66,267	
Total Net Assets		391,387
TOTAL LIABILITIES AND NET ASSETS		\$ 402,121

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

SURGE FOR WATER, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Local Grants	\$ 61,874	\$ 37,626	\$ 99,500
Contributions	335,590	28,641	364,231
Sponsorships	129,964	-	129,964
Special Events	165,102	-	165,102
In-Kind Contributions	21,455	-	21,455
Other Revenue			
Other Income	24,758	-	24,758
Return on Investment, Net	5,020	-	5,020
Net Assets Released from Restriction	52,617	(52,617)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>\$ 796,380</u>	<u>\$ 13,650</u>	<u>\$ 810,030</u>
EXPENSES			
Program Services	\$ 526,176	\$ -	\$ 526,176
Supporting Services			
Management and General Expenses	64,161	-	64,161
Fundraising Expenses	71,804	-	71,804
Cost of Direct Benefit to Donor	58,287	-	58,287
TOTAL EXPENSES	<u>\$ 720,428</u>	<u>\$ -</u>	<u>\$ 720,428</u>
CHANGE IN NET ASSETS	\$ 75,952	\$ 13,650	\$ 89,602
NET ASSETS AT BEGINNING OF YEAR	<u>249,168</u>	<u>52,617</u>	<u>301,785</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 325,120</u></u>	<u><u>\$ 66,267</u></u>	<u><u>\$ 391,387</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, 2021

	Supporting Services					Total
	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donor	Total Supporting Services	
Salaries and Wages	\$ 32,025	\$ 32,087	\$ 53,880	\$ -	\$ 85,967	\$ 117,992
Payroll Taxes	2,485	2,921	4,060	-	6,981	9,466
Payroll Fees	-	653	-	-	653	653
Professional Fees	3,937	13,819	3,023	-	16,842	20,779
Dues and Subscriptions	-	250	169	-	419	419
Bank Charges and Credit Card Fees	1,033	165	8,849	-	9,014	10,047
Computer Expenses	-	2,790	-	-	2,790	2,790
Direct Support for Field Project Partners	478,459	-	-	-	-	478,459
Program Expenses	8,186	-	-	-	-	8,186
Meals and Entertainment	-	763	365	19,993	21,121	21,121
Postage and Printing	-	739	40	-	779	779
Prizes	-	-	-	15,267	15,267	15,267
Program Promotion	11	4,473	-	-	4,473	4,484
Office Expense	-	2,289	1,418	-	3,707	3,707
Taxes and Licenses	-	11	-	-	11	11
Training	-	530	-	-	530	530
Venue	-	-	-	23,027	23,027	23,027
Telephone	-	1,845	-	-	1,845	1,845
Travel	40	106	-	-	106	146
Insurance	-	720	-	-	720	720
	<u>\$ 526,176</u>	<u>\$ 64,161</u>	<u>\$ 71,804</u>	<u>\$ 58,287</u>	<u>\$ 194,252</u>	<u>\$ 720,428</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	89,602
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Unrealized (Gains)/Losses		9,549
Decrease/(Increase) in Assets:		
Contributions Receivable		(82,672)
Increase/(Decrease) in Liabilities		
Accounts Payable		552
Payroll Liabilities		42
PPP Loan Payable		(4,000)
Net Cash Flows Provided/(Used) by Operating Activities		\$ 13,073
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$	(35,232)
Sale of Investments		17,435
Net Cash Flows Provided/(Used) by Investing Activities		(17,797)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	(4,724)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		213,748
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	209,024

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



SURGE FOR WATER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**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, 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.

*Basis of Accounting*

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.

*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.

*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.

*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.

*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.

### *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.

### *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.

### *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.

### *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, 2021. 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, 2021. 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, 2021:

	Cost	Fair Market Value	Unrealized Appreciation
Stocks	\$ 55,786	\$ 46,237	\$ (9,549)
	<u>\$ 55,786</u>	<u>\$ 46,237</u>	<u>\$ (9,549)</u>

Investment income for the year ended December 31, 2021 consists of the following:

Unrealized Gain/(Loss) on Investments	\$ (9,549)
Realized Gain/(Loss) on Investments	14,340
Interest and Dividends	229
	<u>\$ 5,020</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	\$ 209,024
Investments	46,237
Contributions Receivable	146,860
Total Financial Assets	<u>\$ 402,121</u>
Less amounts not available to be used within one year:	
Net Assets with donor restrictions	\$ 66,267
Less net assets with purpose restrictions to be met in less than a year	(66,267)
	<u>\$ -</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 402,121</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, 2021 are as follows:

<u>Purpose for Restrictions</u>	<u>Amount</u>
Ugandan Communities WAS	\$ 50,017
Menstrual Program	16,250
	<u>\$ 66,267</u>

Net assets released from donor restrictions due to occurrence of expenditures in the amount of \$52,617 is reported on the Statement of Activities for the year ended December 31, 2021.

### NOTE 7 - OPERATING LEASES

The Organization leases an office in Dubai for general operations for the Dubai branch.

The Organization paid \$3,174 for the fiscal year ended December 31, 2021. Annual lease payments required under the lease agreement are \$6,322 for the fiscal year ending December 31, 2022 and \$3,148 for the fiscal year ending December 31, 2023. The future payment amounts can change since payments are made in AED and the USD translation can fluctuate in the future. We do not believe these fluctuations will be material.

### NOTE 8 - 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 \$21,455 are reported as Contributions on the Statement of Activities and as Direct Benefit to Donors on the Statement of Functional Expenses for the year ended December 31, 2021. The Organization will not accept anything that is too difficult or too expensive to administer in relation to their value. Fair market value is used to determine the value of items or services donated. The \$21,455 of in-kind contributions is made up of silent auction items.

### NOTE 9 - 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 \$24,758 and is recognized as revenue in the current year. The proceeds must be used for payroll costs, rent, and utilities over the 24-week period

## NOTES TO FINANCIAL STATEMENTS (Continued)

beginning from the day the funds were disbursed. At the end of the period, the Organization applied for and was granted forgiveness.

### **NOTE 10 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through March 28, 2022, the date on which the financial statements were available to be issued.

### **NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE**

The Organization adopted the new accounting guidance ASU 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*. The update requires the Organization to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the Statement of Activities by the category of contributed nonfinancial assets and update the disclosure for each of these categories. The Organization has adjusted the presentation of these statements and notes accordingly.