



Eder, Casella & Co.  
815.344.1300  
[www.edercasella.com](http://www.edercasella.com)

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

***AUDITED FINANCIAL STATEMENTS***

***DECEMBER 31, 2022***

eder, casella & co

SURGE FOR WATER, INC.

TABLE OF CONTENTS

DECEMBER 31, 2022

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



Eder, Casella & Co.  
815.344.1300  
www.edercasella.com

## INDEPENDENT AUDITOR'S REPORT

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

### **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, 2022, 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, 2022, 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 the notes to the financial statements, the Organization adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). 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.

## ***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  
May 3, 2023

SURGE FOR WATER, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022

ASSETS

Current Assets

Cash and Cash Equivalents

\$ 235,501

Contributions Receivable

150,044

Prepaid Expenses

5,000

Total Current Assets

\$ 390,545

Investments

28,357

TOTAL ASSETS

\$ 418,902

LIABILITIES

Current Liabilities

Accounts Payable

\$ 12,438

Payroll Liabilities

4,517

Total Current Liabilities

\$ 16,955

TOTAL LIABILITIES

\$ 16,955

NET ASSETS

Without Donor Restrictions

\$ 284,493

With Donor Restrictions

117,454

Total Net Assets

401,947

TOTAL LIABILITIES AND NET ASSETS

\$ 418,902

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

SURGE FOR WATER, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Local Grants	\$ 23,500	\$ 37,500	\$ 61,000
Contributions	297,592	79,954	377,546
Sponsorships	143,327	-	143,327
Special Events	214,820	-	214,820
In-Kind Contributions	34,526	-	34,526
Other Revenue			
Return on Investment, Net	(16,765)	-	(16,765)
Net Assets Released from Restriction	66,267	(66,267)	-
Total Operating Revenues, Gains, and Other Support	<u>\$ 763,267</u>	<u>\$ 51,187</u>	<u>\$ 814,454</u>
EXPENSES			
Program Services	\$ 572,654	\$ -	\$ 572,654
Supporting Services			
Management and General Expenses	60,001	-	60,001
Fundraising Expenses	92,557	-	92,557
Cost of Direct Benefit to Donors	78,682	-	78,682
Total Expenses	<u>\$ 803,894</u>	<u>\$ -</u>	<u>\$ 803,894</u>
CHANGE IN NET ASSETS	\$ (40,627)	\$ 51,187	\$ 10,560
NET ASSETS AT BEGINNING OF YEAR	<u>325,120</u>	<u>66,267</u>	<u>391,387</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 284,493</u></u>	<u><u>\$ 117,454</u></u>	<u><u>\$ 401,947</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, 2022

		Supporting Services				
	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total Supporting Services	Total
Salaries and Wages	\$ 61,423	\$ 17,611	\$ 13,674	\$ -	\$ 31,285	\$ 92,708
Payroll Taxes	4,699	1,436	1,347	-	2,783	7,482
Payroll Fees	-	668	-	-	668	668
Professional Fees	41,912	22,973	64,126	-	87,099	129,011
Bank Charges and Credit Card Fees	891	105	8,905	-	9,010	9,901
Computer Expenses	-	5,645	-	-	5,645	5,645
Direct Support for Field Project Partners	457,535	-	-	-	-	457,535
Program Expenses	5,429	-	-	-	-	5,429
Meals and Entertainment	-	1,256	415	44,681	46,352	46,352
Postage and Printing	-	863	58	-	921	921
Prizes	-	-	-	28,341	28,341	28,341
Program Promotion	-	2,604	-	-	2,604	2,604
Office Expense	-	2,730	4,032	-	6,762	6,762
Taxes and Licenses	-	26	-	-	26	26
Training	765	512	-	-	512	1,277
Venue	-	-	-	5,660	5,660	5,660
Telephone	-	1,600	-	-	1,600	1,600
Travel	-	1,376	-	-	1,376	1,376
Insurance	-	588	-	-	588	588
Interest	-	8	-	-	8	8
	<u>\$ 572,654</u>	<u>\$ 60,001</u>	<u>\$ 92,557</u>	<u>\$ 78,682</u>	<u>\$ 231,240</u>	<u>\$ 803,894</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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	10,560
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Unrealized (Gains)/Losses		18,230
Decrease/(Increase) in Assets		
Contributions Receivable		(3,184)
Prepaid Expenses		(5,000)
Increase/(Decrease) in Liabilities		
Accounts Payable		4,496
Payroll Liabilities		1,725
Net Cash Flows Provided/(Used) by Operating Activities		<u>\$ 26,827</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$	(1,433)
Sale of Investments		<u>1,083</u>
Net Cash Flows Provided/(Used) by Investing Activities		<u>(350)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	26,477
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		<u>209,024</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	<u><u>235,501</u></u>

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



SURGE FOR WATER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**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; and 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).

### *Leases*

Under the guidance of Topic 842, the Organization determines if an arrangement contains a lease at inception based on whether or not the Organization has the right to control the asset during the contract period and other facts and circumstances.

The Organization is the lessee in a lease contract when it obtains the right to control the asset. The right-of use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets resulting from operating leases and the related liabilities are separately stated on the face of the Statement of Financial Position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term at the commencement date. ROU

## NOTES TO FINANCIAL STATEMENTS (Continued)

assets also can include adjustments related to lease payments made and/or lease incentives received at or before the commencement date. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not currently have any material operating type leases that fall under this policy.

Finance leases are those in which ownership is transferred, or an arrangement which results in either the present value of lease payments being greater than 90% of the fair market value of the asset or lease term being greater than 75% of the estimated useful life of the asset. Finance lease ROU assets and the related liabilities are separately stated on the face of the Statement of Financial Position. The ROU asset is amortized over either the useful life of the asset or lease term, depending on the facts and circumstances of the lease. The Organization does not currently have any material financing type leases that fall under this policy.

### **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 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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

Fair values approximate carrying value for all assets and current liabilities, measured on a recurring basis, at December 31, 2022. 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, 2022:

	Cost	Fair Market Value	Unrealized Appreciation
Stocks	\$ 46,587	\$ 28,357	\$ (18,230)
	<u>\$ 46,587</u>	<u>\$ 28,357</u>	<u>\$ (18,230)</u>

Investment income for the year ended December 31, 2022 consists of the following:

Unrealized Gain/(Loss) on Investments	\$ (18,230)
Realized Gain/(Loss) on Investments	1,037
Interest and Dividends	428
	<u>\$ (16,765)</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:

Financial assets at year end:	
Cash and Cash Equivalents	\$ 235,501
Investments	28,357
Contributions Receivable	150,044
Total Financial Assets	<u>\$ 413,902</u>
Less amounts not available to be used within one year:	
Net Assets with donor restrictions	\$ 117,454
Less net assets with purpose restrictions to be met in less than a year	(117,454)
	<u>\$ -</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 413,902</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, 2022 are as follows:

Purpose for Restrictions	Amount
Ugandan Communities WAS	\$ 82,473
Menstrual Program	25,000
Philippines WAS	9,981
	<u>\$ 117,454</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

Net assets released from donor restrictions due to occurrence of expenditures in the amount of \$66,267 is reported on the Statement of Activities for the year ended December 31, 2022.

### **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 \$34,526 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, 2022. 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 \$34,526 of in-kind contributions is made up of gala items.

### **NOTE 8 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 3, 2023, the date on which the financial statements were available to be issued.

### **NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE**

The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842). The Organization did not have any material agreements that fell under this standard, therefore, there were no adjustments related to the implementation of this standard.