



SURGE FOR WATER, INC.

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2024

SURGE FOR WATER, INC.

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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 March 31, 2024, 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 March 31, 2024, 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. 2022-02, *Financial Instruments-Credit Losses* (Topic 326). 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.

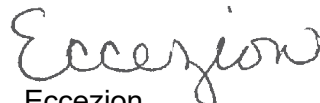
Auditor's Responsibilities for the Audit of the Financial Statements

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.


Eccezion
Consulting • CPAs • Technology

McHenry, Illinois
June 12, 2024

SURGE FOR WATER, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2024

ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 625,786	
Contributions Receivable	5,000	
Prepaid Expenses	9,200	
Total Current Assets	\$ 639,986	
Investments		74,127
TOTAL ASSETS		\$ 714,113
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 11,793	
Payroll Liabilities	4,046	
Total Current Liabilities	\$ 15,839	
TOTAL LIABILITIES		\$ 15,839
NET ASSETS		
Without Donor Restrictions	\$ 389,712	
With Donor Restrictions	308,562	
Total Net Assets	698,274	
TOTAL LIABILITIES AND NET ASSETS		\$ 714,113

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

SURGE FOR WATER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Local Grants	\$ 273,550	\$ 132,500	\$ 406,050
Contributions	76,893	309,122	386,015
Special Events	586,579	-	586,579
In-Kind Contributions	28,436	-	28,436
Other Revenue			
Return on Investment, Net	21,039	-	21,039
Net Assets Released from Restriction	208,116	(208,116)	-
Total Operating Revenues, Gains, and Other Support	<u>\$ 1,194,613</u>	<u>\$ 233,506</u>	<u>\$ 1,428,119</u>
EXPENSES			
Program Services	\$ 759,443	\$ -	\$ 759,443
Management and General Expenses	52,615	-	52,615
Fundraising Expenses	129,665	-	129,665
Cost of Direct Benefit to Donors	93,456	-	93,456
Total Expenses	<u>\$ 1,035,179</u>	<u>\$ -</u>	<u>\$ 1,035,179</u>
CHANGE IN NET ASSETS	\$ 159,434	\$ 233,506	\$ 392,940
NET ASSETS AT BEGINNING OF YEAR	<u>230,278</u>	<u>75,056</u>	<u>305,334</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 389,712</u></u>	<u><u>\$ 308,562</u></u>	<u><u>\$ 698,274</u></u>

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

SURGE FOR WATER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2024

	Supporting Services					Total
	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total Supporting Services	
Salaries and Wages	\$ 69,912	\$ 9,889	\$ 4,132	\$ -	\$ 14,021	\$ 83,933
Payroll Taxes	5,348	756	316	-	1,072	6,420
Professional Fees	30,989	18,433	75,641	-	94,074	125,063
Dues and Subscriptions	-	640	-	-	640	640
Bank Charges and Credit Card Fees	2,894	1,232	11,171	-	12,403	15,297
Computer Expenses	-	5,853	-	-	5,853	5,853
Direct Support for Field Project Partners	644,052	52	-	-	52	644,104
Meals and Entertainment	-	1,983	-	66,119	68,102	68,102
Avertising	43	4,523	-	-	4,523	4,566
Postage and Printing	-	1,027	151	-	1,178	1,178
Prizes	-	-	-	23,067	23,067	23,067
Office Expense	-	250	-	-	250	250
Supplies	-	-	38,038	-	38,038	38,038
Taxes and Licenses	-	41	146	-	187	187
Training	-	386	-	-	386	386
Telephone	-	1,094	-	-	1,094	1,094
Occupacy	5,510	3,424	-	4,270	7,694	13,204
Travel	695	2,273	70	-	2,343	3,038
Insurance	-	759	-	-	759	759
	<u>\$ 759,443</u>	<u>\$ 52,615</u>	<u>\$ 129,665</u>	<u>\$ 93,456</u>	<u>\$ 275,736</u>	<u>\$ 1,035,179</u>

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

SURGE FOR WATER, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	392,940
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Unrealized (Gains)/Losses		(19,952)
Decrease/(Increase) in Assets		
Contributions Receivable		43,682
Prepaid Expenses		4,319
Increase/(Decrease) in Liabilities		
Accounts Payable		(3,804)
Payroll Liabilities		4,046
Net Cash Flows Provided/(Used) by Operating Activities		\$ 421,231
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$	(4,482)
Net Cash Flows Provided/(Used) by Investing Activities		(4,482)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	416,749
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		209,037
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	625,786

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

SURGE FOR WATER, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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.

The Organization changed their fiscal year end from December 31 to March 31 starting with the March 31, 2023 year-end.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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. 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.

Accounts receivable is recorded net of an applicable allowance for credit losses. The Organization makes estimates of the un-collectability of its accounts receivable based on historical performance and projected trends. The Organization analyzes accounts receivable and historical bad debt levels, customer/grantor credit worthiness, and current economic trends when evaluating the adequacy of the allowance for credit losses.

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 March 31, 2024. 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).

NOTES TO FINANCIAL STATEMENTS (Continued)

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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

- *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.

	<u>Fair Value Measurements Using</u>	
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Stocks	\$ 74,127	\$ 74,127
	<u>\$ 74,127</u>	<u>\$ 74,127</u>

Fair values approximate carrying value for all assets and current liabilities, measured on a recurring basis, at March 31, 2024. All are considered Level 1 observable inputs; the carrying amount approximates fair value because of the short maturities thereof.

NOTE 4 - INVESTMENTS

Investment income for the year ended March 31, 2024 consists of the following:

Unrealized Gain/(Loss) on Investments	\$ 19,952
Interest and Dividends	1,087
	<u>\$ 21,039</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	\$ 625,786
Investments	74,127
Contributions Receivable	5,000
Total Financial Assets	<u>\$ 704,913</u>
Less amounts not available to be used within one year:	
Net Assets with donor restrictions	\$ 308,562
Less net assets with purpose restrictions to be met in less than a year	<u>(308,562)</u>
	<u>\$ -</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 704,913</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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NET ASSETS

Net assets with donor restrictions for the year ended March 31, 2024 are as follows:

<u>Purpose for Restrictions</u>	<u>Amount</u>
Ugandan Communities WAS	\$ 85,545
Menstrual Program	18,750
WUC Training	6,767
Latrine	197,500
	<u>\$ 308,562</u>

Net assets released from donor restrictions due to occurrence of expenditures in the amount of \$208,116 is reported on the Statement of Activities for the year ended March 31, 2024.

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 \$28,436 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 March 31, 2024. 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 \$28,436 of in-kind contributions is made up of gala items.

NOTE 8 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 12, 2024, the date on which the financial statements were available to be issued.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization adopted FASB ASC 326, with a date of initial application of April 1, 2023, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2022-02, *Financial Instruments-Credit Losses* (Topic 326). 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.