Safe Water Network

Financial Statements
and Independent Auditor's Report

December 31, 2013 and 2012

Safe Water Network

Index

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Independent Auditor's Report

To the Board of Directors
Safe Water Network

We have audited the accompanying financial statements of Safe Water Network, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 entity'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 purposes of expressing an opinion on the effectiveness of the entity'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 Safe Water Network as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Glastonbury, Connecticut
September 30, 2014

Safe Water Network

Statements of Financial Position
December 31, 2013 and 2012

Assets

		2013		2012
Assets:				
Cash and cash equivalents	$	3,942,861	$	3,447,597
Grants and contributions receivable, net		4,316,201		3,428,000
Water systems receivable - Ghana, net		1,019,220		420,724
Accounts receivable		-		96,762
Prepaid expenses and other assets		49,253		91,300
Certificates of deposit		252,537		1,013,298
Investments		60,444		-
Office equipment, net of accumulated depreciation of $96,603 and $63,504		137,823		91,756
Total assets	$	9,778,339	$	8,589,437

Liabillities and Net Assets

		2013		2012
Liabilities:				
Accounts payable and accrued expenses	$	212,728	$	111,266
Commitments				
Net assets:				
Unrestricted		4,454,305		3,692,095
Temporarily restricted		5,111,306		4,786,076
Total net assets		9,565,611		8,478,171
Total liabilities and net assets	$	9,778,339	$	8,589,437

See Notes to Financial Statements.

Safe Water Network

Statement of Activities
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues, returns and other support:			
Grants and contributions:			
Foundations	$ 370,050	$ 685,000	$ 1,055,050
Corporations and other	34,681	3,214,201	3,248,882
Individuals	164,924	250,000	414,924
Interest and dividend income	8,426	-	8,426
Unrealized gains on investments	1,079	-	1,079
Other income	24,707	-	24,707
Net assets released from restrictions	3,823,971	(3,823,971)	-
Total revenue	4,427,838	325,230	4,753,068
Expenses:			
Program services:			
Africa	963,229	-	963,229
India	1,208,611	-	1,208,611
Program development	443,965	-	443,965
Total program services	2,615,805	-	2,615,805
Supporting services:			
Management and general	459,539	-	459,539
Fundraising	386,097	-	386,097
Total supporting services	845,636	-	845,636
Total expenses	3,461,441	-	3,461,441
Change in net assets before other changes	966,397	325,230	1,291,627
Other changes:			
Foreign currency remeasurement loss	(204,187)	-	(204,187)
Change in net assets	762,210	325,230	1,087,440
Net assets, beginning of year	3,692,095	4,786,076	8,478,171
Net assets, end of year	$ 4,454,305	$ 5,111,306	$ 9,565,611

See Notes to Financial Statements.

Safe Water Network

Statement of Activities
Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues, returns and other support:			
Grants and contributions:			
Foundations	$ 453,500	$ 3,243,000	$ 3,696,500
Corporations and other	165,246	64,000	229,246
Individuals	34,382	-	34,382
Contract revenue	150,000	-	150,000
Interest income	19,879	-	19,879
Investment return	9,121	-	9,121
Other income	4,318	-	4,318
Net assets released from restrictions	785,924	(785,924)	-
Total revenue	1,622,370	2,521,076	4,143,446
Expenses:			
Program services:			
Africa	684,568	-	684,568
India	827,269	-	827,269
Program development	600,857	-	600,857
Total program services	2,112,694	-	2,112,694
Supporting services:			
Management and general	387,444	-	387,444
Fundraising	276,624	-	276,624
Total supporting services	664,068	-	664,068
Total expenses	2,776,762	-	2,776,762
Change in net assets before other changes	(1,154,392)	2,521,076	1,366,684
Other changes:			
Foreign currency remeasurement loss	(6,573)	-	(6,573)
Change in net assets	(1,160,965)	2,521,076	1,360,111
Net assets, beginning of year	4,853,060	2,265,000	7,118,060
Net assets, end of year	$ 3,692,095	$ 4,786,076	$ 8,478,171

See Notes to Financial Statements.

Safe Water Network

Statement of Functional Expenses
Year Ended December 31, 2013

	Program Services				Supporting Services			
	Africa	India	Program Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Direct program expenses	$ 175,590	$ 506,423	$ -	$ 682,013	$ -	$ -	$ -	$ 682,013
Salaries	469,305	437,999	241,599	1,148,903	232,622	176,849	409,471	1,558,374
Employee benefits	13,083	13,083	13,082	39,248	9,409	10,016	19,425	58,673
Payroll taxes	17,301	17,301	17,302	51,904	11,122	11,122	22,244	74,148
Insurance	8,165	2,931	2,931	14,027	2,466	1,885	4,351	18,378
Professional fees	39,841	39,841	39,841	119,523	75,648	25,612	101,260	220,783
Consulting	-	-	26,264	26,264	15,000	75,000	90,000	116,264
Office expense	33,444	36,192	17,363	86,999	15,041	11,162	26,203	113,202
Field expenses	22,080	-	-	22,080	2,453	-	2,453	24,533
Occupancy	51,933	49,924	14,000	115,857	17,207	9,000	26,207	142,064
Travel	36,437	53,876	21,811	112,124	23,543	14,015	37,558	149,682
Depreciation	41,916	2,199	933	45,048	5,293	600	5,893	50,941
Information technology	45,909	45,909	45,908	137,726	29,513	29,512	59,025	196,751
Communication	2,621	2,621	2,620	7,862	-	1,966	1,966	9,828
Network development	-	-	-	-	19,159	19,158	38,317	38,317
Other	5,604	312	311	6,227	1,063	200	1,263	7,490
Total expenses	$ 963,229	$ 1,208,611	$ 443,965	$ 2,615,805	$ 459,539	$ 386,097	$ 845,636	$ 3,461,441

See Notes to Financial Statements.

Safe Water Network

Statement of Functional Expenses
Year Ended December 31, 2012

	Program Services				Supporting Services			
	Africa	India	Program Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Direct program expenses	$ 180,669	$ 211,771	$ -	$ 392,440	$ -	$ -	$ -	$ 392,440
Salaries	313,126	447,139	202,487	962,752	160,341	192,983	353,324	1,316,076
Employee benefits	14,452	7,850	7,851	30,153	5,956	7,723	13,679	43,832
Payroll taxes	13,994	13,994	13,994	41,982	7,519	13,159	20,678	62,660
Insurance	5,861	2,230	2,229	10,320	2,106	2,096	4,202	14,522
Professional fees	2,389	2,389	2,389	7,167	87,234	-	87,234	94,401
Consulting	3,235	3,235	253,543	260,013	43,000	-	43,000	303,013
Office expense	25,026	24,689	13,800	63,515	11,461	12,977	24,438	87,953
Field expenses	16,907	-	-	16,907	4,227	-	4,227	21,134
Occupancy	32,200	49,503	9,599	91,302	15,242	9,025	24,267	115,569
Travel	20,416	34,002	64,499	118,917	13,287	6,447	19,734	138,651
Meetings and facilities	-	-	-	-	19,844	-	19,844	19,844
Depreciation	26,030	204	204	26,438	6,567	192	6,759	33,197
Information technology	6,079	6,079	6,079	18,237	3,266	7,327	10,593	28,830
Communication	21,776	21,776	21,775	65,327	-	16,331	16,331	81,658
Network development	-	-	-	-	6,100	6,100	12,200	12,200
Other	2,408	2,408	2,408	7,224	1,294	2,264	3,558	10,782
Total expenses	$ 684,568	$ 827,269	$ 600,857	$ 2,112,694	$ 387,444	$ 276,624	$ 664,068	$ 2,776,762

See Notes to Financial Statements.

Safe Water Network

Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Operating activities:		
Change in net assets	$ 1,087,440	$ 1,360,111
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	50,941	33,197
Realized and unrealized gains	(1,079)	(9,121)
Donated securities	(59,365)	-
Discount on grants receivable	(14,201)	57,000
Discount on water systems receivable - Ghana	158,533	-
Changes in operating assets and liabilities:		
Grants receivable	(874,000)	(2,210,000)
Accounts receivable	96,762	(96,762)
Water systems receivable	(963,348)	(200,043)
Prepaid expenses and other assets	34,000	(25,269)
Accounts payable and accrued expenses	127,159	64,722
Net cash used in operating activities:	(357,158)	(1,026,165)
Investing activities:		
Proceeds from sale of investments	-	118,397
Change in invested cash	760,761	(4,449)
Purchases of property and equipment	(119,848)	(45,702)
Net cash provided by investing activities	640,913	68,246
Effect of exchange rate changes on cash and cash equivalents	211,509	50,833
Net increase (decrease) in cash and cash equivalents	495,264	(907,086)
Cash and cash equivalents, beginning of year	3,447,597	4,354,683
Cash and cash equivalents, end of year	$ 3,942,861	$ 3,447,597

See Notes to Financial Statements.

Note 1 - Organization and summary of significant accounting policies

Organization

Safe Water Network (the "Organization") is a not-for-profit organization whose primary purpose is to provide financial support and technical assistance for the implementation of decentralized water purification systems in developing countries. Through collaborative efforts with private and public stakeholders, local organizations, public health experts and local and international providers of technology, services and funding, the Organization seeks to address the challenges of local water system ownership and sustainability. The Organization's primary sources of revenue are grants and contributions from corporations, foundations and individuals. The Organization's four integrated areas of activity include:

Field Initiatives - Design, launch and management of water purification stations and rainwater harvesting programs to provide safe water to those in need. Through these initiatives, the Organization gains important field experience to optimize solutions.

Market Development - A fact-based approach to measure outcomes and models, as well as develop scale propositions.

Network - Collaborative activities, best practice approaches and action-oriented programs that apply partner expertise to the Organization's field work and scale development projects.

Technical Assistance - On-site consultation to other organizations, as well as support through training materials and manuals.

Safe Water Network is headquartered in New York, New York, with branch offices in Ghana and India.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the statements report information regarding its financial position and activities according to three classes of net assets described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations or to those imposed by operation of law. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted - Net assets whose use by the Organization is subject to either explicit donor-imposed stipulations, or to those imposed by operation of law, that can be fulfilled by actions of the Organization or that expire by the passage of time. The change in temporarily restricted net assets is impacted primarily by gifts with time and donor constraints.

Permanently Restricted - Net assets subject to explicit donor-imposed stipulations, or to those imposed by operation of law, that they be maintained permanently by the Organization and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law. There were no permanently restricted net assets at December 31, 2013 and 2012.

Revenue recognition

Grants and contributions

Grants and contributions, including unconditional grants and contributions receivable, are recognized as revenues in the period received. Grants and contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Grants and contributions receivable that are scheduled to be received after the statement of financial position date are reported as increases in temporarily restricted net assets. This revenue is reclassified to unrestricted net assets when the time or purpose restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized as contributions until such time as the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time the contribution is made.

Contract revenue

Contract revenue is recognized in the period in which the related services are provided.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid short-term instruments with an original maturity of three months or less when acquired. At December 31, 2013 and 2012, the Organization had cash equivalents of $3,860,716 and $3,357,671, respectively. In October 2013, a certificate of deposit matured. The matured balance with a total balance of $763,963 is included in cash equivalents at December 31, 2013.

Grants and contributions receivable

Grants and contributions receivable represent unconditional promises to give that are recognized in the period in which the promise is received. Grants and contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Grants and contributions receivable that are expected to be collected in more than one year are discounted to their net present value. Amortization of the resulting discount is recognized as additional grant and contribution revenue. On a periodic basis, the Organization evaluates its grants and contributions receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs, collections and current credit conditions. Conditional promises to give are recognized when the conditions upon which they depend are substantially met.

Investments

Investments are carried at fair value (see Note 5). Realized and unrealized gains and losses and investment income, net of investment expenses, are recorded in the statements of activities as unrestricted net assets unless restricted by donor stipulation or by operation of law.

Water systems receivable - Ghana

Water systems receivable represents the cost of water purification systems advanced by the Organization on behalf of various communities in Ghana. Under the terms of the agreements between the Organization and the communities, repayment of these advances will occur over a period of eight years from the time each becomes operational. Management evaluates the collectability of these amounts annually and does not believe an allowance for uncollectable amounts is necessary at December 31, 2013 as repayment is set to begin during 2014. Water systems receivable has been discounted $158,533 to an estimated present value of $1,019,220 at December 31, 2013, assuming a 5% interest rate over an eight year term.

Accounts receivable

The Organization uses the allowance method of accounting for bad debts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs, collections and current credit conditions. Management does not believe an allowance for doubtful accounts is necessary at December 31, 2013.

Certificates of deposit

At December 31, 2013, the Organization held a certificate of deposit (the “Certificate”) yielding .3%. The Certificate is held in a financial institution, is federally insured and matures April 2015. The Certificate is recorded at the original investment plus accrued interest. The fair value of the Certificate approximates carrying value because of the short-term maturity of the Certificate.

Office equipment

Office equipment is stated at cost, or if donated, at their approximate fair value at the date of donation. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets, ranging from 5 to 7 years. Expenditures for repairs and maintenance are charged to expense as incurred.

Donated property and equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets at that time.

Donated services

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization. There were no donated services recorded during the year ended December 31, 2013 because they did not meet the requirements for recognition.

Income taxes

The Organization is exempt from Federal and state corporate income taxes under the provisions of Internal Revenue Code (the "Code") Section 501(c)(3).

The Organization has no unrecognized tax benefits at December 31, 2013. The Organization's Federal and state information returns prior to fiscal year 2010 are closed. The Organization believes it is in compliance with all laws and regulations, but management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statement of financial position.

Functional expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2014, which is the date the financial statements were available to be issued.

Note 2 - Grants and contributions receivable

Grants and contributions receivable at December 31, 2013 and 2012 are comprised of the following:

	2013	2012
Receivables due in less than 1 year	$ 2,466,000	$ 1,335,000
Receivables due in 1 - 5 years	1,893,000	2,150,000
	4,359,000	3,485,000
Less: discount to present value (1.15%)	(42,799)	(57,000)
	$ 4,316,201	$ 3,428,000

Management does not believe an allowance is necessary at December 31, 2013. At December 31, 2013, 100% of grants and contributions receivable are from five sources, one of which is receivable from a foundation where an individual from that foundation is also a member of the Organization's Board of Directors.

Note 3 - Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2013 and 2012 are comprised of the following:

	2013	2012
Grants and contributions receivable	$ 4,316,201	$ 3,428,000
Financial capacity and internal framework	484,959	1,066,667
Communication initiatives	-	197,409
Water purification system development	310,146	94,000
Total temporarily restricted net assets	$ 5,111,306	$ 4,786,076

Net assets released from restrictions for the years ended December 31, 2013 and 2012 consisted of the following:

	2013	2012
Financial capacity and internal framework	$ 1,406,708	$ 8,333
Grants and contributions receivable restricted by time	1,366,000	-
Communication initiatives	697,409	322,591
Water purification system development	353,854	455,000
Total net assets released from restrictions	$ 3,823,971	$ 785,924

Note 4 - Investments

The Organization holds various domestic common stocks that have an aggregate fair value of $60,444 and cost basis of $59,365 as of December 31, 2013. Included in the Organization's investment brokerage account are deposit accounts totaling $135,040. The deposit account balances are included in cash equivalents at December 31, 2013.

The following is a schedule of investment return for the year ended December 31, 2013:

	2013
Interest and dividend income	$ 925
Unrealized gains	1,079
Total investment return	$ 2,004

Note 5 - Fair value measurements

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs which are used to measure fair value into three broad levels, as described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. If an asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization recognizes transfers between levels in the fair value hierarchy at the beginning of the period. There were no such transfers during the years ended December 31, 2013 and 2012.

The Organization's investment holdings, which consist of various domestic common stocks that have an aggregate fair value of $60,444 as of December 31, 2013, have been categorized as level 1.

Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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. There were no changes in the valuation techniques and related inputs.

Note 6 - Retirement benefits

The Organization maintains a SIMPLE IRA plan ("the SIMPLE IRA Plan"). Participation in the SIMPLE IRA Plan is limited to employees who have prior year compensation of at least $5,000 and current year compensation is expected to exceed $5,000. Contributions by the Organization to the SIMPLE IRA Plan for the year ended December 31, 2013 and 2012 were $17,382 and $24,900, respectively.

Note 7 - Operating lease

During 2012, the Organization entered into an agreement to share office space under a sublease agreement which expires December 31, 2015. Future minimum lease payments due under the terms of this lease in each of the years subsequent to December 31, 2013 are as follows:

Year Ending December 31,	
2014	$ 61,800
2015	63,653
Total	$ 125,453

Rental expense recognized in the accompanying statement of activities for the years ended December 31, 2013 and 2012 was $60,000 and $31,250, respectively.

Note 8 - Functional currency, foreign currency translation and currency exchange rate exposure

Based on several factors, including the dominant role of the U.S. currency in the funding of the Organization's programs, management considers the U.S. dollar to be the Organization's functional currency. As such, the Organization's assets and liabilities held in foreign currencies are remeasured using the current rate at the statement of financial position date.

Most revenues and expenses that occur during a period are remeasured for practical purposes using a weighted average exchange rate for the period.

The Organization regularly transfers cash from its domestic accounts to its foreign accounts to cover expenses, translating its foreign transactions into U.S. dollars using a weighted average exchange rate. The Organization has deposits in foreign financial institutions and petty cash held in the local currencies of Ghana and India. The Organization has other assets and liabilities originally denominated in foreign currencies. This results in an exposure to currency exchange gains and losses at the time assets are disposed of and liabilities are settled, as well as during year-end foreign currency translation into U.S. dollars. In any particular year, currency exchange rates fluctuations may have a significant impact on the Organization's financial results.

The foreign currency translation gains and losses are recorded on the Organization's statement of activities as a net remeasurement gain or loss. For the years ended December 3 1, 2013 and 2012, the Organization recognized net remeasurement losses of $204,187 and $6,573. To date, the Organization has not engaged in any currency trading or hedging transactions to reduce its exposure to currency fluctuations, but it may engage in such transactions in the future.

Note 9 - Concentrations

Operations risk

The Organization's operations in Ghana and India are subject to risks not typically associated with operations in North America. Accordingly, the Organization's financial condition and activities may be influenced by the political, economic and legal environments in these sovereign states. As a result, the Organization's activities are subject to a variety of risks, including:

- Social, political and economic instability;
- Inflation;
- Additional costs of compliance with government regulation and licensing requirements;
- Tariffs and other trade barriers;
- Expropriation, nationalization and limitation on repatriation of earnings;
- Fluctuations in foreign exchange rates (Note 8);
- Adverse changes in the creditworthiness of parties with whom the Organization has significant receivables;
- Longer receivables collection periods and greater difficulty in collecting accounts receivable;
- Unexpected changes in regulatory requirements.

Any of these developments, or others, could adversely affect the Organization's financial condition and activities. Should such circumstances occur, the Organization might need to curtail, cease or alter its activities in a particular area. The Organization's ability to address these issues may be affected by applicable U.S. laws and, in particular, potential conflicts between the requirements of U.S. law and the need to protect its employees and assets.

In addition, the Organization is required to comply with the United States Foreign Corrupt Practices Act and similar laws, which prohibit entities from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Corruption, extortion, bribery, payoffs, theft and other fraudulent practices occur from time to time in the areas in which the Organization operates. The majority of funds are maintained in the U.S. and most of the Organization's costs are fulfilled directly with vendors or go towards staff payroll, both of which are highly predictable payments that leave good paperwork trails. Although the Organization informs its staff that corruption, extortion, bribery and so forth are illegal, there can be no assurance that employees or other agents will not engage in such conduct for which the Organization might be held responsible. If employees or other agents are found to have engaged in such practices, the Organization could suffer severe penalties.

Credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Organization maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed Federally insured limits. Concentration of credit risk with respect to accounts receivable are limited due to management's active monitoring of these balances. Concentration of credit risk with respect to grants and contributions receivable is limited due to the active involvement of the donors with the Organization. In addition, management closely monitors these balances while maintaining allowances for potential losses.