



Safe Water Network
Financial Statements
and Independent Auditor's Report
December 31, 2016 and 2015

Safe Water Network

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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, 2016 and 2015, 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 purpose 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, 2016 and 2015, 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.



Hartford, Connecticut
November 6, 2017

Safe Water Network

Statements of Financial Position December 31, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 2,980,524	\$ 2,418,650
Grants and contributions receivable, net	6,437,467	1,509,409
Water systems receivable - Ghana, net	2,366,202	1,515,422
Prepaid expenses and other assets	69,265	54,063
Certificates of deposit	254,822	254,057
Investments	96,802	93,597
Property and equipment, net of accumulated depreciation of \$218,021 and \$162,224	<u>181,286</u>	<u>193,258</u>
Total assets	<u><u>\$ 12,386,368</u></u>	<u><u>\$ 6,038,456</u></u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 202,920	\$ 183,139
Capital maintenance reserve	40,852	-
Loan payable	<u>105,000</u>	<u>105,000</u>
Total liabilities	<u>348,772</u>	<u>288,139</u>
Commitments		
Net assets		
Unrestricted	1,979,426	3,792,631
Temporarily restricted	<u>10,058,170</u>	<u>1,957,686</u>
Total net assets	<u>12,037,596</u>	<u>5,750,317</u>
Total liabilities and net assets	<u><u>\$ 12,386,368</u></u>	<u><u>\$ 6,038,456</u></u>

See Notes to Financial Statements.

Safe Water Network
Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, returns and other support			
Grants and contributions			
Foundations	\$ 152,350	\$ 7,152,352	\$ 7,304,702
Corporations and other	110,396	23,031	133,427
Government	-	3,224,384	3,224,384
Individuals	182,047	165,000	347,047
Interest and dividend income	3,297	-	3,297
Investment loss	3,205	-	3,205
Other income	17,020	-	17,020
Net assets released from restrictions	2,464,283	(2,464,283)	-
Total revenue, returns and other support	<u>2,932,598</u>	<u>8,100,484</u>	<u>11,033,082</u>
Expenses			
Program services			
Africa	2,085,931	-	2,085,931
India	850,558	-	850,558
Program development	532,645	-	532,645
Total program services	<u>3,469,134</u>	<u>-</u>	<u>3,469,134</u>
Supporting services			
Management and general	422,172	-	422,172
Fundraising	509,797	-	509,797
Total supporting services	<u>931,969</u>	<u>-</u>	<u>931,969</u>
Total expenses	<u>4,401,103</u>	<u>-</u>	<u>4,401,103</u>
Change in net assets before other changes	(1,468,505)	8,100,484	6,631,979
Other changes			
Foreign currency remeasurement loss	(344,700)	-	(344,700)
Change in net assets	(1,813,205)	8,100,484	6,287,279
Net assets, beginning	3,792,631	1,957,686	5,750,317
Net assets, ending	<u>\$ 1,979,426</u>	<u>\$ 10,058,170</u>	<u>\$ 12,037,596</u>

See Notes to Financial Statements.

Safe Water Network
Statement of Activities
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, returns and other support			
Grants and contributions			
Foundations	\$ 23,173	\$ 1,710,272	\$ 1,733,445
Corporations and other	75,558	54,465	130,023
Government	15,991	-	15,991
Individuals	314,752	195,000	509,752
Interest and dividend income	3,143	-	3,143
Investment loss	(7,104)	-	(7,104)
Net assets released from restrictions	<u>3,930,952</u>	<u>(3,930,952)</u>	<u>-</u>
Total revenue, returns and other support	<u>4,356,465</u>	<u>(1,971,215)</u>	<u>2,385,250</u>
Expenses			
Program services			
Africa	1,688,229	-	1,688,229
India	1,489,586	-	1,489,586
Program development	569,239	-	569,239
Total program services	<u>3,747,054</u>	<u>-</u>	<u>3,747,054</u>
Supporting services			
Management and general	336,326	-	336,326
Fundraising	557,039	-	557,039
Total supporting services	<u>893,365</u>	<u>-</u>	<u>893,365</u>
Total expenses	<u>4,640,419</u>	<u>-</u>	<u>4,640,419</u>
Change in net assets before other changes	(283,954)	(1,971,215)	(2,255,169)
Other changes			
Foreign currency remeasurement loss	<u>(304,387)</u>	<u>-</u>	<u>(304,387)</u>
Change in net assets	(588,341)	(1,971,215)	(2,559,556)
Net assets, beginning	<u>4,380,972</u>	<u>3,928,901</u>	<u>8,309,873</u>
Net assets, ending	<u>\$ 3,792,631</u>	<u>\$ 1,957,686</u>	<u>\$ 5,750,317</u>

See Notes to Financial Statements.

Safe Water Network

Statement of Functional Expenses Year Ended December 31, 2016

	Program services				Supporting services			Total
	Africa	India	Program development	Total program services	Management and general	Fundraising	Total supporting services	
Direct program expenses	\$ 496,391	\$ 115,592	\$ -	\$ 611,983	\$ -	\$ -	\$ -	\$ 611,983
Salaries	824,026	432,792	265,075	1,521,893	147,162	294,833	441,995	1,963,888
Employee benefits	46,182	46,182	46,181	138,545	29,155	31,189	60,344	198,889
Payroll taxes	24,686	18,563	18,563	61,812	11,933	11,933	23,866	85,678
Insurance	11,803	1,996	1,997	15,796	1,283	1,283	2,566	18,362
Professional fees	112,797	112,797	112,798	338,392	136,763	72,512	209,275	547,667
Consulting	-	-	-	-	-	41,454	41,454	41,454
Office expense	54,942	23,375	7,850	86,167	20,570	5,047	25,617	111,784
Field expenses	206,313	-	-	206,313	-	-	-	206,313
Occupancy	76,055	41,108	22,556	139,719	33,052	14,501	47,553	187,272
Travel	88,306	23,923	23,671	135,900	20,152	15,217	35,369	171,269
Depreciation	82,380	1,702	1,427	85,509	1,191	917	2,108	87,617
Information technology	28,633	28,633	28,632	85,898	18,407	18,407	36,814	122,712
Interest expense	9,754	-	-	9,754	-	-	-	9,754
Other	23,663	3,895	3,895	31,453	2,504	2,504	5,008	36,461
Total expenses	\$ 2,085,931	\$ 850,558	\$ 532,645	\$ 3,469,134	\$ 422,172	\$ 509,797	\$ 931,969	\$ 4,401,103

See Notes to Financial Statements.

Safe Water Network

Statement of Functional Expenses Year Ended December 31, 2015

	Program services				Supporting services			Total
	Africa	India	Program development	Total program services	Management and general	Fundraising	Total supporting services	
Direct program expenses	\$ 449,062	\$ 694,590	\$ -	\$ 1,143,652	\$ -	\$ -	\$ -	\$ 1,143,652
Salaries	642,365	459,438	305,581	1,407,384	113,686	273,048	386,734	1,794,118
Employee benefits	35,717	35,717	35,716	107,150	22,428	24,460	46,888	154,038
Payroll taxes	19,613	19,613	19,614	58,840	12,609	12,608	25,217	84,057
Insurance	7,162	2,196	2,196	11,554	1,412	1,412	2,824	14,378
Professional fees	114,270	114,270	114,269	342,809	119,759	73,459	193,218	536,027
Consulting	-	-	-	-	-	113,000	113,000	113,000
Office expense	78,550	45,653	14,675	138,878	12,876	9,435	22,311	161,189
Field expenses	89,991	-	-	89,991	-	-	-	89,991
Occupancy	52,253	49,517	14,852	116,622	13,399	9,547	22,946	139,568
Travel	82,189	33,125	27,619	142,933	17,755	17,754	35,509	178,442
Depreciation	67,063	2,131	1,380	70,574	971	887	1,858	72,432
Information technology	26,758	26,758	26,759	80,275	17,202	17,202	34,404	114,679
Other	23,236	6,578	6,578	36,392	4,229	4,227	8,456	44,848
Total expenses	\$ 1,688,229	\$ 1,489,586	\$ 569,239	\$ 3,747,054	\$ 336,326	\$ 557,039	\$ 893,365	\$ 4,640,419

See Notes to Financial Statements.

Safe Water Network

Statements of Cash Flows Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 6,287,279	\$ (2,559,556)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	87,617	72,432
Allowance for uncollectible water systems receivable	496,392	449,062
Realized and unrealized (gains) losses	(3,205)	7,104
Donated securities	-	(40,729)
(Gain) loss on disposal of asset	3,145	(7,929)
Discount on grants receivable	101,913	(13,474)
Changes in operating assets and liabilities		
Grants receivable	(5,029,971)	1,918,900
Water systems receivable	(1,591,831)	(864,922)
Prepaid expenses and other assets	(9,932)	27,616
Accounts payable and accrued expenses	29,663	115,750
Capital maintenance reserve	44,075	-
Due to affiliate	-	8,548
Net cash provided by (used in) operating activities	415,145	(887,198)
Cash flows from investing activities		
Proceeds from sale of investments	-	2,394
Change in invested cash	(765)	(761)
Purchases of property and equipment	(97,188)	(176,535)
Proceeds from sale of property and equipment	-	24,957
Net cash used in investing activities	(97,953)	(149,945)
Effect of exchange rate changes on cash and cash equivalents	244,682	236,955
Net increase (decrease) in cash and cash equivalents	561,874	(800,188)
Cash and cash equivalents, beginning	2,418,650	3,218,838
Cash and cash equivalents, end	\$ 2,980,524	\$ 2,418,650

See Notes to Financial Statements.

Safe Water Network

Notes to Financial Statements December 31, 2016 and 2015

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.

The Organization 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 the Organization's 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 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, 2016 and 2015.

Safe Water Network

Notes to Financial Statements December 31, 2016 and 2015

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 receivable that are scheduled to be received after the statement of financial position date, or are restricted for a specific purpose, 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. 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, 2016 and 2015, the Organization had cash equivalents of \$2,820,488 and \$2,377,870, respectively.

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. Management has deemed an allowance to be necessary and has recorded an allowance of \$1,055,858 and \$664,040 at December 31, 2016 and 2015, respectively.

Certificates of deposit

At December 31, 2016, the Organization held a certificate of deposit (the "Certificate") yielding 0.3%. The Certificate is held in a financial institution, is federally insured and matures in April 2018. 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.

Safe Water Network

Notes to Financial Statements December 31, 2016 and 2015

Property and equipment

Property and equipment, comprised mainly of various office equipment and furnishings, is stated at cost or, if donated, at its 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 years ended December 31, 2016 and 2015 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, 2016 and 2015. The Organization's federal and state information returns prior to fiscal year 2013 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 statements of financial position.

Functional expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements 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.

Safe Water Network

Notes to Financial Statements December 31, 2016 and 2015

Subsequent events

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through November 6, 2017, 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, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Receivables due in less than 1 year	\$ 2,865,600	\$ 882,500
Receivables due in 1 - 5 years	<u>3,688,471</u>	<u>641,600</u>
	6,554,071	1,524,100
Less discount to present value (1.15%)	<u>(116,604)</u>	<u>(14,691)</u>
	<u>\$ 6,437,467</u>	<u>\$ 1,509,409</u>

Management does not believe an allowance is necessary at December 31, 2016 and 2015. At December 31, 2016, 100% of grants and contributions receivable are from eight sources. At December 31, 2015, 100% of grants and contributions receivable are from three sources.

Note 3 - Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Grants and contributions receivable	\$ 6,437,467	\$ 1,509,409
Financial capacity and internal framework	2,202,062	-
Water purification system development	<u>1,418,641</u>	<u>448,277</u>
Total temporarily restricted net assets	<u>\$ 10,058,170</u>	<u>\$ 1,957,686</u>

Net assets released from restrictions for the years ended December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Financial capacity and internal framework	\$ 1,430,231	\$ 1,295,126
Grants and contributions receivable restricted by time	-	1,485,500
Water purification system development	<u>1,034,052</u>	<u>1,150,326</u>
Total net assets released from restrictions	<u>\$ 2,464,283</u>	<u>\$ 3,930,952</u>

Safe Water Network

Notes to Financial Statements December 31, 2016 and 2015

Note 4 - Investments

The Organization holds various domestic common stocks that have an aggregate fair value of \$96,802 and \$93,597 as of December 31, 2016 and 2015, respectively. Included in the Organization's investment brokerage account are deposit accounts totaling \$140,369 and \$138,694 as of December 31, 2016 and 2015, respectively. The deposit account balances are included in cash equivalents at December 31, 2016 and 2015.

Investment return (loss) for the years ended December 31, 2016 and 2015 consisted of the following:

	2016	2015
Interest and dividend income	\$ 1,675	\$ 671
Unrealized gains (losses)	3,205	(7,104)
Total investment return (loss)	<u>\$ 4,880</u>	<u>\$ (6,433)</u>

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, 2016 and 2015.

The Organization's investment holdings, which consist of various domestic common stocks that have an aggregate fair value of \$96,802 and \$93,597 as of December 31, 2016 and 2015, 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.

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Notes to Financial Statements December 31, 2016 and 2015

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 years ended December 31, 2016 and 2015 were \$21,203 and \$40,316, respectively.

Note 7 - Loan payable

In 2014, the Organization entered into a loan payable agreement with an unrelated third party. Interest-only payments began in 2016, with principal and interest payments commencing January 1, 2018, with a final payment date of December 1, 2029. The interest rate is fixed at 10%.

Aggregate principal repayments for each of the five years subsequent to December 31, 2016 and thereafter are as follows:

2017	\$	-
2018		4,773
2019		5,273
2020		5,825
2021		6,435
Thereafter		<u>82,694</u>
	\$	<u>105,000</u>

Note 8 - Operating lease

The Organization has an agreement to share office space under a sublease agreement which expires May 31, 2019.

Future minimum lease payments in each of the years subsequent to December 31, 2016 are as follows:

2017	\$	99,572
2018		102,559
2019		<u>44,015</u>
	\$	<u>246,146</u>

Rental expense recognized in the accompanying statements of activities for the years ended December 31, 2016 and 2015 was \$96,672 and \$63,648, respectively.

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Notes to Financial Statements December 31, 2016 and 2015

Note 9 - 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 rate 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 statements of activities as a net remeasurement gain or loss. For the years ended December 31, 2016 and 2015, the Organization recognized net remeasurement losses of \$344,700 and \$304,387, respectively. 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 10 - 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 9);
- 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.

Safe Water Network

Notes to Financial Statements December 31, 2016 and 2015

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 is 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.