

SAFE WATER NETWORK

FINANCIAL REPORT

December 31, 2009 and 2008

**W.F. Carothers & Co., LLC
7 Regency Circle
Trumbull, CT 06611**

SAFE WATER NETWORK

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

CONTENTS

	Page
Independent Auditor's Report on Financial Statements	1
Financial Statements and Notes	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Safe Water Network
Westport, Connecticut

We have audited the accompanying statements of financial position of Safe Water Network (a not-for-profit organization) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Safe Water Network's management. Our responsibility is to express an opinion on the 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, 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.

W.F. Carothers & Co., LLC

Trumbull, Connecticut
July 21, 2010

SAFE WATER NETWORK**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008**

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 4,708,370	\$ 4,295,843
Investments	85,640	78,680
Contributions receivable	1,178,564	1,723,823
Prepaid insurance	2,185	2,185
Office equipment, net of accumulated depreciation of \$3,304 and \$969	4,769	4,738
	<u>\$ 5,979,528</u>	<u>\$ 6,105,269</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	<u>\$ 99,205</u>	<u>\$ 25,688</u>
Net assets		
Unrestricted	4,682,847	4,560,851
Temporarily restricted	1,197,476	1,518,730
Permanently restricted	-	-
	<u>5,880,323</u>	<u>6,079,581</u>
	<u>\$ 5,979,528</u>	<u>\$ 6,105,269</u>

See Notes to Financial Statements

SAFE WATER NETWORK

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Contributions								
Foundations	\$ 186,896	\$ 1,267,845	\$ -	\$ 1,454,741	\$ 589,529	\$ 2,624,292	\$ -	\$ 3,213,821
Individuals	10,160	-	-	10,160	785,822	-	-	785,822
Investment return	29,137	-	-	29,137	60,861	-	-	60,861
	<u>226,193</u>	<u>1,267,845</u>	<u>-</u>	<u>1,494,038</u>	<u>1,436,212</u>	<u>2,624,292</u>	<u>-</u>	<u>4,060,504</u>
EXPENSES								
Program services								
Africa	509,114	-	-	509,114	651,503	-	-	651,503
India	760,363	-	-	760,363	350,685	-	-	350,685
Program Development	319,622	-	-	319,622	103,374	-	-	103,374
	<u>1,589,099</u>	<u>-</u>	<u>-</u>	<u>1,589,099</u>	<u>1,105,562</u>	<u>-</u>	<u>-</u>	<u>1,105,562</u>
Supporting activities								
Management and general	69,463	-	-	69,463	59,656	-	-	59,656
Fundraising	34,734	-	-	34,734	29,828	-	-	29,828
	<u>1,693,296</u>	<u>-</u>	<u>-</u>	<u>1,693,296</u>	<u>1,195,046</u>	<u>-</u>	<u>-</u>	<u>1,195,046</u>
Excess of revenue over expenses	(1,467,103)	1,267,845	-	(199,258)	241,166	2,624,292	-	2,865,458
Net assets allocated due to satisfaction of restrictions	<u>1,589,099</u>	<u>(1,589,099)</u>	<u>-</u>	<u>-</u>	<u>1,105,562</u>	<u>(1,105,562)</u>	<u>-</u>	<u>-</u>
Increase in net assets	121,996	(321,254)	-	(199,258)	1,346,728	1,518,730	-	2,865,458
NET ASSETS								
Beginning of year	<u>4,560,851</u>	<u>1,518,730</u>	<u>-</u>	<u>6,079,581</u>	<u>3,214,123</u>	<u>-</u>	<u>-</u>	<u>3,214,123</u>
End of year	<u>\$ 4,682,847</u>	<u>\$ 1,197,476</u>	<u>\$ -</u>	<u>\$ 5,880,323</u>	<u>\$ 4,560,851</u>	<u>\$ 1,518,730</u>	<u>\$ -</u>	<u>\$ 6,079,581</u>

See Notes to Financial Statements

SAFE WATER NETWORK

**STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	Program Services				Supporting Activities		Total
	Africa	India	Program Development	Total Program	Management and General	Fundraising	
2009							
Awards and grants	\$ 152,971	\$ 294,842	\$ -	\$ 447,813			\$ 447,813
Contract services:							
Management	-	-	-	-			
Consulting	-	-	-	-			
Salaries and wages	267,107	384,924	251,129	903,160	\$ 30,360	\$ 15,180	948,700
Employee benefits	1,975	1,974	1,974	5,923	1,692	846	8,461
Director and officer insurance	950	949	949	2,848	814	407	4,069
Legal, accounting and administrative	8,898	21,036	8,897	38,831	7,626	3,813	50,270
Office	2,703	2,456	2,456	7,615	2,105	1,053	10,773
Occupancy	3,558	3,558	3,557	10,673	3,049	1,525	15,247
Travel	50,863	30,533	30,569	111,965	6,596	3,298	121,859
Depreciation	544	545	545	1,634	467	234	2,335
Conferences	1,530	1,530	1,530	4,590	1,312	656	6,558
Photos/videos	3,038	3,038	3,038	9,114	2,604	1,302	13,020
Communications	13,807	13,808	13,808	41,423	11,835	5,918	59,176
Miscellaneous	1,170	1,170	1,170	3,510	1,003	502	5,015
	<u>\$ 509,114</u>	<u>\$ 760,363</u>	<u>\$ 319,622</u>	<u>\$ 1,589,099</u>	<u>\$ 69,463</u>	<u>\$ 34,734</u>	<u>\$ 1,693,296</u>
2008							
Awards and grants	\$ 220,010	\$ 110,000	\$ 25,000	\$ 355,010			\$ 355,010
Contract services:							
Management	118,800	59,400	19,800	198,000	\$ -	\$ -	198,000
Consulting	157,883	78,942	26,314	263,139	-	-	263,139
Salaries and wages	104,143	52,071	17,357	173,571	49,592	24,796	247,959
Employee benefits	4,546	2,273	757	7,576	2,165	1,082	10,823
Director and officer insurance	850	425	142	1,417	405	202	2,024
Legal, accounting and administrative	4,061	2,030	677	6,768	1,934	967	9,669
Office	3,778	1,889	630	6,297	1,799	900	8,996
Occupancy	3,491	1,745	582	5,818	1,662	831	8,311
Travel	32,058	40,968	11,802	84,828	1,202	601	86,631
Depreciation	292	146	49	487	139	70	696
Miscellaneous	1,591	796	264	2,651	758	379	3,788
	<u>\$ 651,503</u>	<u>\$ 350,685</u>	<u>\$ 103,374</u>	<u>\$ 1,105,562</u>	<u>\$ 59,656</u>	<u>\$ 29,828</u>	<u>\$ 1,195,046</u>

See Notes to Financial Statements

SAFE WATER NETWORK

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
OPERATING ACTIVITIES		
(Decrease) Increase in net assets	\$ (199,258)	\$ 2,865,458
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,335	696
Unrealized investment (gain) loss	(6,960)	7,120
Contribution of marketable securities	-	(85,800)
Changes in operating assets and liabilities:		
Contributions receivable	545,259	(1,723,823)
Prepaid insurance	-	(2,185)
Accounts payable and accrued expenses	73,517	(5,131)
Net cash provided by operating activities	414,893	1,056,335
INVESTING ACTIVITIES		
Purchase of office equipment	(2,366)	(4,067)
Net cash used in investing activities	(2,366)	(4,067)
NET INCREASE IN CASH AND CASH EQUIVALENTS	412,527	1,052,268
CASH AND CASH EQUIVALENTS		
Beginning of year	4,295,843	3,243,575
End of year	\$ 4,708,370	\$ 4,295,843

See Notes to Financial Statements

SAFE WATER NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization Activities and Tax-Exempt Status

Organization Activities and Support

Safe Water Network is organized as a not-for-profit corporation dedicated to advancing innovative approaches to delivering safe, reliable and affordable drinking water to the world's poor. Safe Water Network's priority is to take a long-term, integrated approach to demonstrate the potential for new water solutions by collaborating with private and public stakeholders, local organizations, public health experts and local and international providers of technology, services and funding. Safe Water Network is developing a diverse set of partnerships through which to create affordable and sustainable solutions that can be widely replicated over time.

Safe Water Network receives substantially all of its financial support from significant contributions from corporations, foundations and a few individuals.

Tax-Exempt Status

Safe Water Network was incorporated on December 1, 2005 in the District of Columbia and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and classified as a publicly supported charitable organization under IRC Section 509(a)(1); therefore, donations qualify for the maximum charitable contribution deduction under IRC Section 170(b)(1)(A)(vi). Safe Water Network is similarly exempt from income taxes in Connecticut and in the District of Columbia.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

Safe Water Network's financial statements are prepared in accordance with accounting principles generally accepted in the United States applicable to not-for-profit organizations.

Use of Estimates

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

Cash and Cash Equivalents

Safe Water Network considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Safe Water Network maintains its cash accounts at one financial institution. These accounts are guaranteed by the Federal Deposit

SAFE WATER NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Insurance Corporation up to an aggregate maximum of \$250,000. As of December 31, 2009, Safe Water Network had approximately \$3,168,000 of uninsured cash balances. Safe Water Network has not experienced any losses in such accounts and believes it is not exposed to any significant risk in maintaining its cash accounts with this financial institution.

Investments

Investments in marketable securities are carried at fair value, based on current market quotes, in accordance with generally accepted accounting principles applicable to not-for-profit organizations.

Contributions Receivable

Contributions are recognized when a donor makes a promise to give to Safe Water Network that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. For contributions which are not expected to be received within one year, the receivables are discounted to their present value using an appropriate discount rate at the date of the promise to give.

Safe Water Network reviews all contributions receivable to determine whether a valuation allowance should be established. The allowance is based on prior years' experience and management's analysis of specific promises made. As of December 31, 2009 and 2008, all contributions receivable were considered to be collectible.

Property and Equipment

Safe Water Network's policy is to capitalize all property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Safe Water Network reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Safe Water Network reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

SAFE WATER NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Net Asset Classifications

Safe Water Network is required to report information on its financial position and activities according to three classes of net assets: permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. Descriptions of the three types of net assets are as follows:

1. Permanently restricted – Net assets resulting from contributions of assets whose use by Safe Water Network is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Safe Water Network. There are no permanently restricted net assets as of December 31, 2009 and 2008.
2. Temporarily restricted – Net assets resulting from contributions of assets whose use by Safe Water Network is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Safe Water Network pursuant to those stipulations.
3. Unrestricted – Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions.

Recognition and Classification of Revenue and Expenses

As required under generally accepted accounting principles applicable to not-for-profit organizations, all contributions are recognized as revenue in the statement of activities in the period received, including unconditional pledges receivable. Contributions received with donor stipulations as to their intended use are reported in the statements of activities as restricted revenues, consistent with the donor's intent.

Revenue from exchange transactions is recognized when earned and excluded from contributions. Bequests, if any, are considered unconditional promises and recognized at the time Safe Water Network's right to them is established by a court and to the extent the value of the proceeds is subject to reasonable estimation.

Non-cash (in-kind) gifts of securities, services, materials or long-lived assets are recorded at fair value at the time of the gift, except for donated services that do not meet the recognition criteria of generally accepted accounting principles applicable to not-for-profit organizations, including a substantial number of volunteer hours donated by individuals primarily for administrative activities.

As required by generally accepted accounting principles applicable to not-for-profit organizations, all recorded expenses are charged to unrestricted net assets, regardless of how funded. Temporarily restricted net assets are released and reclassified as unrestricted following compliance with, or expiration of, related restrictions.

Certain expenses are allocated functionally to program services and supporting activities on the basis of management estimates.

SAFE WATER NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments and Investment Return

As of December 31, 2009 and 2008, Safe Water Network's investments in marketable securities are as follows (at fair value):

	<u>2009</u>	<u>2008</u>
Common stock (cost of \$85,800)	\$ 85,640	\$ 78,680

Investment return consists of the following:

Interest and dividends	\$ 22,177	\$ 67,981
Unrealized gain (loss)	6,960	(7,120)
	<u>\$ 29,137</u>	<u>\$ 60,861</u>

Note 4. Contributions Receivable

During 2008, one foundation unconditionally promised to give \$2,500,000 in four equal payments, the first of which was received in 2008. The promises to be received one year or later after the promise have been discounted at 5%, which was the prime rate on the date of the promise. As of December 31, 2009, the promised remaining contributions to be received are as follows:

2010	\$ 625,000
2011	625,000
	<u>1,250,000</u>
Less: present value component	71,436
Contributions receivable, net	<u>\$ 1,178,564</u>

Note 5. Related Party Transactions

Essentially all of the 2009 and 2008 contributions were received from individuals who were officers and/or directors of Safe Water Network; or received from foundations where an individual from that foundation served as a director of Safe Water Network.

SAFE WATER NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 5. Related Party Transactions (continued)

During 2008, a contribution of \$500,000 that was received in a prior year from a foundation was refunded to that foundation in 2008 and recorded as a reduction of unrestricted contribution revenue in 2008. This foundation had a member who was a board member of Safe Water Network at the time the \$500,000 contribution was received.

During 2008, management consulting fees of \$198,000 were incurred and paid to a firm in which a partner in the firm was a close relative of a board member and that board member also controlled one of the foundations that made a 2008 contribution. The consulting arrangement was terminated as of June 30, 2008.

Safe Water Network has a month-to-month operating lease for office space with the same firm as discussed in the paragraph immediately above. Rent expense for 2009 and 2008 was \$15,247 and \$8,311, respectively.

Note 6. Risk Concentrations

Safe Water Network's 2009 and 2008 contributions were essentially all significant contributions, but from a small number of donors.