

**WATERAID AMERICA, INC.
FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)
FOR THE YEAR ENDED MARCH 31, 2007
(WITH COMPARATIVE TOTALS FOR 2006)**

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CERTIFIED PUBLIC ACCOUNTANTS

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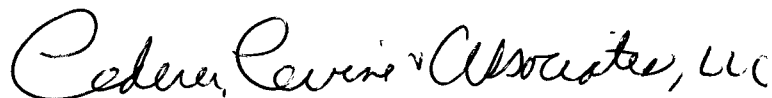
INDEPENDENT AUDITORS' REPORT

The Board of Directors
WaterAid America, Inc.

We have audited the accompanying statement of financial position of WaterAid America, Inc. ("WaterAid") as of March 31, 2007 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of WaterAid's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from WaterAid's 2006 financial statements and, in our report dated August 24, 2006, we expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These 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 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 audit provides 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 WaterAid America, Inc. as of March 31, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Lederer, Levine & Associates, LLC

New York, NY
June 25, 2007

WATERAID AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash (Notes B and E)	\$ 2,270,446	\$ 1,651,859
Pledges receivable (Note C)	2,711,671	56,060
Other receivables	23,853	
Prepaid expenses	25,837	1,306
Property and equipment - net (Notes B and D)	12,015	
Security deposit	8,577	
TOTAL ASSETS	<u>\$ 5,052,399</u>	<u>\$ 1,709,225</u>
 LIABILITIES		
Accrued expenses payable	\$ <u>89,448</u>	\$ <u>18,060</u>
TOTAL LIABILITIES	<u>89,448</u>	<u>18,060</u>
 Commitments and Contingencies (Note G)		
 NET ASSETS		
Unrestricted	1,659,740	677,442
Temporarily restricted (Note H)	<u>3,303,211</u>	<u>1,013,723</u>
TOTAL NET ASSETS	<u>4,962,951</u>	<u>1,691,165</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,052,399</u>	<u>\$ 1,709,225</u>

The accompanying notes are an integral part of these financial statements.

WATERAID AMERICA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	2007		2006
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE			
Contributions - foundations and corporations (Note E)	\$ 2,098,171	\$ 2,711,671	\$ 4,809,842
Contributions - individuals and others	134,957		134,957
Contributed services, materials and facilities (Note B)	5,607		5,607
Special events (net of expenses of \$3,134 in 2006)			128,412
Investment income (Note F)	46,400	28,510	74,910
Net assets released from restrictions	450,693	(450,693)	13,951
	2,735,828	2,289,488	5,025,316
TOTAL SUPPORT AND REVENUE			1,534,192
EXPENSES:			
Program services	1,175,193		1,175,193
Management and general	355,027		355,027
Fundraising and development	223,310		223,310
	1,753,530		1,753,530
TOTAL EXPENSES			931,037
Change in net assets	982,298	2,289,488	3,271,786
Net Assets - Beginning of Year	677,442	1,013,723	1,691,165
NET ASSETS - END OF YEAR	\$ 1,659,740	\$ 3,303,211	\$ 4,962,951
			\$ 1,691,165

The accompanying notes are an integral part of these financial statements.

WATERAID AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	2007		2006	
	Program Services	Management and General	Fundraising and Development	Total
Personnel expenses and benefits (Note B)	\$ 97,421	\$ 184,421	\$ 158,857	\$ 440,699
Temporary services		13,318		13,318
Total personnel expenses and benefits	97,421	197,739	158,857	454,017
Program and grant expense	969,487			969,487
Occupancy (Notes B and G)	9,206	18,412	9,206	36,824
Outside services and professional fees	54,107	82,586	28,406	165,099
Recruitment costs		15,366		15,366
Office and administrative	15,036	38,219	16,133	69,388
Travel, conferences and promotion	29,602	902	10,168	40,672
Depreciation expense	334	667	334	1,335
Other		1,136	206	1,342
Total Expenses	\$ 1,175,193	\$ 355,027	\$ 223,310	\$ 1,753,530
				\$ 931,037

The accompanying notes are an integral part of these financial statements.

WATERAID AMERICA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,271,786	\$ 603,155
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,335	
Changes in operating assets and liabilities:		
Increase (decrease) in assets:		
Pledges receivable	(2,655,611)	831,619
Other receivables	(23,853)	
Prepaid expenses	(24,531)	(1,306)
Security deposit	(8,577)	
Increase in liabilities:		
Accrued expenses payable	<u>71,388</u>	<u>3,555</u>
Net Cash Provided by Operating Activities	<u>631,937</u>	<u>1,437,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(13,350)</u>	
NET INCREASE IN CASH	618,587	1,437,023
Cash - beginning of year	<u>1,651,859</u>	<u>214,836</u>
CASH - END OF YEAR	<u>\$ 2,270,446</u>	<u>\$ 1,651,859</u>
Supplementary disclosure:		
Interest paid for the year	<u>\$ -0-</u>	<u>\$ -0-</u>

The accompanying notes are an integral part of these financial statements.

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Note A - Organization and Nature of Activities

WaterAid America Inc. (the "Organization") is an exempt organization within the meaning of section 501 (c) (3) of the Internal Revenue Code. The Organization was incorporated under the laws of Delaware on January 9, 2003 and currently has offices in New York City, NY.

The Organizations mission is to ensure the provision of water, sanitation and hygiene education to the world's poorest people; we accomplish this mission by supporting partner organizations in low-income countries to deliver water and sanitation services, by educating the United States ("US") public about this issue and the urgent need for solutions, and through outreach and advocacy with key audiences in the US.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting. The Organization follows accounting principles generally accepted in the United States of America which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board and the American Institute of Certified Public Accountants.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of less than three months to be cash equivalents.

Restricted Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increased in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

Contributed Services, Materials and Facilities

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. The Organization capitalizes property and equipment with a useful life of two years or more and a cost of \$2,000 or more.

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

Note C - Pledges Receivable

Pledges receivable consist of the following as of March 31, 2007 and 2006.

Unconditional promises to be collected in:

	<u>2007</u>	<u>2006</u>
Less than one year	\$ 1,272,437	\$ 56,060
One to five years	<u>1,566,104</u>	
	2,838,541	<u>\$ 56,060</u>
Less: net present value discount	<u>126,870</u>	
	<u>\$ 2,711,671</u>	

Note D – Property and Equipment

Property and equipment consist of the following at March 31, 2007:

	<u>2007</u>
Furniture and computers	\$ 13,350
Less: Accumulated depreciation	<u>1,335</u>
Total	<u>\$ 12,015</u>

Note E – Concentrations

- 1) For the year ended March 31, 2006, approximately 25% of WaterAid America, Inc.'s contributions was received from one donor.
- 2) The organization maintains various bank accounts at banks which are institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per depositor. At March 31, 2007 and 2006, the uninsured cash balances approximate \$2,207,000 and \$1,452,000. Management believes that credit risk related to these accounts is minimal.

Note F – Investment Income

Investment income consisted of the following at March 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Interest income	\$ 75,003	\$ 13,951
Realized (loss) on sales of investments	<u>(93)</u>	
Total	<u>\$ 74,910</u>	<u>\$ 13,951</u>

WATERAID AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007
(Continued)

Note G - Commitments and Contingencies

In June 2006, the organization moved to new offices in Manhattan, NYC. The minimum rental commitments on noncancelable leases are summarized as follows.

For the year ended March 31: 2008	\$ 35,082
2009	\$ 36,132
2010	\$ 37,215
2011	\$ 9,372

Note H - Temporarily Restricted Net Assets

Temporarily restricted net assets were subject to the following restrictions as of March 31, 2007 and March 31, 2006:

	<u>2007</u>	<u>2006</u>
Expenditures for program services and start-up costs	\$ 591,540	\$ 957,662
Program services and time restrictions	2,711,671	51,246
Time restriction only		4,815
	<u>\$ 3,303,211</u>	<u>\$1,013,723</u>