

THE WATER TRUST, INC.

**CONSOLIDATING FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

MARCH 31, 2016 AND 2015

THE WATER TRUST, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Water Trust, Inc.

We have audited the accompanying consolidating financial statements of The Water Trust, Inc. (a nonprofit organization), which comprise the consolidating statements of financial position as of March 31, 2016 and 2015, and the related consolidating statements of activities 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 consolidating 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 consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audits. We did not audit the financial statements of The Water Trust Limited, a foreign subsidiary, which statements reflect total assets of \$134,108 and \$188,303 as of March 31, 2016 and 2015, respectively, and total support and revenue of \$309,624 and \$429,991, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Water Trust Limited, is based solely on the report of the other auditors. 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 consolidating financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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, based on our audits and the report of the other auditors, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of The Water Trust, Inc. as of March 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.

Lotz + Carr, LLP

New York, New York
February 8, 2017

THE WATER TRUST, INC.

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2016 AND 2015

	2016				2015			
	The Water Trust, Inc.	The Water Trust Limited	Consolidating Entries	Consolidated Totals	The Water Trust, Inc.	The Water Trust Limited	Consolidating Entries	Consolidated Totals
Assets								
Cash	\$ 76,005	\$ 39,996	\$ -	\$ 116,001	\$ 195,381	\$ 41,053	\$ -	\$ 236,434
Unconditional promises to give (Notes 1c and 4)								
Unrestricted	-	-	-	-	7,500	-	-	7,500
Restricted to future programs and periods	-	10,817	(10,817)	-	192,000	59,141	(59,141)	192,000
Accounts receivable	-	1,418	-	1,418	-	8,534	-	8,534
Prepaid expenses and other assets	1,200	1,782	-	2,982	1,200	-	-	1,200
Water pump inventory	-	28,129	-	28,129	-	13,754	-	13,754
Property and equipment, net of accumulated depreciation (Notes 1d and 5)	19,437	51,966	-	71,403	30,326	65,821	-	96,147
Total Assets	\$ 96,642	\$ 134,108	\$ (10,817)	\$ 219,933	\$ 426,407	\$ 188,303	\$ (59,141)	\$ 555,569
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 21,193	\$ 54,288	\$ (10,817)	\$ 64,664	\$ 78,623	\$ 44,016	\$ (59,141)	\$ 63,498
Commitments (Note 8)								
Net Assets								
Unrestricted	(53,901)	69,003	-	15,102	101,616	85,146	-	186,762
Temporarily restricted (Note 2b)	129,350	10,817	-	140,167	246,168	59,141	-	305,309
Total Net Assets	75,449	79,820	-	155,269	347,784	144,287	-	492,071
Total Liabilities and Net Assets	\$ 96,642	\$ 134,108	\$ (10,817)	\$ 219,933	\$ 426,407	\$ 188,303	\$ (59,141)	\$ 555,569

See notes to consolidating financial statements.

THE WATER TRUST, INC.

CONSOLIDATING STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2016 AND 2015

	2016				2015			
	The Water Trust, Inc.	The Water Trust Limited	Consolidating Entries	Consolidated Totals	The Water Trust, Inc.	The Water Trust Limited	Consolidating Entries	Consolidated Totals
Changes in Unrestricted Net Assets								
Revenue and Support								
Contributions (Notes 3 and 6)	\$ 129,356	\$ 297,876	\$ (285,648)	\$ 141,584	\$ 250,464	\$ 364,108	\$ (345,376)	\$ 269,196
Donated services (Note 7)	10,903	-	-	10,903	271,321	-	-	271,321
Other income	538	1,330	-	1,868	7,383	1,025	-	8,408
Gain (loss) on disposal of assets	-	(399)	-	(399)	-	5,637	-	5,637
Net assets released from restrictions								
Satisfaction of time and program restrictions	298,699	59,141	(10,817)	347,023	509,878	50,207	(59,141)	500,944
Total Revenue and Support	<u>439,496</u>	<u>357,948</u>	<u>(296,465)</u>	<u>500,979</u>	<u>1,039,046</u>	<u>420,977</u>	<u>(404,517)</u>	<u>1,055,506</u>
Expenses								
Program Services	460,123	367,487	(303,231)	524,379	616,310	398,817	(434,460)	580,667
Supporting Services								
Management and general	68,043	-	-	68,043	328,930	-	-	328,930
Fundraising	66,847	-	-	66,847	53,533	-	-	53,533
Total Supporting Services	<u>134,890</u>	<u>-</u>	<u>-</u>	<u>134,890</u>	<u>382,463</u>	<u>-</u>	<u>-</u>	<u>382,463</u>
Total Expenses	<u>595,013</u>	<u>367,487</u>	<u>(303,231)</u>	<u>659,269</u>	<u>998,773</u>	<u>398,817</u>	<u>(434,460)</u>	<u>963,130</u>
Increase (Decrease) in Unrestricted Net Assets Before Item Below	(155,517)	(9,539)	6,766	(158,290)	40,273	22,160	29,943	92,376
Foreign currency translation adjustment	-	(6,604)	(6,766)	(13,370)	-	(6,992)	(29,943)	(36,935)
Increase (Decrease) in Unrestricted Net Assets	<u>(155,517)</u>	<u>(16,143)</u>	<u>-</u>	<u>(171,660)</u>	<u>40,273</u>	<u>15,168</u>	<u>-</u>	<u>55,441</u>
Changes in Temporarily Restricted Net Assets								
Contributions (Notes 3 and 6)	181,881	10,817	(10,817)	181,881	659,635	59,141	(59,141)	659,635
Net assets released from restrictions	<u>(298,699)</u>	<u>(59,141)</u>	<u>10,817</u>	<u>(347,023)</u>	<u>(509,878)</u>	<u>(50,207)</u>	<u>59,141</u>	<u>(500,944)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(116,818)</u>	<u>(48,324)</u>	<u>-</u>	<u>(165,142)</u>	<u>149,757</u>	<u>8,934</u>	<u>-</u>	<u>158,691</u>
Increase (decrease) in net assets (Note 2a)	(272,335)	(64,467)	-	(336,802)	190,030	24,102	-	214,132
Net assets, beginning of year	<u>347,784</u>	<u>144,287</u>	<u>-</u>	<u>492,071</u>	<u>157,754</u>	<u>120,185</u>	<u>-</u>	<u>277,939</u>
Net Assets, End of Year	<u>\$ 75,449</u>	<u>\$ 79,820</u>	<u>\$ -</u>	<u>\$ 155,269</u>	<u>\$ 347,784</u>	<u>\$ 144,287</u>	<u>\$ -</u>	<u>\$ 492,071</u>

See notes to consolidating financial statements.

THE WATER TRUST, INC.

CONSOLIDATING STATEMENT OF CASH FLOWS

YEARS ENDED MARCH 31, 2016 AND 2015

	2016				2015			
	The Water Trust, Inc.	The Water Trust Limited	Consolidating Entries	Consolidated Totals	The Water Trust, Inc.	The Water Trust Limited	Consolidating Entries	Consolidated Totals
Cash Flows From Operating Activities								
Increase (decrease) in net assets	\$ (272,335)	\$(64,467)	\$ -	\$ (336,802)	\$ 190,030	\$ 24,102	\$ -	\$ 214,132
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:								
Effect of exchange rate changes on fixed assets	-	7,722	-	7,722	-	7,270	-	7,270
Depreciation	11,754	15,904	-	27,658	5,627	20,074	-	25,701
(Gain) loss on disposal of fixed assets	-	399	-	399	-	(5,637)	-	(5,637)
(Increase) decrease in:								
Unconditional promises to give	199,500	48,324	10,817	258,641	(199,500)	(59,141)	59,141	(199,500)
Accounts receivables	-	7,116	-	7,116	-	(8,534)	-	(8,534)
Prepaid expenses	-	(1,782)	-	(1,782)	-	57,024	-	57,024
Water pump inventory	-	(14,375)	-	(14,375)	-	(10,167)	-	(10,167)
Increase (decrease) in accounts payable	(57,430)	10,272	(10,817)	(57,975)	64,950	14,548	(59,141)	20,357
Net Cash Provided (Used) By Operating Activities	(118,511)	9,113	-	(109,398)	61,107	39,539	-	100,646
Cash Flows From Investing Activities								
Purchase of fixed assets	(865)	(10,170)	-	(11,035)	(34,668)	(37,320)	-	(71,988)
Net increase (decrease) in cash	(119,376)	(1,057)	-	(120,433)	26,439	2,219	-	28,658
Cash, beginning of year	195,381	41,053	-	236,434	168,942	38,834	-	207,776
Cash, End of Year	<u>\$ 76,005</u>	<u>\$ 39,996</u>	<u>\$ -</u>	<u>\$ 116,001</u>	<u>\$ 195,381</u>	<u>\$ 41,053</u>	<u>\$ -</u>	<u>\$ 236,434</u>

See notes to consolidating financial statements.

THE WATER TRUST, INC.**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS****MARCH 31, 2016 AND 2015****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The Water Trust, Inc. was incorporated as a not-for-profit corporation in Connecticut on June 18, 2007. The Water Trust Limited was incorporated in The Republic of Uganda in 2012 as a non-governmental organization to conduct program activities in Africa. The mission of The Water Trust, Inc. and The Water Trust Limited (together the "Organization") is to develop and implement sustainable access to clean water, improved sanitation, and proper hygiene knowledge in partnership with the rural poor in Africa.

b - Principles of Consolidation

The accompanying consolidating financial statements include the accounts of The Water Trust, Inc. and The Water Trust Limited, which are under common control through an overlapping board of directors. All significant intercompany transactions have been eliminated.

c - Contributions and Unconditional Promises to Give

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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

d - Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets.

e - Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

f - Estimates

The preparation of consolidating 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.

g - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management.

THE WATER TRUST, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

h - Tax Status

The Water Trust, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

The Water Trust Limited was formed as a non-governmental organization under the laws of the Republic of Uganda. Accordingly, it is subject to separate filing and reporting requirements in its country of formation.

i - Subsequent Events

The Organization has evaluated subsequent events through February 8, 2017, the date that the consolidating financial statements are considered available to be issued.

Note 2 - Restricted Net Assets

a - Changes in Net Assets

The following summarizes the Organization's changes in net assets for the years ended March 31:

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balance, beginning of year	\$186,762	\$305,309	\$ 492,071
Revenue and support	153,956	181,881	335,837
Net assets released from restrictions	347,023	(347,023)	-
Expenses	(659,269)	-	(659,269)
Foreign currency translation adjustment	<u>(13,370)</u>	<u>-</u>	<u>(13,370)</u>
Balance, End of Year	<u>\$ 15,102</u>	<u>\$140,167</u>	<u>\$ 155,269</u>
	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balance, beginning of year	\$131,321	\$146,618	\$ 277,939
Revenue and support	554,562	659,635	1,214,197
Net assets released from restrictions	500,944	(500,944)	-
Expenses	(963,130)	-	(963,130)
Foreign currency translation adjustment	<u>(36,935)</u>	<u>-</u>	<u>(36,935)</u>
Balance, End of Year	<u>\$186,762</u>	<u>\$305,309</u>	<u>\$ 492,071</u>

THE WATER TRUST, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

Note 2 - Restricted Net Assets (continued)

b - Temporarily Restricted Net Assets

Temporarily restricted net assets at March 31, 2016 and 2015 are restricted for future programs and periods.

Note 3 - Concentration

During each of the years ended March 31, 2016 and 2015, the Organization received contributions from two donors which represented approximately 58% and 54% of total contributions, respectively. Related amounts due represented approximately 96% of unconditional promises to give as of March 31, 2015.

Note 4 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

Note 5 - Property and Equipment

Property and equipment consists of the following:

		2016		
	Life	The Water Trust, Inc.	The Water Trust Limited	Total
Vehicles	4 years	\$ -	\$ 82,873	\$ 82,873
Machinery and equipment	5-7 years	-	13,713	13,713
Website and software	3 years	32,689	-	32,689
Computer equipment	3-5 years	5,039	5,679	10,718
Office equipment	3-5 years	1,143	4,026	5,169
Office furniture	5-7 years	381	1,900	2,281
		39,252	108,191	147,443
Less: Accumulated depreciation		(19,815)	(56,225)	(76,040)
		<u>\$ 19,437</u>	<u>\$ 51,966</u>	<u>\$ 71,403</u>

THE WATER TRUST, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

Note 5 - Property and Equipment (continued)

	<u>Life</u>	2015		<u>Total</u>
		<u>The Water Trust, Inc.</u>	<u>The Water Trust Limited</u>	
Vehicles	4 years	\$ -	\$ 89,017	\$ 89,017
Machinery and equipment	5-7 years	-	12,422	12,422
Website and software	3 years	32,689	-	32,689
Computer equipment	3-5 years	4,174	3,078	7,252
Office equipment	3-5 years	1,143	4,876	6,019
Office furniture	5-7 years	<u>381</u>	<u>1,685</u>	<u>2,066</u>
		38,387	111,078	149,465
Less: Accumulated depreciation		<u>(8,061)</u>	<u>(45,257)</u>	<u>(53,318)</u>
		<u>\$ 30,326</u>	<u>\$ 65,821</u>	<u>\$ 96,147</u>

Depreciation expense for the years ended March 31, 2016 and 2015 was \$27,658 and \$25,701, respectively.

Note 6 - Contribution Revenue

The following summarizes contribution revenue (excluding intercompany transactions) for the years ended March 31:

	2016			<u>Total</u>
	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	
	<u>The Water Trust, Inc.</u>	<u>The Water Trust Limited</u>	<u>The Water Trust, Inc.</u>	
Foundations	\$ 3,508	\$12,228	\$176,000	\$191,736
Individuals	116,650	-	5,881	122,531
Corporations	<u>9,198</u>	<u>-</u>	<u>-</u>	<u>9,198</u>
	<u>\$129,356</u>	<u>\$12,228</u>	<u>\$181,881</u>	<u>\$323,465</u>
	2015			<u>Total</u>
	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	
	<u>The Water Trust, Inc.</u>	<u>The Water Trust Limited</u>	<u>The Water Trust, Inc.</u>	
Foundations	\$ -	\$18,732	\$603,065	\$621,797
Individuals	239,454	-	56,570	296,024
Corporations	<u>11,010</u>	<u>-</u>	<u>-</u>	<u>11,010</u>
	<u>\$250,464</u>	<u>\$18,732</u>	<u>\$659,635</u>	<u>\$928,831</u>

THE WATER TRUST, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

Note 7 - Donated Services

Donated services consist of the following:

	<u>2016</u>	<u>2015</u>
Legal	\$10,903	\$ 21,321
Strategic rebranding services	<u>-</u>	<u>250,000</u>
Total	<u>\$10,903</u>	<u>\$271,321</u>

Note 8 - Commitment

The Water Trust, Inc. has leased office space on a month-to-month basis. The Water Trust Limited has leased office space in Uganda through March 31, 2018. Minimum annual rentals due under its current lease are summarized as follows:

<u>Year Ending March 31,</u>	
2017	\$3,918
2018	3,295

Rent expense for the years ended March 31, 2016 and 2015 was \$19,887 and \$24,384, respectively.

SUPPLEMENTARY INFORMATION



LUZ AND CARR

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
The Water Trust, Inc.

We have audited the consolidating financial statements of The Water Trust, Inc. as of and for the years ended March 31, 2016 and 2015, and our report thereon dated February 8, 2017, which expressed an unmodified opinion on those consolidating financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The Consolidating Schedule of Functional Expenses for the year ended March 31, 2016 with comparative totals for 2015 is presented for purposes of additional analysis and is not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidating financial statements as a whole.

Lutz + Carr, LLP

New York, New York
February 8, 2017

THE WATER TRUST, INC.

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	The Water Trust, Inc.				The Water Trust Limited				Consolidating Entries	2016	2015
	Program Services	Supporting Services			Program Services	Supporting Services				Consolidated Total Expenses	Consolidated Total Expenses
		Management and General	Fundraising	Total		Management and General	Fundraising	Total			
Salaries, payroll taxes and benefits	\$ 93,175	\$ 35,061	\$ 25,135	\$153,371	\$ 79,254	\$ -	\$ -	\$ 79,254	\$ -	\$ 232,625	\$ 205,112
Direct program construction costs	-	-	-	-	186,693	-	-	186,693	-	186,693	213,388
Vehicular expenses	-	-	-	-	35,580	-	-	35,580	-	35,580	50,605
Contract and professional services	39,575	7,267	12,422	59,264	5,404	-	-	5,404	-	64,668	116,569
Donated professional services	-	10,903	-	10,903	-	-	-	-	-	10,903	271,321
Marketing	287	-	2,272	2,559	747	-	-	747	-	3,306	2,472
Travel and conferences	10,582	3,594	15,570	29,746	6,928	-	-	6,928	-	36,674	21,565
Grant expense	303,231	-	-	303,231	-	-	-	-	(303,231)	-	-
Rent, office and phone expenses	7,522	6,526	5,396	19,444	18,964	-	-	18,964	-	38,408	48,802
Bank fees and miscellaneous expenses	1,049	1,166	2,526	4,741	18,013	-	-	18,013	-	22,754	7,595
Depreciation expense	4,702	3,526	3,526	11,754	15,904	-	-	15,904	-	27,658	25,701
Total Expenses, 2016	<u>\$460,123</u>	<u>\$ 68,043</u>	<u>\$ 66,847</u>	<u>\$595,013</u>	<u>\$367,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$367,487</u>	<u>\$ (303,231)</u>	<u>\$ 659,269</u>	
Total Expenses, 2015	<u>\$616,310</u>	<u>\$ 328,930</u>	<u>\$ 53,533</u>	<u>\$998,773</u>	<u>\$398,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$398,817</u>	<u>\$ (434,460)</u>		<u>\$ 963,130</u>

See independent auditors' report on supplementary information.