

**Safe Water Network
and Subsidiary**

**Consolidated Financial Statements
and Independent Auditor's Report**

December 31, 2020 and 2019

Safe Water Network and Subsidiary

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Independent Auditor's Report

To the Board of Directors
Safe Water Network

We have audited the accompanying consolidated financial statements of Safe Water Network and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Safe Water Network and Subsidiary as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Hartford, Connecticut
June 22, 2021

Safe Water Network and Subsidiary

**Consolidated Statements of Financial Position
December 31, 2020 and 2019**

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 2,847,933	\$ 2,414,978
Grants and contributions receivable, net	1,009,675	2,835,734
Accounts receivable	283,582	-
Prepaid expenses and other assets	279,315	138,368
Certificate of deposit	-	103,445
Investments in water systems - Ghana, net	2,172,384	2,145,721
Property and equipment, net of accumulated depreciation of \$451,520 and \$385,957	<u>173,029</u>	<u>77,281</u>
Total assets	<u><u>\$ 6,765,918</u></u>	<u><u>\$ 7,715,527</u></u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 168,220	\$ 219,238
Refundable advance - PPP loan	285,175	-
Loans payable	<u>110,393</u>	<u>113,104</u>
Total liabilities	<u>563,788</u>	<u>332,342</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	2,523,643	1,952,876
With donor restrictions	<u>3,678,487</u>	<u>5,430,309</u>
Total net assets	<u>6,202,130</u>	<u>7,383,185</u>
Total liabilities and net assets	<u><u>\$ 6,765,918</u></u>	<u><u>\$ 7,715,527</u></u>

See Notes to Financial Statements.

Safe Water Network and Subsidiary

Consolidated Statement of Activities Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues and other support			
Grants and contributions			
Foundations	\$ 42,437	\$ 2,005,455	\$ 2,047,892
Corporations and other	28,183	628,933	657,116
Individuals	808,215	-	808,215
Water delivery sales	531,146	-	531,146
Interest and dividend income	1,377	-	1,377
Other income	213,009	-	213,009
Net assets released from restrictions	4,386,210	(4,386,210)	-
	<u>6,010,577</u>	<u>(1,751,822)</u>	<u>4,258,755</u>
Total revenues and other support			
Expenses			
Program services			
Africa	2,693,879	-	2,693,879
India	990,895	-	990,895
Program development	615,123	-	615,123
	<u>4,299,897</u>	<u>-</u>	<u>4,299,897</u>
Total program services			
Supporting services			
Management and general	511,227	-	511,227
Fundraising	501,989	-	501,989
	<u>1,013,216</u>	<u>-</u>	<u>1,013,216</u>
Total supporting services			
Total expenses	<u>5,313,113</u>	<u>-</u>	<u>5,313,113</u>
Change in net assets before other changes	697,464	(1,751,822)	(1,054,358)
Other changes			
Foreign currency remeasurement loss	(126,697)	-	(126,697)
Change in net assets	570,767	(1,751,822)	(1,181,055)
Net assets, beginning	1,952,876	5,430,309	7,383,185
Net assets, ending	<u>\$ 2,523,643</u>	<u>\$ 3,678,487</u>	<u>\$ 6,202,130</u>

See Notes to Financial Statements.

Safe Water Network and Subsidiary

Consolidated Statement of Activities Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues and other support			
Grants and contributions			
Foundations	\$ 72,000	\$ 3,815,590	\$ 3,887,590
Corporations and other Individuals	1,212,401	41,939	1,254,340
Individuals	66,967	623,233	690,200
Water delivery sales	390,091	-	390,091
Interest and dividend income	2,903	-	2,903
Realized loss on investments	25,476	-	25,476
Other income	84,019	-	84,019
Net assets released from restrictions	3,645,273	(3,645,273)	-
Total revenues and other support	5,499,130	835,489	6,334,619
Expenses			
Program services			
Africa	2,660,913	-	2,660,913
India	1,481,646	-	1,481,646
Program development	664,545	-	664,545
Total program services	4,807,104	-	4,807,104
Supporting services			
Management and general	541,856	-	541,856
Fundraising	790,914	-	790,914
Total supporting services	1,332,770	-	1,332,770
Total expenses	6,139,874	-	6,139,874
Change in net assets before other changes	(640,744)	835,489	194,745
Other changes			
Foreign currency remeasurement loss	(475,918)	-	(475,918)
Change in net assets	(1,116,662)	835,489	(281,173)
Net assets, beginning	3,069,538	4,594,820	7,664,358
Net assets, ending	<u>\$ 1,952,876</u>	<u>\$ 5,430,309</u>	<u>\$ 7,383,185</u>

See Notes to Financial Statements.

Safe Water Network and Subsidiary

Consolidated Statement of Functional Expenses Year Ended December 31, 2020

	Program services				Supporting services			Total
	Africa	India	Program development	Total program services	Management and general	Fundraising	Total supporting services	
Direct program expenses	\$ 819,741	\$ 37,500	\$ -	\$ 857,241	\$ -	\$ -	\$ -	\$ 857,241
Salaries	752,593	521,773	359,930	1,634,296	172,050	418,476	590,526	2,224,822
Employee benefits	166,704	38,324	38,324	243,352	22,994	15,330	38,324	281,676
Payroll taxes	26,514	118,793	26,514	171,821	15,909	10,606	26,515	198,336
Insurance	44,015	2,532	2,532	49,079	3,007	1,084	4,091	53,170
Professional fees	130,502	151,748	94,106	376,356	135,636	16,381	152,017	528,373
Sector engagement and events	-	-	-	-	-	81	81	81
Office expense	111,803	9,181	6,474	127,458	6,454	4,004	10,458	137,916
Field expenses	201,258	-	-	201,258	-	-	-	201,258
Occupancy	99,773	64,056	47,323	211,152	76,444	-	76,444	287,596
Travel	85,227	5,439	5,134	95,800	3,554	4,739	8,293	104,093
Depreciation	75,322	2,470	2,031	79,823	1,406	1,875	3,281	83,104
Information technology	31,329	31,329	31,329	93,987	21,690	28,919	50,609	144,596
Repairs and maintenance	104,747	-	-	104,747	-	-	-	104,747
Bad debt expense	-	-	-	-	50,273	-	50,273	50,273
Other	44,351	7,750	1,426	53,527	1,810	494	2,304	55,831
Total expenses	\$ 2,693,879	\$ 990,895	\$ 615,123	\$ 4,299,897	\$ 511,227	\$ 501,989	\$ 1,013,216	\$ 5,313,113

See Notes to Financial Statements.

Safe Water Network and Subsidiary

Consolidated Statement of Functional Expenses Year Ended December 31, 2019

	Program services				Supporting services			Total
	Africa	India	Program development	Total program services	Management and general	Fundraising	Total supporting services	
Direct program expenses	\$ 748,980	\$ 453,304	\$ -	\$ 1,202,284	\$ -	\$ -	\$ -	\$ 1,202,284
Salaries	760,682	580,138	387,555	1,728,375	258,317	350,328	608,645	2,337,020
Employee benefits	159,241	52,017	52,017	263,275	31,210	20,807	52,017	315,292
Payroll taxes	28,663	106,149	28,663	163,475	17,198	11,465	28,663	192,138
Insurance	29,318	4,326	4,326	37,970	4,614	2,375	6,989	44,959
Professional fees	173,479	134,044	100,940	408,463	154,406	8,651	163,057	571,520
Consulting	-	-	8,066	8,066	-	339,360	339,360	347,426
Office expense	77,233	14,133	8,960	100,326	10,338	4,134	14,472	114,798
Field expenses	220,906	-	-	220,906	-	-	-	220,906
Occupancy	55,584	54,971	14,929	125,484	24,117	-	24,117	149,601
Travel	146,803	34,153	29,879	210,835	20,685	27,580	48,265	259,100
Depreciation	53,531	4,973	4,388	62,892	3,038	4,050	7,088	69,980
Information technology	20,092	20,092	20,092	60,276	13,910	18,546	32,456	92,732
Repairs and maintenance	128,098	-	-	128,098	-	-	-	128,098
Other	58,303	23,346	4,730	86,379	4,023	3,618	7,641	94,020
Total expenses	\$ 2,660,913	\$ 1,481,646	\$ 664,545	\$ 4,807,104	\$ 541,856	\$ 790,914	\$ 1,332,770	\$ 6,139,874

See Notes to Financial Statements.

Safe Water Network and Subsidiary

Consolidated Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (1,181,055)	\$ (281,173)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	83,232	69,627
Amortization on investments in water systems	129,521	65,495
Realized (gain) loss on investments	-	(26,035)
Donated securities	(21,898)	(22,086)
Gain on disposal of property and equipment	(5,634)	(4,113)
Discount on grants receivable	(32,503)	31,440
Changes in operating assets and liabilities		
Grants and contributions receivable	1,858,562	481,458
Accounts receivable	(224,698)	(74,803)
Prepaid expenses and other assets	(128,199)	28,223
Investments in water systems - Ghana	(209,535)	267,167
Accounts payable and accrued expenses	(44,522)	(88,052)
Refundable advance - PPP loan	285,175	-
Net cash provided by operating activities	508,446	447,148
Cash flows from investing activities		
Proceeds from sale of investments	21,898	140,000
Change in certificate of deposit	103,445	(5,136)
Purchases of property and equipment	(183,020)	(30,928)
Proceeds from sale of property and equipment	5,634	4,113
Net cash (used in) provided by investing activities	(52,043)	108,049
Effect of exchange rate changes on cash and cash equivalents	(23,448)	493,490
Net increase in cash and cash equivalents	432,955	1,048,687
Cash and cash equivalents, beginning	2,414,978	1,366,291
Cash and cash equivalents, end	\$ 2,847,933	\$ 2,414,978

See Notes to Financial Statements.

Safe Water Network and Subsidiary

Notes to Consolidated Financial Statements December 31, 2020 and 2019

Note 1 - Organization and summary of significant accounting policies

Organization

Safe Water Network ("SWN") 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, SWN addresses the challenges of local water system ownership and sustainability. SWN's primary sources of revenue are grants and contributions from foundations and individuals. SWN'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, SWN gains important field experience to optimize solutions.

Analytics and Insights - A fact-based approach to measure outcomes, build the evidence base for sustainability and impact, and develop scale propositions.

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

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

SWN is headquartered in New York, New York, with field offices in Accra, Ghana and New Delhi, India.

SWN Water Solutions Private Ltd. ("SWNWS") is a for-profit organization formed in March 2014 in New Delhi and is wholly-owned by SWN. SWNWS's primary objective is to carry on the business of environment, hydrology, sanitation and water system sustainability, including all related ancillary work.

Principles of consolidation

The consolidated financial statements include the accounts of SWN and SWNWS. Collectively, these organizations are referred to as the "Organization". All significant intercompany accounts and transactions are eliminated in consolidation.

Basis of presentation

The accompanying consolidated 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 Organization reports information regarding its consolidated financial position and activities according to two classes of net assets, described as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations or to those imposed by operation of law. Net assets without donor restriction may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

With donor restrictions - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The change in net assets with donor restrictions is impacted primarily by gifts with time and purpose restrictions. There were no net assets with perpetual restrictions at December 31, 2020 and 2019.

Liquidity and availability

The Organization's financial assets available within one year of the consolidated statements of financial position dates for general expenditure as of December 31, 2020 and 2019, are as follows:

	2020	2019
Cash and cash equivalents	\$ 2,847,933	\$ 2,414,978
Grants and contributions receivable due in one year	960,740	2,194,302
Accounts receivable	283,582	-
Certificate of deposit	-	103,445
	<hr/>	<hr/>
Financial assets available for general expenditure within one year	<u>\$ 4,092,255</u>	<u>\$ 4,712,725</u>

In addition to these available financial assets, the Organization operates a balanced budget and anticipates the collection of additional grant revenue available for its mission to cover general expenditures, liabilities and other obligations.

Revenue recognition

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Conditional and unconditional contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received after the consolidated statement of financial position date or are contributed with donor stipulations that limit the use of the donated asset. Contributions subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in net assets with donor restrictions. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restriction. Donor-restricted contributions whose conditions and restrictions expire during the same fiscal year are recognized as contributions without donor

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the time the contribution is made.

Water delivery sales revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing water to communities in need of these services. These amounts are earned from communities to which water is provided and includes variable consideration for retroactive revenue adjustments due to settlement of government regulations, audits, reviews, and investigations, if any. Revenue is recognized as performance obligations are satisfied at a point in time.

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, 2020 and 2019, the Organization had cash equivalents of \$1,742,757 and \$699,457, 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 in water systems - Ghana

Investments in water systems 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 \$3,425,388 and \$2,689,705 at December 31, 2020 and 2019, respectively.

Certificate of deposit

At December 31, 2019, the Organization held a certificate of deposit (the "Certificate") yielding 0.3%. The Certificate was held in a financial institution, was federally insured and was scheduled to mature in April 2021. The Certificate was recorded at the original investment plus accrued interest. The fair value of the Certificate approximated carrying value because of the short-term maturity of the Certificate. In April 2020, the Organization closed the Certificate and transferred the funds to their checking account.

Property and equipment

Property and equipment, comprised mainly of various motor vehicles, 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 five to seven 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 in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

restrictions regarding their use and contributions of cash that must be used to acquire or construct property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated, acquired or constructed assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions at that time. There was no donated property or equipment recorded during the years ended December 31, 2020 and 2019.

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, 2020 and 2019 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, 2020 and 2019. The Organization's federal and state information returns prior to fiscal year 2017 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. The Organization's foreign divisions may require certain additional forms associated with their respective countries and / or provinces.

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 consolidated statements of financial position.

Functional expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses reported by functional categories include allocations of costs for operation and maintenance, depreciation and amortization expense. The Organization applies various methods to allocate costs amongst its programmatic and support functions, the most significant of which are by time and effort and square footage.

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 June 22, 2021, which is the date the consolidated financial statements were available to be issued.

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

Note 2 - Grants and contributions receivable

Grants and contributions receivable at December 31, 2020 and 2019, consist of the following:

	2020	2019
Receivables due in less than one year	\$ 960,740	\$ 2,194,302
Receivables due in one - five years	62,650	687,650
	1,023,390	2,881,952
Less discount to present value (1.5%)	(13,715)	(46,218)
	\$ 1,009,675	\$ 2,835,734

Management does not believe an allowance for doubtful accounts is necessary at December 31, 2020 and 2019. At December 31, 2020, 80% of grants and contributions receivable are from three sources. At December 31, 2019, 94% of grants and contributions receivable are from four sources.

Note 3 - Net asset limitations and restrictions

Net assets with donor restrictions at December 31, 2020 and 2019, consist of the following:

	2020	2019
Grants and contributions receivable	\$ 1,009,675	\$ 2,835,734
Financial capacity and internal framework	2,668,812	2,594,575
Total net assets with donor restrictions	\$ 3,678,487	\$ 5,430,309

Net assets released from restrictions for the years ended December 31, 2020 and 2019, consisted of the following:

	2020	2019
Financial capacity and internal framework	\$ 4,025,108	\$ 3,039,462
Grants and contributions receivable restricted by time	361,102	605,811
Total net assets released from restrictions	\$ 4,386,210	\$ 3,645,273

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

Note 4 - Property and equipment

Net property and equipment consisted of the following at December 31:

	2020	2019
Motor vehicles	\$ 426,412	\$ 284,571
Furniture and fixtures	113,525	101,680
Computers and IT equipment	73,929	66,846
Machinery and other equipment	10,683	10,141
Total	624,549	463,238
Less accumulated depreciation	451,520	385,957
Net property and equipment	\$ 173,029	\$ 77,281

Note 5 - 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, 2020 and 2019 were \$37,061 and \$45,195, respectively.

Note 6 - Loans payable

In May 2015, the Organization entered into a term loan agreement (the "Term Loan Agreement") with an unrelated third party in the principal amount of \$105,000. Per the Term Loan Agreement, the principal amount was immediately converted to 385,875 Ghanaian cedis, and that value in cedis will form the basis of repayment. Interest-only payments began in 2016. Principal and interest payments were to commence January 1, 2018, with a final payment date of December 1, 2029. The interest rate is fixed at 10%. At December 31, 2020 and 2019, the outstanding principal balance converted to United States dollars was \$66,313 and \$67,942, respectively. The Term Loan Agreement is currently being renegotiated. As part of the renegotiation, it was agreed that no principal payments will be required until the new terms have been defined.

On December 18, 2018, the Organization entered into a loan agreement with a grantor foundation for a maximum sum of 41,000 British pounds. The agreement shall remain in force for five years, with a two-year optional extension, from the date of the loan agreement, so long as any part of the loan remains unspent, whichever is longer. The loan agreement states that principal will be repaid in five equal principal installments beginning in 2021 and has no stated interest rate. The funds were received on December 24, 2018 and the loan expires on December 31, 2025. At December 31, 2020 and 2019, the outstanding balance, converted to United States dollars, was \$44,080 and \$45,162, respectively.

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

Note 7 - Refundable advance - PPP loan

During 2020, the Organization was granted a \$285,175 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended December 31, 2020. The Organization will be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments.

Note 8 - Operating leases

The Organization had an agreement to share office space under a sublease agreement which expired May 31, 2019 for its corporate headquarters in New York City. In April 2019, the Organization entered into a new lease agreement for new office space within the same building. The new office space was subject to renovation by the owner. The renovation was completed during 2019. This lease agreement will expire October 2024.

The Organization leases office space for its field office in Accra, Ghana under agreements which expire December 31, 2020 and August 31, 2021, and will renew annually thereafter, through December 31, 2021.

The Organization leases office space for its field office in New Delhi, India under an agreement which expires March 31, 2021.

Rental expense recognized in the accompanying consolidated statements of activities for the years ended December 31, 2020 and 2019 was \$270,276 and \$138,941, respectively.

Future minimum lease payments in each of the years subsequent to December 31, 2020, are as follows:

2021	\$	209,860
2022		213,634
2023		218,975
2024		<u>186,265</u>
Total	\$	<u><u>828,734</u></u>

Note 9 - Related parties

The Organization provides grants to a related party, Safe Water Network India Trust ("SWN Trust"), in support of various programs. Total grants for the years ended December 31, 2020 and 2019 were \$37,500 and \$453,400, respectively, and are included in direct program expenses. SWN Trust is a separate entity and is not owned or controlled by the Organization.

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Note 10 - 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 consolidated statements of activities as a net remeasurement gain or loss. For the years ended December 31, 2020 and 2019, the Organization recognized net remeasurement losses of \$126,697 and \$475,918, 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 11 - Concentrations

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. At December 31, 2020, the Organization had approximately \$1,900,000 in excess of 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.

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;

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- Tariffs and other trade barriers;
- Expropriation, nationalization and limitation on repatriation of earnings;
- Fluctuations in foreign exchange rates (Note 10);
- 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; and
- 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 toward 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.

Note 12 - Contingencies

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Safe Water Network and Subsidiary is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on Safe Water Network and Subsidiary's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Safe Water Network and Subsidiary's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Safe Water Network and Subsidiary's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

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Note 13 - Subsequent events

Subsequent to year end, the Organization was granted a \$219,032 PPP loan by a SBA approved partner. This loan will also be recorded as a refundable advance, and the Organization expects to record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. This loan has the same conditions as the loan granted during 2020.



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