



Consolidated Financial Statements

For the Years Ended December 31, 2013 and 2012

Table of Contents

	<i>Page</i>
Independent Auditor's Report	1 - 2
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 14

Independent Auditor's Report***To the Board of Directors
Splash and Affiliate
Seattle, Washington***

We have audited the accompanying consolidated financial statements of Splash and Affiliate (the Organization), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and changes in net assets, consolidated statements of functional expenses, and consolidated statements of 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 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 audits 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.

CLARK NUBER

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public
Accountants
and Consultants

Clark Nuber PS
Certified Public Accountants
May 23, 2014

SPLASH AND AFFILIATE

***Consolidated Statements of Financial Position
December 31, 2013 and 2012***

	<u>2013</u>	<u>2012</u>
<i>Assets</i>		
Cash and cash equivalents	\$ 830,172	\$ 855,755
Current portion of pledges receivable, net	167,522	79,347
Accounts receivable	1,366	
Advances for international water purification projects	120,691	33,361
Prepaid expenses and water purification systems on hand	<u>142,588</u>	<u>192,794</u>
Total Current Assets	1,262,339	1,161,257
Property and Equipment, Net		
	9,287	29,610
Pledges receivable, net, less current portion	23,757	53,491
Security deposits	<u>7,245</u>	<u>4,806</u>
Total Assets	<u>\$ 1,302,628</u>	<u>\$ 1,249,164</u>
<i>Liabilities and Net Assets</i>		
Liabilities:		
Accounts payable and accrued expenses	\$ 74,292	\$ 105,492
Net Assets:		
Unrestricted	239,861	112,505
Temporarily restricted	<u>988,475</u>	<u>1,031,167</u>
Total Net Assets	<u>1,228,336</u>	<u>1,143,672</u>
Total Liabilities and Net Assets	<u>\$ 1,302,628</u>	<u>\$ 1,249,164</u>

See accompanying notes.

SPLASH AND AFFILIATE

**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013**

	<i>Unrestricted</i>			<i>Temporarily</i>	
	<i>Undesignated</i>	<i>Board Designated</i>	<i>Total Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
Revenue and Support:					
Contributions and grants	\$ 186,274	\$ -	\$ 186,274	\$ 1,803,452	\$ 1,989,726
Other revenue	10,476		10,476		10,476
Net assets released from restriction	1,846,144		1,846,144	(1,846,144)	
Total Revenue and Support	2,042,894		2,042,894	(42,692)	2,000,202
Expenses:					
Program services	1,387,835		1,387,835		1,387,835
Management and general	276,964		276,964		276,964
Fundraising	250,739		250,739		250,739
Total Expenses	1,915,538		1,915,538		1,915,538
Change in Net Assets	127,356		127,356	(42,692)	84,664
Net assets, beginning of year	112,505		112,505	1,031,167	1,143,672
Net Assets, End of Year	\$ 239,861	\$ -	\$ 239,861	\$ 988,475	\$ 1,228,336

See accompanying notes.

SPLASH AND AFFILIATE

**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2012**

	<i>Unrestricted</i>			<i>Temporarily Restricted</i>	<i>Total</i>
	<i>Undesignated</i>	<i>Board Designated</i>	<i>Total Unrestricted</i>		
Revenue and Support:					
Contributions and grants	\$ 275,503	\$ -	\$ 275,503	\$ 1,571,411	\$ 1,846,914
Other revenue	9,293		9,293		9,293
Net assets released from restriction	1,109,601		1,109,601	(1,109,601)	
Expenses related to unrestricted board designated net assets	204,508	(204,508)			
Total Revenue and Support	1,598,905	(204,508)	1,394,397	461,810	1,856,207
Expenses:					
Program services	1,112,176		1,112,176		1,112,176
Management and general	325,171		325,171		325,171
Fundraising	202,880		202,880		202,880
Total Expenses	1,640,227		1,640,227		1,640,227
Change in Net Assets	(41,322)	(204,508)	(245,830)	461,810	215,980
Net assets, beginning of year	153,827	204,508	358,335	569,357	927,692
Net Assets, End of Year	\$ 112,505	\$ -	\$ 112,505	\$ 1,031,167	\$ 1,143,672

See accompanying notes.

SPLASH AND AFFILIATE

***Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2013***

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 363,412	\$ 125,635	\$ 171,707	\$ 660,754
Payroll taxes	31,629	10,934	14,944	57,507
Benefits	40,751	14,088	19,254	74,093
In-country personnel	193,654			193,654
Compensation Expenses	629,446	150,657	205,905	986,008
Water system installations	458,285			458,285
Travel and meetings	143,324	23,719	12,849	179,892
Rent, parking and utilities	47,280	25,469	12,201	84,950
Other professional fees	52,691	23,175	894	76,760
Supplies, postage and shipping	30,045	5,027	10,446	45,518
Other	5,391	20,200	3,866	29,457
Depreciation	10,782	7,154	3,427	21,363
Accounting and audit fees	1,924	16,820		18,744
Telephone and connectivity	8,667	1,840	1,151	11,658
Liability insurance		2,903		2,903
Noncompensation Expenses	758,389	126,307	44,834	929,530
Total Expenses	\$ 1,387,835	\$ 276,964	\$ 250,739	\$ 1,915,538

See accompanying notes.

SPLASH AND AFFILIATE

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2012**

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 336,126	\$ 134,925	\$ 115,325	\$ 586,376
Payroll taxes	28,387	11,550	10,148	50,085
Benefits	15,713	15,993	22,179	53,885
In-country personnel	93,560			93,560
Compensation Expenses	473,786	162,468	147,652	783,906
Water system installations	387,440			387,440
Travel and meetings	107,431	10,255	33,005	150,691
Rent, parking and utilities	34,551	37,712	9,961	82,224
In-kind	75,000			75,000
Accounting and audit fees	1,665	46,986		48,651
Other	9,347	31,623	6,525	47,495
Depreciation	8,360	12,482	4,923	25,765
Supplies, postage and shipping	8,433	7,979	494	16,906
Telephone and connectivity	5,589	8,413	320	14,322
Other professional fees	574	4,989		5,563
Liability insurance		2,264		2,264
Noncompensation Expenses	638,390	162,703	55,228	856,321
Total Expenses	\$ 1,112,176	\$ 325,171	\$ 202,880	\$ 1,640,227

See accompanying notes.

SPLASH AND AFFILIATE

***Consolidated Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012***

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 84,664	\$ 215,980
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Depreciation	21,363	25,765
Loss on disposal of property and equipment		9,306
Changes in assets and liabilities:		
Pledges receivable	(58,441)	(122,838)
Accounts receivable	(1,366)	
Advances for international water purification projects	(87,330)	(5,729)
Prepaid expenses and water purification systems on hand	50,206	11,043
Security deposits	(2,439)	(2,770)
Accounts payable and accrued expenses	(31,200)	77,076
Net Cash (Used in) Provided by Operating Activities	(24,543)	207,833
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,040)	(9,790)
Proceeds from sale of property and equipment		7,340
Net Cash Used in Investing Activities	(1,040)	(2,450)
Net Change in Cash and Cash Equivalents	(25,583)	205,383
Cash and cash equivalents balance, beginning of year	855,755	650,372
Cash and Cash Equivalents Balance, End of Year	\$ 830,172	\$ 855,755

See accompanying notes.

SPLASH AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2013 and 2012

Note 1 - Organization and Summary of Accounting Policies

Organization - The mission of Splash and Affiliate (the Organization) is to ensure clean water for kids. The Organization changes the lives of vulnerable children in impoverished urban areas by providing clean, safe drinking water to orphanages, schools, children's hospitals, street shelters and rescue homes. Splash is the only water relief organization whose sole focus is bringing such aid to vulnerable children in urban centers. In eight years, the Organization has cleaned water for over 280,000 (unaudited) children in cities around the world without regard to race, religion, ethnicity, gender or location.

The Organization currently works in the United States, Bangladesh, Cambodia, China, Ethiopia, India, Nepal, Thailand and Vietnam. Expansion into new countries is tentatively planned over the next six years.

Splash was originally founded in 2006 as "A Child's Right." Effective October 10, 2012, A Child's Right began operating under its new name, Splash.

In October 2012, Splash registered a separate, controlled entity, A Child's Right, Nepal. A Child's Right, Nepal (the Affiliate) is a nonprofit, nonpolitical, nongovernmental organization formed under Nepal's organization registration act 2034. Splash has an economic interest in and control over A Child's Right, Nepal.

Basis of Presentation - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting under accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of Splash and its Affiliate, A Child's Right, Nepal. All inter-organization accounts and transactions have been eliminated in consolidation.

Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they will be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2013 and 2012.

Revenue Recognition - Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on the sale of assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

SPLASH AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2013 and 2012

Note 1 - Continued

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Advances for International Water Purification Projects - Advances for international water projects consist of cash advanced to fund operations in foreign offices. Cash in bank accounts and advances for international water projects held in foreign countries totaled \$161,892 and \$43,414 at December 31, 2013 and 2012, respectively.

Pledges Receivable - Unconditional promises to give (pledges receivable) are recognized as revenue in the period received. Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Conditional Promises to Give - Conditional promises to give are recognized only when the conditions upon which they depend are substantially met and the promises become unconditional. Conditional promises to give totaled \$6,190,000 and \$7,390,000 at December 31, 2013 and 2012, respectively and are intended to be used for expansion of operations overseas.

Prepaid Expenses and Water Purification Systems on Hand - The Organization purchases and holds completed water purification systems. The completed systems are reported on the consolidated statements of financial position at cost and are expensed upon installation. Water purification systems on hand totaled \$110,596 and \$168,314 at December 31, 2013 and 2012, respectively.

Prepaid expenses consist of payments made for insurance, rent and consulting services and totaled \$31,992 and \$24,480 at December 31, 2013 and 2012, respectively.

Property, Equipment and Depreciation - All acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets ranging from three to five years.

Use of Estimates - The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status - The Internal Revenue Service has determined that Splash is exempt from U.S. income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, Splash has not made any provision for income tax expense. A Child's Right, Nepal is a nonprofit, nonpolitical, nongovernmental organization, under organization registration act 2034 of Nepal. The Organization files income tax returns with the U.S. government. The Organization is subject to income tax examinations for the current year and prior years based on the applicable laws and regulations.

SPLASH AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2013 and 2012

Note 1 - Continued

Foreign Currency Translation - The functional currency of the Organization's field offices is the local currency in which the office is located. Assets and liabilities of the offices have been translated into U.S. dollars at year-end exchange rates. Revenues and expenses have been translated at average monthly exchange rates. Translation adjustments are included in the statements of activities and changes in net assets and were immaterial for the years ended December 31, 2013 and 2012.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist primarily of cash. Cash held by financial institutions exceeded federally insured limits during the years ended December 31, 2013 and 2012.

For the years ended December 31, 2013 and 2012, 66% and 39% of the Organization's pledges receivable were due from one and three donors, respectively. For the years ended December 31, 2013 and 2012, 84% and 68% of total revenue was received from two and one donors, respectively.

The Organization has several credit cards and a property lease that are personally guaranteed by an employee of the organization.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications have no effect on previously reported changes to net assets or net assets.

Subsequent Events - The Organization has evaluated subsequent events through May 23, 2014, the date on which the consolidated financial statements were available to be issued.

Note 2 - Pledges Receivable

Pledges receivable consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Due in less than one year	\$ 170,895	\$ 79,347
Due in one to five years	24,987	61,353
	195,882	140,700
Less allowance for doubtful accounts	(3,373)	
Less present value discount - 3.25%	(1,230)	(7,862)
Pledges Receivable, Net	<u>\$ 191,279</u>	<u>\$ 132,838</u>

SPLASH AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2013 and 2012

Note 3 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 43,616	\$ 42,576
Furniture and fixtures	15,819	15,819
Vehicles	11,656	11,656
Leasehold improvements	8,696	8,696
Software	<u>2,251</u>	<u>2,251</u>
Total property and equipment	82,038	80,998
Less accumulated depreciation	<u>(72,751)</u>	<u>(51,388)</u>
Property and Equipment, Net	<u>\$ 9,287</u>	<u>\$ 29,610</u>

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions restricted by donors for water purification projects in foreign countries. Temporarily restricted net assets released from restriction for project costs during the years ended December 31, 2013 and 2012, totaled \$1,846,144 and \$1,109,601, respectively.

Temporarily restricted net assets were available for projects in the following countries at December 31:

	<u>2013</u>	<u>2012</u>
Bangladesh	\$ 182,109	\$ -
Cambodia	30,000	50,000
China	28,287	238,039
Ethiopia		20,182
India	97,790	158,450
Nepal	287,668	71,302
Thailand	74,304	120,317
Vietnam	24,562	134,205
Monitoring and evaluation	65,000	
U.S. expansion	<u>198,755</u>	<u>238,672</u>
Total Temporarily Restricted Net Assets	<u>\$ 988,475</u>	<u>\$ 1,031,167</u>

SPLASH AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2013 and 2012

Note 5 - Lease Commitments

The Organization signed a noncancelable lease for office space in Seattle, Washington beginning March 1, 2012 and expiring on February 28, 2015. Under the terms of the lease, the Organization is responsible for a proportionate share of operating costs, taxes and insurance. The Organization signed a noncancelable lease for office space in Ethiopia beginning October 31, 2012 and expiring on October 31, 2016. Additionally, the Organization signed a noncancelable lease for office space in Nepal beginning September 1, 2013 and expiring on December 1, 2015.

Future minimum rent payments under the noncancelable office space lease are as follows:

For the Year Ending December 31,

2014	\$	82,648
2015		14,282
2016		<u>4,344</u>
	\$	<u>101,274</u>

Total rent expense totaled \$74,494 and \$68,376 for the years ended December 31, 2013 and 2012, respectively. The Organization had no long-term lease commitments for its offices in other countries at December 31, 2013 and 2012.

Note 6 - Retirement Plan

Effective January 1, 2011, the Organization established a 401(k) profit sharing plan (the Plan). Employees become eligible to participate in the Plan upon employment and when they have attained the age of 21 years. Participants may contribute compensation up to the maximum amount allowed by law and are immediately vested in these contributions. The Plan was amended in 2013 to provide for employer matching contributions of 100% of the first 3% of employee contributions. The Organization made matching contributions of \$15,652 to the Plan during the year ended December 31, 2013. There were no matching contributions made by the Organization during year ended December 31, 2012.

SPLASH AND AFFILIATE

*Notes to Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012*

Note 7 - Expenses by Country

The Organization incurred expenses to install water purification systems and infrastructure in the following countries for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Bangladesh	\$ 10,941	\$ -
Cambodia	98,129	102,637
China	249,447	526,165
Ethiopia	48,568	97,623
India	149,882	76,166
Nepal	245,102	141,180
Thailand	70,004	74,309
Vietnam	10,814	69,076
Total	<u>\$ 882,887</u>	<u>\$ 1,087,156</u>