



Financial Statements

For the Year Ended December 31, 2017

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

Independent Auditor's Report

**To the Board of Directors
Splash
Seattle, Washington**

We have audited the accompanying financial statements of Splash (the Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 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 audit. We conducted our audit 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 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 1 to the financial statements, the Organization is no longer presenting consolidated financial statements, as there are no controlled affiliates during the year ended December 31, 2017. Our opinion is not modified with respect to this matter.

Clark Nuber P.S.

Certified Public Accountants
October 10, 2018

SPLASH

Statement of Financial Position
December 31, 2017

Assets

Cash and cash equivalents	\$ 546,452
Pledges receivable, net	109,861
Accounts receivable	54,903
Other receivables, current portion	85,600
Advances for international WASH projects	21,274
Prepaid expenses	56,397
Water purification systems and supplies	<u>179,910</u>

Total Current Assets **1,054,397**

Other receivables, net of current portion	37,700
Property and equipment, net	22,640
Security deposits	<u>46,764</u>

Total Assets **\$ 1,161,501**

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 65,882
Deferred revenue	<u>6,714</u>

Total Current Liabilities **72,596**

Net Assets:

Unrestricted	474,284
Temporarily restricted	<u>614,621</u>

Total Net Assets **1,088,905**

Total Liabilities and Net Assets **\$ 1,161,501**

See accompanying notes.

SPLASH

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Contributions and grants	\$ 1,980,190	\$ 1,307,267	\$ 3,287,457
System sales, net of cost of goods sold of \$1,686	1,712		1,712
Other revenue	8,400		8,400
Net assets released from restriction	<u>831,986</u>	<u>(831,986)</u>	
Total Revenue and Support	2,822,288	475,281	3,297,569
Expenses:			
Program services	2,215,059		2,215,059
Management and general	512,883		512,883
Fundraising	<u>342,044</u>		<u>342,044</u>
Total Expenses	3,069,986		3,069,986
Change in Net Assets	(247,698)	475,281	227,583
Net assets, beginning of year	<u>721,982</u>	<u>139,340</u>	<u>861,322</u>
Net Assets, End of Year	<u>\$ 474,284</u>	<u>\$ 614,621</u>	<u>\$ 1,088,905</u>

See accompanying notes.

SPLASH

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 663,060	\$ 226,686	\$ 199,863	\$ 1,089,609
Payroll taxes	53,201	18,318	16,053	87,572
Benefits	84,994	33,139	25,907	144,040
In-country personnel	448,918			448,918
Compensation Expenses	1,250,173	278,143	241,823	1,770,139
WASH implementation	599,762			599,762
Occupancy	143,773	20,353	17,709	181,835
Travel and meetings	127,859	16,432	34,470	178,761
Supplies, postage and shipping	9,560	94,036	17,484	121,080
Other professional fees	22,979	66,630	9,542	99,151
Other	10,699	25,946	16,062	52,707
Depreciation	21,736	2,214	1,925	25,875
Accounting and audit fees	17,638	3,215	2,795	23,648
Communications	10,880	5,914	234	17,028
Noncompensation Expenses	964,886	234,740	100,221	1,299,847
Total Expenses	\$ 2,215,059	\$ 512,883	\$ 342,044	\$ 3,069,986

See accompanying notes.

SPLASH

Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows From Operating Activities:

Change in net assets	\$ 227,583
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation	25,875
Loss on disposal of property and equipment	2,044
In-kind contribution of multiple year software licenses and training, net	(123,300)
In-kind contribution of water purification systems and supplies	(38,224)
Changes in assets and liabilities:	
Accounts receivable	94,553
Advances for international WASH projects	27,298
Pledges receivable	(109,050)
Prepaid expenses	(7,252)
Water purification systems and supplies	10,624
Security deposits	3,890
Accounts payable and accrued expenses	18,189
Deferred revenue	1,344
	<hr/>
Net Cash Provided by Operating Activities	133,574
Cash Flows From Investing Activities:	
Purchase of property and equipment	(14,276)
	<hr/>
Net Cash Used in Investing Activities	(14,276)
Net Change in Cash and Cash Equivalents	119,298
Cash and cash equivalents balance, beginning of year	427,154
	<hr/>
Cash and Cash Equivalents Balance, End of Year	\$ 546,452
	<hr/> <hr/>

See accompanying notes.

SPLASH

Notes to Financial Statements For the Year Ended December 31, 2017

Note 1 - Organization and Summary of Accounting Policies

Organization - The mission of Splash (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, hygiene education, and improved sanitation. Splash works in some of the fastest growing cities in the world, focusing on child-serving institutions including schools, orphanages, shelters, and hospitals to help kids lead healthier lives. Since 2007, the Organization has completed 1,761 projects across Bangladesh, Cambodia, China, Ethiopia, India, Nepal, Thailand and Vietnam, serving more than 420,000 children daily (unaudited). Splash's goal is to reach one million children by 2023.

In October 2012, Splash registered a separate legal entity, A Child's Right - Nepal. A Child's Right - Nepal is a nonprofit, nonpolitical, nongovernmental organization formed under Nepal's organization registration act 2034. Splash had an economic interest in and effectively controlled A Child's Right - Nepal, as defined by accounting principles generally accepted in the United States of America (U.S. GAAP). During 2014, A Child's Right - Nepal changed its name to Splash - Nepal. Effective January 1, 2017 Splash - Nepal began operating as a separate, autonomous entity, and its activities are no longer consolidated in the financial statements of Splash. Unrestricted net assets as of December 31, 2016, were reduced by \$179,857, which consisted of net assets of Splash - Nepal.

On June 6, 2018, Splash Social Enterprises LLC was formed with the Organization as its sole member.

Basis of Presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting under U.S. GAAP.

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, 2017.

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.

Contributions and grants are recognized as revenue in the period received, including unconditional pledges when promised, at their fair value. Conditional contributions and grants are recognized as revenue at the time the conditions have been satisfied.

System sales are recognized as revenue when earned, and are reported net of cost of goods sold and any sales discounts on the statement of activities and changes in net assets.

SPLASH

Notes to Financial Statements For the Year Ended December 31, 2017

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 WASH Projects - Advances for international WASH projects consist of cash advanced to fund operations in foreign offices. Cash in bank accounts and advances for international WASH projects held in foreign countries totaled \$70,395 as of December 31, 2017.

Accounts Receivable - Accounts receivable is stated at the amount management expects to collect from outstanding balances. They primarily relate to receivables from grants, which are recognized when they are earned. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. No valuation allowance was deemed necessary at December 31, 2017.

Other Receivables - Other receivables consist of donated software licenses and training vouchers. The licenses are for terms of two to three years, and the training vouchers may be used as desired.

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 as revenue by the Organization only when the conditions upon which they depend are substantially met. Outstanding conditional promises to give totaled \$1,586,232 as of December 31, 2017, and are intended to be used for expansion of operations overseas.

Water Purification Systems and Supplies - The Organization purchases and holds water purification systems and related hardware. These supplies are reported on the statement of financial position at cost and are expensed upon installation on a first-in, first-out basis.

Property, Equipment and Depreciation - All acquisitions of furniture, fixtures and equipment in excess of \$2,500 and building and leasehold improvements more than \$5,000 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.

Deferred Revenue - Deferred revenue consists of payments received for water purification systems that have not yet been delivered and related service contracts.

SPLASH

Notes to Financial Statements For the Year Ended December 31, 2017

Note 1 - Continued

In-Kind Goods and Services - The Organization recognizes in-kind contributions of goods and services at fair value on the date received. The Organization recognizes donated services if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not donated. In-kind goods and services consisted of the following for the year ended December 31, 2017:

Software licenses and training	\$	148,675
Professional services		50,045
Water purification systems		38,224
Goods and supplies		<u>6,261</u>
Total Donated Goods and Services	\$	<u>243,205</u>

Use of Estimates - The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies, 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.

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 statement of activities and changes in net assets and were immaterial for the year ended December 31, 2017.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. 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 year ended December 31, 2017.

For the year ended December 31, 2017, 40% of contributions and grants revenue was from one donor.

Legal Matters - The Organization is subject to legal proceedings and claims that arise in the ordinary course of business. As of December 31, 2017, management is not aware of any asserted or pending litigation or claims against the Organization that it expects to have a material adverse effect on its financial condition.

Subsequent Events - The Organization has evaluated subsequent events through October 10, 2018, the date on which the financial statements were available to be issued.

SPLASH

Notes to Financial Statements For the Year Ended December 31, 2017

Note 2 - Pledges Receivable

Pledges receivable consisted of the following as of December 31, 2017:

Due in less than one year	\$ 112,365
Less allowance for doubtful accounts	<u>(2,504)</u>
Pledges Receivable, Net	<u><u>\$ 109,861</u></u>

Note 3 - Property and Equipment

Property and equipment consisted of the following as of December 31, 2017:

Computer equipment	\$ 16,657
Software	36,820
Vehicles	31,629
Furniture and fixtures	18,429
Leasehold improvements	<u>18,918</u>
Total property and equipment	122,453
Less accumulated depreciation	<u>(99,813)</u>
Property and Equipment, Net	<u><u>\$ 22,640</u></u>

Note 4 - Line of Credit

In September 2015 the Organization obtained a revolving line of credit with a bank (the Bank) that allows for borrowings up to \$200,000. Interest accrues at 2.5% over prime rate, as determined by the Bank, and is payable monthly beginning October 20, 2015. Upon written notice to the Organization, the Bank may terminate its obligation to make revolving advances under the line of credit and convert the line of credit to a term note. As of December 31, 2017, there was no outstanding balance due on the line of credit. The line of credit is secured by substantially all assets of the Organization.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions restricted by donors for water purification projects in foreign countries and donated software licenses that will be used in future years. Release of temporarily restricted net assets for the year ended December 31, 2017 totaled \$812,211 for WASH implementations and \$19,775 for the use of software licenses.

SPLASH

Notes to Financial Statements For the Year Ended December 31, 2017

Note 5 - Continued

Temporarily restricted net assets available for future use include the following at December 31, 2017:

Ethiopia	\$	255,877
Nepal		104,314
India		84,000
Multi-site support		71,866
Software licenses		71,500
China		<u>27,064</u>
Total Temporarily Restricted Net Assets	\$	<u>614,621</u>

Note 6 - Commitments

Leases - The Organization leases office space in Seattle, Washington and in several countries. The noncancelable leases include escalating rent payments and expire by May 31, 2022. Future minimum rent payments under the noncancelable office space lease are as follows:

For the Year Ending December 31,

2018	\$	161,427
2019		155,503
2020		152,675
2021		157,058
2022		<u>66,841</u>
	\$	<u>693,504</u>

Rent expense totaled \$167,257 for the year ended December 31, 2017.

Note 7 - 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 provides for employer matching contributions of 100% of the first 3% of employee contributions. The matching contributions vest over two years. The Organization made matching contributions to the Plan totaling \$30,115 for the year ended December 31, 2017.

SPLASH

Notes to Financial Statements
For the Year Ended December 31, 2017

Note 8 - Expenses by Country

The Organization incurred expenses to implement WASH projects and infrastructure in the following countries for the year ended December 31, 2017:

Cambodia	\$	128,156
China		228,210
Ethiopia		511,428
India		427,960
Nepal		429,466
		<u>429,466</u>
	\$	<u><u>1,725,220</u></u>