



Consolidated Financial Statements
For the Year Ended December 31, 2014

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 11

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 statement of financial position as of December 31, 2014, and the related consolidated statement of activities and changes in net assets, consolidated statement of functional expenses, and consolidated statement of cash flows for the year 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 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 1700
Bellevue WA
98004

clarknuber.com

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, 2014, 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 9 to the consolidated financial statements, the Organization changed its method of accounting for certain water purification systems and supplies in 2014. Our opinion is not modified with respect to that matter.



Certified Public Accountants
May 8, 2015

SPLASH AND AFFILIATE

Consolidated Statement of Financial Position
December 31, 2014

	<u>2014</u>
Assets	
Cash and cash equivalents	\$ 960,188
Accounts receivable	1,366
Advances for international WASH projects	57,006
Current portion of pledges receivable, net	905,757
Prepaid expenses	16,507
Water purification systems and supplies	<u>292,705</u>
Total Current Assets	2,233,529
Property and Equipment, Net	
	52,179
Pledges receivable, net, less current portion	16,662
Security deposits	<u>9,182</u>
Total Assets	<u>\$ 2,311,552</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	\$ 175,251
Deferred revenue	<u>24,898</u>
Total Current Liabilities	200,149
Net Assets:	
Unrestricted	1,023,118
Temporarily restricted	<u>1,088,285</u>
Total Net Assets	<u>2,111,403</u>
Total Liabilities and Net Assets	<u>\$ 2,311,552</u>

See accompanying notes.

SPLASH AND AFFILIATE

**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Contributions and grants	\$ 1,024,503	\$ 2,277,532	\$ 3,302,035
System sales, net of cost of goods sold of \$18,777	14,086		14,086
Other revenue	4,848		4,848
Net assets released from restriction	<u>2,177,722</u>	<u>(2,177,722)</u>	
Total Revenue and Support	3,221,159	99,810	3,320,969
Expenses:			
Program services	1,942,646		1,942,646
Management and general	343,554		343,554
Fundraising	<u>243,311</u>		<u>243,311</u>
Total Expenses	<u>2,529,511</u>		<u>2,529,511</u>
Change in Net Assets	691,648	99,810	791,458
Net assets, beginning of year	<u>331,470</u>	<u>988,475</u>	<u>1,319,945</u>
Net Assets, End of Year	<u>\$ 1,023,118</u>	<u>\$ 1,088,285</u>	<u>\$ 2,111,403</u>

See accompanying notes.

SPLASH AND AFFILIATE

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2014**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 436,395	\$ 200,561	\$ 126,533	\$ 763,489
Payroll taxes	37,285	16,808	10,806	64,899
Benefits	39,298	37,996	18,368	95,662
In-country personnel	304,153			304,153
Compensation Expenses	817,131	255,365	155,707	1,228,203
Water and hygiene implementation	755,137			755,137
Travel and meetings	162,341	14,199	6,499	183,039
Other professional fees	85,899	6,178	30,026	122,103
Rent, parking and utilities	71,590	18,387	11,211	101,188
Supplies, postage and shipping	31,119	6,553	33,892	71,564
Other		21,880	3,700	25,580
Accounting and audit fees	2,914	17,431		20,345
Communications	11,027	951	684	12,662
Depreciation	5,488	2,610	1,592	9,690
Noncompensation Expenses	1,125,515	88,189	87,604	1,301,308
Total Expenses	\$ 1,942,646	\$ 343,554	\$ 243,311	\$ 2,529,511

See accompanying notes.

SPLASH AND AFFILIATE

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014**

	<u>2014</u>
Cash Flows From Operating Activities:	
Change in net assets	\$ 791,458
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation	9,690
In-kind contribution of fixed assets	(3,850)
Changes in assets and liabilities:	
Advances for international WASH projects	63,685
Pledges receivable	(731,140)
Prepaid expenses	15,485
Water purification systems and supplies	(90,500)
Security deposits	(1,937)
Accounts payable and accrued expenses	100,959
Deferred Revenue	<u>24,898</u>
Net Cash Provided by Operating Activities	178,748
Cash Flows From Investing Activities:	
Purchase of property and equipment	<u>(48,732)</u>
Net Cash Used in Investing Activities	(48,732)
Net Change in Cash and Cash Equivalents	130,016
Cash and cash equivalents balance, beginning of year	<u>830,172</u>
Cash and Cash Equivalents Balance, End of Year	<u>\$ 960,188</u>

See accompanying notes.

SPLASH AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended December 31, 2014

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 nine years, the Organization has cleaned water for over 300,000 (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.

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 effectively controls A Child's Right - Nepal. During 2014, A Child's Right - Nepal changed its name to Splash - 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, Splash - 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, 2014.

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.

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

SPLASH AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended December 31, 2014

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 \$96,417 at December 31, 2014.

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 \$5,787,904 at December 31, 2014, 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 consolidated 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 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.

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

Use of Estimates - The preparation of the consolidated financial statements 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. Splash - Nepal is a nonprofit, nonpolitical, nongovernmental organization, under organization registration act 2034 of Nepal.

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, 2014.

SPLASH AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended December 31, 2014

Note 1 - Continued

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement 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 year ended December 31, 2014.

For the year ended December 31, 2014, 81% of the Organization's pledges receivable was due from one donor. For the year ended December 31, 2014, 83% of total revenue was received from two donors.

Subsequent Events - The Organization has evaluated subsequent events through May 8, 2015, 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>2014</u>
Due in less than one year	\$ 911,748
Due in one to five years	<u>17,463</u>
	929,211
Less allowance for doubtful accounts	(5,991)
Less present value discount - 3.25%	<u>(801)</u>
Pledges Receivable, Net	<u>\$ 922,419</u>

Note 3 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2014</u>
Computer equipment	\$ 39,500
Furniture and fixtures	15,819
Vehicles	18,565
Leasehold improvements	8,696
Software	36,820
Construction in progress	<u>4,284</u>
Total property and equipment	123,684
Less accumulated depreciation	<u>(71,505)</u>
Property and Equipment, Net	<u>\$ 52,179</u>

SPLASH AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended December 31, 2014

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions restricted by donors for water purification projects in foreign countries. Releases of temporarily restricted net assets for projects totaled \$2,139,894 and for the elapse of time totaled \$37,828 for the year ended December 31, 2014.

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

	<u>2014</u>
Cambodia	\$ 50,500
Ethiopia	42,150
India	500
Nepal	220,109
Time restricted	<u>775,026</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 1,088,285</u></u>

Note 5 - Commitments

Leases - The Organization signed a noncancelable lease for office space in Seattle, Washington beginning March 1, 2012, and expiring on February 28, 2015. Subsequent to year-end, the lease was extended through February 28, 2017. 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,	
2015	\$ 58,661
2016	57,564
2017	11,378
2018	3,768
2019	<u>3,140</u>
Total	<u><u>\$ 134,511</u></u>

Total rent expense totaled \$84,951 for the year ended December 31, 2014. The Organization had no long-term lease commitments for its offices in other countries at December 31, 2014.

Conditional Gift - During the year ended December 31, 2014, the Organization made a commitment for a conditional grant to a grantee, not to exceed approximately \$500,000. Grant expense will be recognized by the Organization at the time the conditions are satisfied by the grantee. During the year ended December 31, 2014, none of the conditions had been satisfied by the grantee, and no grant expense was recognized by the Organization.

SPLASH AND AFFILIATE

Notes to Consolidated Financial Statements For the Year Ended December 31, 2014

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 \$18,438 to the Plan during the year ended December 31, 2014.

Note 7 - Related Party Transactions

The organization makes payments to two companies owned by a board member of Splash - Nepal. Expenses incurred for these services totaled \$157,673 for the year ended December 31, 2014.

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:

	<u>2014</u>
Bangladesh	\$ 127,405
Cambodia	187,448
China	285,017
Ethiopia	161,191
India	271,505
Nepal	682,489
Thailand	38,707
Vietnam	<u>7,906</u>
Total	<u>\$ 1,761,668</u>

Note 9 - Change in Method of Accounting for Water Purification Systems and Supplies

Due to continued growth in operations and increased volume of activity, management elected to begin tracking and capitalizing all water purification systems and supplies during the year ended December 31, 2014. Certain of these costs had been expensed when purchased in prior years. Management performed an extensive analysis that included physical counts of the water purification systems and supplies at December 31, 2014, and purchases of goods and system implementations completed during the year ended December 31, 2014. This change in accounting principal is applied retrospectively. Unrestricted net assets at December 31, 2013, originally stated at \$239,861, were increased by \$91,609 and are reported at \$331,470 as beginning net assets on the statement of activities and changes in net assets for the year ended December 31, 2014. Total net assets at December 31, 2013, originally stated at \$1,228,336, are reported at \$1,319,945 as beginning net assets on the statement of activities and changes in net assets for the year ended December 31, 2014.