Splash

Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

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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, 2015 and 2014, 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 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.

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, 2015 and 2014, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Clark Nuber PS

Certified Public Accountants
August 11, 2016

SPLASH AND AFFILIATE

Consolidated Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 1,501,936	$ 960,188
Accounts receivable	14,632	1,366
Advances for international WASH projects	42,354	57,006
Current portion of pledges receivable, net	189,307	905,757
Prepaid expenses	25,049	16,507
Water purification systems and supplies	370,359	292,705
Total Current Assets	**2,143,637**	**2,233,529**
Property and Equipment, Net	**38,898**	**52,179**
Pledges receivable, net, less current portion	2,478	16,662
Security deposits	8,945	9,182
Total Assets	**$ 2,193,958**	**$ 2,311,552**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 216,735	$ 175,251
Deferred revenue	50,071	24,898
Total Current Liabilities	**266,806**	**200,149**
Net Assets:		
Unrestricted	1,782,791	1,023,118
Temporarily restricted	144,361	1,088,285
Total Net Assets	**1,927,152**	**2,111,403**
Total Liabilities and Net Assets	**$ 2,193,958**	**$ 2,311,552**

See accompanying notes.

SPLASH AND AFFILIATE

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Contributions and grants	$ 1,880,133	$ 1,238,153	$ 3,118,286
System sales, net of cost of goods sold of $20,499	14,467		14,467
Other revenue	7,446		7,446
Net assets released from restriction	2,182,077	(2,182,077)	
Total Revenue and Support	**4,084,123**	**(943,924)**	**3,140,199**
Expenses:			
Program services	2,517,802		2,517,802
Management and general	504,002		504,002
Fundraising	302,646		302,646
Total Expenses	**3,324,450**		**3,324,450**
Change in Net Assets	**759,673**	**(943,924)**	**(184,251)**
Net assets, beginning of year	1,023,118	1,088,285	2,111,403
Net Assets, End of Year	**$ 1,782,791**	**$ 144,361**	**$ 1,927,152**

See accompanying notes.

SPLASH AND AFFILIATE

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

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

See accompanying notes.

SPLASH AND AFFILIATE

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Salaries	$ 466,120	$ 312,913	$ 166,126	$ 945,159
Benefits	47,102	61,103	18,147	126,352
Payroll taxes	40,733	25,968	13,996	80,697
In-country personnel	438,035			438,035
Compensation Expenses	**991,990**	**399,984**	**198,269**	**1,590,243**
Water and hygiene implementation	686,678			686,678
Other professional fees	460,660	19,270	33,763	513,693
Travel and meetings	169,553	10,570	15,893	196,016
Supplies, postage and shipping	84,259	20,629	11,064	115,952
Rent, parking and utilities	77,019	17,359	9,036	103,414
Other	18,657	5,436	14,642	38,735
Depreciation	15,287	5,870	3,055	24,212
Accounting and audit fees	3,773	20,424		24,197
Bad debt			16,857	16,857
Communications	9,926	4,460	67	14,453
Noncompensation Expenses	**1,525,812**	**104,018**	**104,377**	**1,734,207**
Total Expenses	**$ 2,517,802**	**$ 504,002**	**$ 302,646**	**$ 3,324,450**

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
Benefits	39,298	37,996	18,368	95,662
Payroll taxes	37,285	16,808	10,806	64,899
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 Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	$ (184,251)	$ 791,458
Adjustments to reconcile change in net assets to		
net cash provided by operating activities-		
Depreciation	24,212	9,690
In-kind contribution of fixed assets	(525)	(3,850)
Changes in assets and liabilities:		
Advances for international WASH projects	14,652	63,685
Accounts receivable	(13,266)	
Pledges receivable	730,634	(731,140)
Prepaid expenses	(8,542)	15,485
Water purification systems and supplies	(77,654)	(90,500)
Security deposits	237	(1,937)
Accounts payable and accrued expenses	41,484	100,959
Deferred revenue	25,173	24,898
Net Cash Provided by Operating Activities	**552,154**	**178,748**
Cash Flows From Investing Activities:		
Purchase of property and equipment	(10,406)	(48,732)
Net Cash Used in Investing Activities	**(10,406)**	**(48,732)**
Net Change in Cash and Cash Equivalents	**541,748**	**130,016**
Cash and cash equivalents balance, beginning of year	960,188	830,172
Cash and Cash Equivalents Balance, End of Year	**$ 1,501,936**	**$ 960,188**

See accompanying notes.

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, 2015 and 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. 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 consolidated statements of activities and changes in net assets.

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 $91,446 and $96,417 at December 31, 2015 and 2014, 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. Outstanding conditional promises to give totaled $4,394,314 and $5,787,904 at December 31, 2015 and 2014, respectively, 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 statements 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.

Donated Goods and Services - The Organization recognizes donated 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. Donated goods consisting of water purification system parts and supplies totaled $19,775 and $6,962 for the years ended December 31, 2015 and 2014, respectively. Donated services totaled $14,788 for the year ended December 31, 2015. There were no donated services for the year ended December 31, 2014. Donated goods and services revenue is included in contributions and grants, and the related expenses are included in water and hygiene implementation and other professional fees on the consolidated statements of activities and changes in net assets.

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. Splash - Nepal is a nonprofit, nonpolitical, nongovernmental organization, under organization registration act 2034 of Nepal.

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 consolidated statement of activities and changes in net assets and were immaterial for the years ended December 31, 2015 and 2014.

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 years ended December 31, 2015 and 2014.

At December 31, 2015, 96% of the Organization's pledges receivable was due from four donors of which 25% was due from one board member. For the year ended December 31, 2015, 57% of total revenue was received from two donors of which 6% was from one board member. At December 31, 2014, 81% of the Organization's pledges receivable was due from one donor. For the year ended December 31, 2014, 86% of total revenue was received from three donors of which 3% was from one board member.

Legal Matters - The Organization is subject to legal proceedings and claims that arise in the ordinary course of business. As of December 31, 2015, 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 August 11, 2016, 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:

	2015	2014
Due in less than one year	$ 195,174	$ 911,748
Due in one to five years	2,250	17,463
	197,424	929,211
Less allowance for doubtful accounts	(5,639)	(5,991)
Less present value discount - 3.25%		(801)
Pledges Receivable, Net	**$ 191,785**	**$ 922,419**

Note 3 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2015	2014
Computer equipment	$ 44,493	$ 39,500
Furniture and fixtures	15,819	15,819
Vehicles	18,565	18,565
Leasehold improvements	18,918	8,696
Software	36,820	36,820
Construction in progress		4,284
Total property and equipment	134,615	123,684
Less accumulated depreciation	(95,717)	(71,505)
Property and Equipment, Net	**$ 38,898**	**$ 52,179**

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, 2015, 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. Releases of temporarily restricted net assets for projects totaled $1,408,513 and for the elapse of time totaled $773,564 for the year ended December 31, 2015. 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:

	2015	2014
Cambodia	$ -	$ 50,500
Ethiopia	20,950	42,150
India		500
Nepal	97,848	220,109
Time restricted	25,563	775,026
Total Temporarily Restricted Net Assets	**$ 144,361**	**$ 1,088,285**

Note 6 - Commitments

Leases - The Organization signed a noncancelable lease for office space in Seattle, Washington beginning March 1, 2015, and expiring on 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 India beginning January 1, 2014, and expiring on October 31, 2019.

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

For the Year Ending December 31,		
2016	$	68,592
2017		11,502
2018		3,612
2019		3,010
Total	**$**	**86,716**

Rent expense totaled $88,947 and $84,951 for the years ended December 31, 2015 and 2014, respectively.

Conditional Gift - During the year ended December 31, 2014, the Organization made a commitment for a conditional grant to a grantee, not to exceed $259,803. Grant expense is recognized by the Organization at the time the conditions are satisfied by the grantee. During the year ended December 31, 2015, certain conditions were satisfied that resulted in the Organization recognizing $215,293 in grant expense reflected on the consolidated statement of activities and changes in net assets. At December 31, 2015, conditional amounts of $44,510 were outstanding and will be recognized when related conditions are satisfied.

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 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 $21,770 and $18,438 to the Plan during the years ended December 31, 2015 and 2014, respectively.

Note 8 - Related Party Transactions

The Organization makes payments to two companies owned by a board member of Splash - Nepal. Expenses incurred for these services totaled $118,217 and $157,673 for the years ended December 31, 2015 and 2014, respectively.

Note 9 - Expenses by Country

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

	2015	2014
Bangladesh	$ 217,880	$ 127,405
Cambodia	215,353	187,448
China	335,292	285,017
Ethiopia	344,901	161,191
India	385,651	271,505
Nepal	774,338	682,489
Thailand	926	38,707
Vietnam	3,883	7,906
Total	**$ 2,278,224**	**$ 1,761,668**