

WATERPARTNERS INTERNATIONAL, INC.
Audited Financial Statements
September 30, 2002

WATERPARTNERS INTERNATIONAL, INC.

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HOWE & ASSOCIATES, PC
Certified Public Accountants
104 East Broadway
Columbia, Missouri 65203

December 20, 2002

INDEPENDENT AUDITOR'S REPORT

Board of Directors
WATERPARTNERS INTERNATIONAL, INC.

We have audited the accompanying statement of assets, liabilities, and net assets, of WaterPartners International, Inc., (a nonprofit organization) as of September 30, 2002, and the related statements of support, revenues, and expenses, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of WaterPartners International, Inc. as of September 30, 2002, and its support, revenue, and expenses, and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Howe + Associates, PC

HOWE & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

WATERPARTNERS INTERNATIONAL, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS

ASSETS	9/30/02
	=====
Cash and Cash Equivalents	\$ 2,265
Investments	2,118
Pledges Receivable	4,237
Prepaid Expenses	-

TOTAL ASSETS	\$ 8,620
	=====
LIABILITIES & NET ASSETS	
Accounts Payable	\$ 5,689

TOTAL LIABILITIES	5,689

NET ASSETS	
Unrestricted	2,931
Temporarily Restricted	-
Permanently Restricted	-

TOTAL NET ASSETS	2,931

TOTAL LIABILITIES & NET ASSETS	\$ 8,620
	=====

*** The accompanying footnotes are an integral part of these financial statements. ***

WATERPARTNERS INTERNATIONAL, INC.
STATEMENT OF SUPPORT, REVENUES AND EXPENSES
For the Year Ended September 30, 2002

2002

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
SUPPORT AND OTHER INCOME				
400 Direct Public Support and Fundraising Events \$	315,947	\$ -	\$ -	\$ 315,947
410 Foundation Grants	150,321	-	-	150,321
420 Consulting Services	7,872	-	-	7,872
430 Interest Income	21	-	-	21
440 Gain/(Loss) on Donated Investments	(63)	-	-	(63)
450 Other Income	-	-	-	-
	474,098	-	-	474,098
EXPENSES				
Programs	284,441	-	-	284,441
Management & General	48,945	-	-	48,945
Fundraising	63,598	-	-	63,598
Special Events	78,184	-	-	78,184
	475,168	-	-	475,168
CHANGE IN NET ASSETS	(1,070)	-	-	(1,070)
NET ASSETS AT BEGINNING OF YEAR	4,001	-	-	4,001
NET ASSETS AT END OF YEAR	\$ 2,931	\$ -	\$ -	\$ 2,931
	=====	=====	=====	=====

*** The accompanying footnotes are an integral part of these financial statements. ***

WATERPARTNERS INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
September 30, 2002

STATEMENT OF CASH FLOWS	9/30/02
(Increase/Decrease in Cash and Cash Equivalents)	
Cash Flows from operating activities:	
Change in Net Assets	(1,070)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase)Decrease in Receivables	(4,237)
(Increase)Decrease in Prepaid	0
Increase(Decrease) in Accounts Payable	2,134
Total adjustments	(2,103)
Net Cash Used/Provided by operating activities	(3,173)
Cash flows from investing activities:	
Increase(Decrease) in Investments	(101)
Net Cash Used/Provided by investing activities	(101)
Cash flows from financing activities:	
Net Cash Used/Provided by financing activities	0
Net increase/decrease in cash and cash equivalents	(3,274)
Operating cash at the beginning of the year	5,540
Operating Cash at the End of the Year	2,265
	=====
Supplemental Cash Flow Disclosure	
Cash paid for interest	0
	=====

*** The accompanying footnotes are an integral part of these financial statements. ***

WATERPARTNERS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year Ended September 30, 2002

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Special Events</u>	<u>Total</u>
Grants & Allocations	\$178,000	\$ -	\$ -	\$0	\$178,000
Compensation	66,505	36,089	45,072	9,930	157,596
Accounting fees	-	1,634	-	0	1,634
Supplies	7,635	2,276	4,423	1,819	16,153
Telephone	1,751	1,751	1,751	12	5,265
Postage and shipping	2,772	725	1,797	2,895	8,189
Equipment rental and maintenance	946	946	1,851	986	4,729
Printing and publications	4,729	-	1,927	10,697	17,353
Travel	11,688	1,988	5,138	9,468	28,282
Facilities Rental and Catering	-	-	-	31,800	31,800
Miscellaneous	10,415	3,536	1,639	10,577	26,167
	\$ 284,441	\$ 48,945	\$ 63,598	\$ 78,184	\$ 475,169
	=====	=====	=====	=====	=====

*** The accompanying footnotes are an integral part of these financial statements. ***

1. DEFINING THE ENTITY

Organizational Activities

Waterpartners International, Inc. was incorporated in 1993 as a not-for-profit corporation. The organization focuses on locating partner organizations in the developing world to implement water supply projects. Waterpartners International, Inc. utilizes newsletters, community presentations, special events, and media coverage to increase the awareness of the general public of water supply issues in developing countries. Revenues are primarily received from grants.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the partnership are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Accordingly, these statements present financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted based on the presence or absence of donor stipulations on contributions received by Waterpartners International, Inc., those stipulations are as follows:

Unrestricted -

All money and items received are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted -

Temporarily restricted assets are unavailable for use until the restriction has been removed by the passage of time or until a certain event occurs.

Permanently Restricted -

Permanently restricted assets are those with a donor-imposed stipulation that resources be maintained permanently but permits the organization to expend part or all of the income derived from the donated assets.

Operating Cycle

The Organization's fiscal year begins October 1 and ends on September 30.

Income Taxes

The organization is a not-for-profit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

Donated Services

No amounts have been reflected in the financial statements for these services. All services are either paid or volunteered.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and savings. At year-end and throughout the year, the organization's cash balances were deposited with Bank of America. Management believes the organization is not exposed to any significant credit risk on cash and cash equivalents.

WATERPARTNERS INTERNATIONAL, INC.
September 30, 2002
NOTES TO THE FINANCIAL STATEMENTS

Property and Equipment

Fixed assets are recorded at cost if purchased or fair market value if acquired by gift. Currently the organization holds no fixed assets.

3. CONCENTRATION OF REVENUES

The Organization received the following revenues during fiscal year 2002:

Clearwater Project	65,000	13.71%
NetAid Foundation	73,105	15.42%
	-----	-----
	\$ 138,105	29.13%
	=====	=====

4. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

HOWE & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
104 East Broadway
Columbia, Missouri 65203
Telephone: (573) 874-1040 Fax: (573) 442-2323

December 20, 2002

Board of Directors
WaterPartners International
Columbia, MO

RE: Audit for the Year Ended September 30, 2002

This letter is a supplement to the audit report dated December 20, 2002 to comment on items discovered during our audit procedures we felt needed to be addressed. In planning and performing our audit of the financial statements of WaterPartners International, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The organization's internal control structure consists of policies and procedures established by management to provide reasonable, but not absolute, assurance that financial data is recorded, processed, summarized, and reported consistent with the assertions embodied in the financial statements. In establishing those policies and procedures, management assesses their expected benefits and related costs. Because of the inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any assessment of the internal control structure to future periods is subject to the risk that policies or procedures may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

We did not note any matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions or material weaknesses as defined above. Our audit did not detect any material weaknesses.

One of the more effective internal accounting control techniques is the adequate segregation of duties whereby responsibilities for each accounting area are distributed among numerous employees so that no one employee can exert significant influence over a particular accounting function. Management should attempt to segregate accounting responsibilities to the extent feasible, giving consideration to the limited number of personnel and the cost of implementing changes compared to the additional control benefits that could be derived.

During the course of our audit, we came across no procedures which could be improved with the current size of the organization.

This report is intended solely for the information and use of the Board of Directors and management of WaterPartners International. We appreciate the cooperation and courtesy extended to us by the organization's staff. If you should require any additional information, please let us know.

Sincerely,

Howe + Associates, PC

Howe & Associates, PC
Certified Public Accountants