

**WATERPARTNERS INTERNATIONAL, INC.**  
**Audited Financial Statements**  
**September 30, 2003 and September 30, 2004**

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

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January 24, 2005

Board of Directors  
WaterPartners International  
Kansas City, MO

RE: Audit for the Year Ended September 30, 2004

This letter is a supplement to the audit report dated January 24, 2005 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

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September 30, 2003 and September 30, 2004

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
WATERPARTNERS INTERNATIONAL, INC.

We have audited the accompanying statement of financial position, of WaterPartners International, Inc., (a nonprofit organization) as of September 30, 2003 and 2004 and the related statements of activity, cash flows and functional expenses for the years 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 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 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, 2003 and 2004, and its activity and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Howe & Associates, PC*

HOWE & ASSOCIATES, PC  
Certified Public Accountants  
January 24, 2005

**WATERPARTNERS INTERNATIONAL, INC.**  
**STATEMENT OF FINANCIAL POSITION**

	<u>9/30/2003</u>	<u>9/30/2004</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 8,440	\$ 134,991
Investments	2,025	3,471
Endowment	-	42,744
Pledges Receivable	1,000	-
<b>TOTAL ASSETS</b>	<b><u>\$ 11,465</u></b>	<b><u>\$ 181,206</u></b>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 6,490	\$ 3,125
Grants Payable	-	101,542
<b>TOTAL LIABILITIES</b>	<b><u>6,490</u></b>	<b><u>104,667</u></b>
<b>NET ASSETS</b>		
Unrestricted	4,975	76,539
Temporarily Restricted	-	-
Permanently Restricted	-	-
<b>TOTAL NET ASSETS</b>	<b><u>4,975</u></b>	<b><u>76,539</u></b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 11,465</u></b>	<b><u>\$ 181,206</u></b>

\*\*\* See accompanying notes and accountants report \*\*\*

**WATERPARTNERS INTERNATIONAL, INC.**  
**STATEMENT OF ACTIVITY**  
**For the Year Ended September 30, 2004**

	2004				2003
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>SUPPORT AND OTHER INCOME</b>					
Direct Public Support and Special Events	\$ 529,420	\$ -	\$ -	\$ 529,420	\$ 383,456
Foundation Grants	295,788	-	-	295,788	112,577
Interest & Dividend Income	1,475	-	-	1,475	2
Gain/(Loss) on Donated Investments	180	-	-	180	71
Other Income	-	-	-	-	-
<b>TOTAL SUPPORT AND OTHER INCOME</b>	<b>826,863</b>	<b>-</b>	<b>-</b>	<b>826,863</b>	<b>496,106</b>
<b>EXPENSES</b>					
Programs	491,579	-	-	491,579	319,573
Management & General	65,657	-	-	65,657	37,729
Fundraising	88,239	-	-	88,239	61,671
Special Events	109,824	-	-	109,824	75,089
<b>TOTAL EXPENSES</b>	<b>755,299</b>	<b>-</b>	<b>-</b>	<b>755,299</b>	<b>494,062</b>
<b>CHANGE IN NET ASSETS</b>	<b>71,564</b>	<b>-</b>	<b>-</b>	<b>71,564</b>	<b>2,044</b>
NET ASSETS AT BEGINNING OF YEAR	4,975	-	-	4,975	2,931
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 76,539</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 76,539</b>	<b>\$ 4,975</b>

\*\*\* See accompanying notes and accountants report \*\*\*

**WATERPARTNERS INTERNATIONAL, INC.**  
**STATEMENT OF CASH FLOWS**  
September 30, 2003 and September 30, 2004

<b>STATEMENT OF CASH FLOWS</b>	<u><b>9/30/2003</b></u>	<u><b>9/30/2004</b></u>
(Increase/Decrease in Cash and Cash Equivalents)		
Cash Flows from operating activities:		
Change in Net Assets	\$ 2,044	\$ 71,564
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase)Decrease in Receivables	3,237	1,000
Increase(Decrease) in Accounts Payable	801	(3,365)
Increase(Decrease) in Grants Payable	-	101,542
Total adjustments	<u>4,038</u>	<u>99,177</u>
Net Cash Used/Provided by operating activities	<u>6,082</u>	<u>170,741</u>
Cash flows from investing activities:		
Increase(Decrease) in Investments	92	(1,446)
Increase(Decrease) in Endowment	<u>-</u>	<u>(42,744)</u>
Net Cash Used/Provided by investing activities	<u>92</u>	<u>(44,189)</u>
Cash flows from financing activities:		
Net Cash Used/Provided by financing activities	<u>-</u>	<u>-</u>
Net increase/decrease in cash and cash equivalents	6,174	126,551
Operating cash at the beginning of the year	2,265	8,440
Operating Cash at the End of the Year	<u><u>\$ 8,440</u></u>	<u><u>\$ 134,991</u></u>
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Supplemental Cash Flow Disclosure		
Cash paid for interest	\$ -	\$ -

\*\*\* See accompanying notes and accountants report \*\*\*

**WATERPARTNERS INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2004**

	Programs	Management and General	Fundraising	Special Events	Total
Grants & Allocations	\$ 335,478	\$ -	\$ -	\$ -	\$ 335,478
Compensation	75,135	50,895	62,937	32,119	221,086
Accounting fees	673	673	673	-	2,019
Supplies	3,611	1,845	2,669	551	8,675
Telephone	1,740	1,740	1,740	297	5,517
Postage and shipping	2,455	807	4,436	2,983	10,681
Equipment rental and maintenance	1,995	1,995	2,941	130	7,062
Printing and publications	2,474	251	3,969	11,616	18,311
Travel	50,894	1,754	3,458	3,787	59,893
Dues	10,000	-	-	-	10,000
Facilities Rental and Catering	-	-	-	55,840	55,840
Miscellaneous	7,124	5,697	5,415	2,502	20,739
	<u>\$ 491,579</u>	<u>\$ 65,657</u>	<u>\$ 88,239</u>	<u>\$ 109,824</u>	<u>\$ 755,299</u>

\*\*\* See accompanying notes and accountants report \*\*\*



**WATERPARTNERS INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2003**

	Programs	Management and General	Fundraising	Special Events	Total
Grants & Allocations	\$ 219,008	\$ -	\$ -	\$ -	\$ 219,008
Compensation	59,153	28,014	29,369	22,350	138,887
Accounting fees	686	686	686	-	2,057
Supplies	5,106	1,587	2,293	843	9,828
Telephone	2,032	2,032	2,032	9	6,105
Postage and shipping	1,494	691	8,384	4,583	15,151
Equipment rental and maintenance	1,009	1,009	1,693	823	4,533
Printing and publications	1,834	108	3,024	8,741	13,708
Travel	15,603	1,499	10,497	2,015	29,613
Facilities Rental and Catering	-	-	-	33,290	33,290
Miscellaneous	13,649	2,104	3,694	2,435	21,881
	<u>\$ 319,573</u>	<u>\$ 37,729</u>	<u>\$ 61,671</u>	<u>\$ 75,089</u>	<u>\$ 494,062</u>

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\*\*\* See accompanying notes and accountants report \*\*\*

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**WATERPARTNERS INTERNATIONAL, INC.****September 30, 2003 and September 30, 2004****NOTES TO THE 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 Organization are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

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.

***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.

**WATERPARTNERS INTERNATIONAL, INC.**  
**September 30, 2003 and September 30, 2004**  
**NOTES TO THE FINANCIAL STATEMENTS**

***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.

***Contributed Services***

The organization does not recognize any revenue, support or expense from services contributed by volunteers because such contributions of services do not meet the criteria for financial statement recognition under generally accepted accounting principles.

***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.

***Investments & Endowment***

Under SFAS No. 124, investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses, if any, are included in the change in net assets.

***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.