



CLEAN WATER FOR EVERYONE

SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Clean Water For Everyone ("CWFE") is a not for profit organization that aims to elevate the lives of students in the developing world by helping to finance and install clean water and sanitation infrastructure in schools. CWFE accepts donations from the public, and invests these funds into operational entities in the developing world that are managed to be financially sustainable social enterprises. CWFE is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code.

Principles of Consolidated Financial Statements

All significant intercompany account balances and transactions are eliminated on consolidation.

Basis of Presentation

CWFE's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

CWFE follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted

quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Foreign Currency Translation

The statements of activities of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period. The net assets of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using exchange rates as of the statement of financial position date. The translation gains (losses) are included in the statement of activities.

Foreign Exchange Transactions

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect on reporting dates. Unrealized exchange gains and losses are included in the statement of activities.

Grant Expenses

Grant expenses are recognized at the time grants are authorized. Grants which are conditional on the recipient fulfilling certain obligations prior to receiving funds are recognized at the time those conditions are satisfied.

Program Related Equity Investments

Equity investments are recorded at cost less an allowance for impairment in value. Whether a valuation allowance is necessary due to impairment is determined based on various factors, including the enterprise's cash flow from operations and other pertinent factors related to the enterprise's operations and ability to attract additional capital from other investors.

Program Related Loans Receivable

Loans are recorded at amount equal to the assets transferred if the loans are at the market interest rate applicable to the borrower. If the contractual interest rate is lower than the market rate, the difference between the cash transferred to the borrower and the present value of the contractual payments for the loan at the effective interest is recognized as contribution expense.

Determining whether a valuation allowance is necessary due to impairment is based on various factors, including the debtor's cash flow from operations and pertinent factors related to the debtor's operations and ability to attract additional capital from other investors.

Promises to Give

Contributions are recognized when the donor makes a promise to give to CWFE that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net

assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CWFE uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

CWFE capitalizes all property and equipment with a cost over \$500.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, CWFE reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Property and equipment are depreciated using the straight-line method.

Revenue from Services Performed

When revenue generating services are performed by CWFE, revenue is recognized when all of the following criteria are met:

1. Persuasive evidence of an arrangement exists;
2. Delivery has occurred or services have been rendered;
3. The seller's price to the buyer is fixed and determinable;
4. Collectability is reasonably assured.