

**DIGDEEP RIGHT TO WATER PROJECT
(A NONPROFIT ORGANIZATION)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018**

DIGDEEP RIGHT TO WATER PROJECT

(A NONPROFIT ORGANIZATION)

Audited Financial Statements

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
DigDeep Right to Water Project
Los Angeles, California

Members of the Board:

We have audited the accompanying financial statements of DigDeep Right to Water Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DigDeep Right to Water Project as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Woodland Hills, CA
May 15, 2019

**DIGDEEP RIGHT TO WATER PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS		
Cash		\$ 1,906,975
Investments		1,024,593
Prepaid Expenses		11,300
Fixed Assets, Net		<u>103,451</u>
TOTAL ASSETS		<u><u>\$ 3,046,319</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable		\$ 11,422
Accrued Expenses		<u>17,059</u>
Total Liabilities		<u>28,481</u>
 NET ASSETS		
Unrestricted		119,017
Temporarily Restricted Net Assets		<u>2,898,821</u>
Total Net Assets		<u>3,017,838</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 3,046,319</u></u>

The accompanying notes are an integral part of these financial statements.

DIGDEEP RIGHT TO WATER PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

		2018		
		Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT				
Contributions	\$	171,309	\$ 1,203,344	\$ 1,374,653
Grants and sponsorships		166,000	688,186	854,186
Interest income		12,620	-	12,620
Dividend income		145		145
Investment income (loss)		(3,284)		(3,284)
In-kind contributions		-	4,909	4,909
Net assets released from purpose restrictions		1,139,037	(1,139,037)	-
Total Revenue and Support		1,485,827	757,402	2,243,229
Expenses				
Program services		1,139,037	-	1,139,037
General and administrative		138,273	-	138,273
Fundraising		135,282	-	135,282
Total Expenses		1,412,592	-	1,412,592
CHANGES IN NET ASSETS		73,235	757,402	830,637
NET ASSETS - Beginning of Year		45,782	2,141,419	2,187,201
NET ASSETS - End of Year		\$ 119,017	\$ 2,898,821	\$ 3,017,838

The accompanying notes are an integral part of these financial statements.

DIGDEEP RIGHT TO WATER PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program			Total Program	Management & General	Fundraising	Total Expenses
	Water Projects	Education	Research				
Salaries	\$ 242,556	\$ -	\$ -	\$ 242,556	\$ 60,121	\$ 48,394	\$ 351,071
Payroll taxes	15,752	-	-	15,752	5,152	3,837	24,741
Employee benefits	5,158	-	-	5,158	340	566	6,064
Total salaries, payroll taxes and benefits	<u>263,466</u>	<u>-</u>	<u>-</u>	<u>263,466</u>	<u>65,613</u>	<u>52,797</u>	<u>381,876</u>
Bank fees	-	-	72	72	550	18,215	18,837
Depreciation expense	16,244	-	-	16,244	220	-	16,464
Travel	68,091	1,967	1,970	72,028	14,171	18,253	104,452
In-kind donations	4,908	-	-	4,908	-	-	4,908
Insurance	28,013	-	-	28,013	3,374	-	31,387
Office	6,253	1,558	-	7,811	13,567	17,417	38,795
Postage	1,508	-	18	1,526	1,305	337	3,168
Professional services	26,712	7,734	-	34,446	23,845	22,511	80,802
Project costs	564,526	-	130,207	694,733	-	-	694,733
Advertising	237	-	-	237	653	5,183	6,073
Rent	9,324	-	-	9,324	9,324	-	18,648
Supplies	5,651	578	-	6,229	5,651	569	12,449
Total Expense	<u>\$ 994,933</u>	<u>\$ 11,837</u>	<u>\$ 132,267</u>	<u>\$ 1,139,037</u>	<u>\$ 138,273</u>	<u>\$ 135,282</u>	<u>\$ 1,412,592</u>

The accompanying notes are an integral part of these financial statements.

**DIGDEEP RIGHT TO WATER PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	830,637
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized investment loss		408
Depreciation expense		16,464
Changes in assets and liabilities		
Other receivable		79
Prepaid expenses		(11,300)
Accounts payable and accrued expenses		<u>21,226</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>857,514</u>
 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments		(1,089,845)
Proceeds from sales of investments		69,648
Purchase of fixed assets		<u>(86,953)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,107,150)</u>
NET DECREASE IN CASH		(249,636)
CASH at beginning of year		<u>2,156,611</u>
CASH at end of year	\$	<u><u>1,906,975</u></u>
 Supplemental disclosure of cash flow information:		
Noncash investment and financing transactions		
Donated investments	\$	<u><u>84,553</u></u>

The accompanying notes are an integral part of these financial statements.

DigDeep Right to Water Project

Notes to Financial Statements

December 31, 2018

NOTE 1 – ORGANIZATION:

DigDeep Right to Water Project (the “Organization”) is a nonprofit corporation organized under the general nonprofit corporation laws of the State of California.

DigDeep is the leading organization improving community-based water and sanitation (WASH) outcomes in the United States. DigDeep was founded in Los Angeles in 2012 by a group of human rights professionals working in water, health and international development. Today, the organization runs several nationally-recognized water access programs that serve communities in New Mexico, Arizona and Utah. DigDeep is best-known for its Navajo Water Project, an initiative bringing safe, hot-and-cold running water to hundreds of remote Navajo families for the first time ever. DigDeep also develops research and education projects, and maintains an extensive network of academic, government and water industry partners focused on solving America's water crisis.

The operations of the Organization are funded primarily by contributions from individuals and corporations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation and Basis of Accounting

The financial statements are prepared in accordance with the AICPA Audit and Accounting Guide for Not for Profit Organizations. Financial statement preparation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958 *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted assets as of December 31, 2018.

The accompanying financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Estimates

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

Cash and Cash Equivalent

Cash and cash equivalents include cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less.

The Organization maintains bank accounts at various financial institutions. Balances in these accounts may occasionally exceed the FDIC federally insured amount of \$250,000. Funds maintained in brokerage accounts are not federally insured, but are privately insured by the SIPC (Securities Investors Protection Corporation).

Investments

The Organization invests a portion of its cash not required for current operations in money market accounts, certificates of deposit, and treasury bills and notes. The investments are invested with the intent to hold them until maturity. The Organization occasionally receives stock donations.

Investments were comprised of the following:

	December 31, 2018
US Treasury	\$ 999,762
Money Market	4,420
Corporate equities	20,411
Total Investments	<u>\$ 1,024,593</u>

Investment income consists of the following:

	December 31, 2018
Unrealized loss	\$ (408)
Realized loss	(2,876)
Interest and dividend income	12,765
Total Investment Income	<u>\$ 9,481</u>

Revenue Recognition

All contributions are considered temporarily restricted unless specifically unrestricted by the donor. Contributions are recognized when the donor makes a promise to give, in substance and unconditionally. It is the Organization's policy to treat donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted. Donations that are not expended in the current year are classified as temporarily restricted.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Goods and Services

The Organization receives a substantial amount of donated products, materials and services in connection with its programs. Details for the donated in-kind contributions recorded at their estimated fair market values are as follows:

	December 31, 2018
Professional services	<u>\$ 4,909</u>

The Organization receives a significant amount of donated services from unpaid volunteers and interns who assist in various capacities. These services have not been recognized in the financial statements for the year ended December 31, 2018 because they have not met the criteria for recognition.

Fair Value Measurements

For certain of the Organization's financial instruments, including cash and equivalents, investments, grants receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Organization. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the balance sheets for investments, receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Organization's statements of financial position did not have financial instruments that required to be measured at fair value on a recurring basis.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Organization evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. There were no transfers between Level 1, Level 2, or Level 3 for the years ended December 31, 2018.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2018:

December 31, 2018	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Asset:				
Cash	\$ 1,906,975	\$ 1,906,975	\$ -	\$ -
Investments	<u>1,024,593</u>	<u>1,024,593</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 2,931,568</u></u>	<u><u>\$ 2,931,568</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Fixed Assets

Fixed assets are unrestricted and carried at cost or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows: furniture, fixtures, vehicles and equipment over 3 to 10 years.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenues and Other Support, Expenses, and Changes in Net Assets, and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited in a manner management believes to be reasonable and appropriate.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. Therefore, no provision for federal or California income tax is reflected in the financial statements.

The Organization follows the provisions of FASB ASC 740-10, *Income Taxes*, and accordingly, the Organization accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. The Organization does not believe that its financial statements include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements

Concentration of credit risk

Cash and investments are financial instruments which potentially subject the Organization to a concentration of credit risk. Cash in bank accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash deposits.

Investments consist of funds in corporate equities, debt securities and mutual funds. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. Management believes that the Organization's investment strategy and ability to hold investments for the long term minimize this risk.

NOTE 3 - CASH:

At December 31, 2018, cash and cash equivalents consisted primarily of checking and money market accounts with banks. At December 31, 2018, the Organization's cash account exceeded federally insured limits by approximately \$1,657,000. No reserve has been made in the financial statements for any possible loss due to any financial institution failure. Management believes that the financial institutions holding its cash balances are financially secure.

NOTE 4 – FIXED ASSETS:

Fixed assets at December 31, 2018 were comprised of the following:

	December 31, 2018
Computer and Equipment	\$ 6,023
Vehicles	136,094
	<hr/> 142,117
Accumulated Depreciation	(38,666)
	<hr/> \$ 103,451 <hr/>

Depreciation expense was \$16,464 for the year ended December 31, 2018.

NOTE 5 – COMPENSATED ABSENCES:

All regular hourly full-time and part-time employees are eligible for paid vacation time. The rate of accrual is based on length of employment and prorated by full-time equivalency.

Upon termination, hourly employees are paid for any accumulated unpaid vacation leave. As of December 31, 2018, vacation liability exists in the amount of \$4,221.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are as follows:

	<u>Beginning Balance</u>	<u>Support</u>	<u>Expenses</u>	<u>Ending Balance</u>
Water Project	\$ 2,141,419	\$ 1,575,548	\$ (994,933)	\$ 2,722,034
Education	-	19,891	(11,837)	8,054
Research	-	301,000	(132,267)	168,733
	<u>\$ 2,141,419</u>	<u>\$ 1,896,439</u>	<u>\$ (1,139,037)</u>	<u>\$ 2,898,821</u>

NOTE 7 – LEASE OBLIGATIONS:

Operating Lease

The Organization moved into a new office facility in August 2018 in Los Angeles, California under a renewable operating lease which expires in July 2019. For the year ended December 31, 2018, rental expense was \$18,648. The future minimum operating lease obligations is as follows:

	<u>December 31,</u>	
	2019	\$ 9,800
Total		<u>\$ 9,800</u>

NOTE 8 – SUBSEQUENT EVENT:

The Organization has evaluated events subsequent through May 15, 2019, for transactions and other events that may require adjustment of and/or disclosure in such financial statements. The Organization is not aware of any subsequent events that require recognition or disclosure in the financial statements.