

**ENGINEERS WITHOUT BORDERS – USA, INC.**

Financial Statements As Of  
December 31, 2022 and 2021

Together With Independent Auditors' Report

**JDS** professional  
group  
certified public accountants, consultants and advisors

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Engineers Without Borders - USA, Inc.:

**Opinion**

We have audited the accompanying financial statements of Engineers Without Borders - USA, Inc. ("EWB-USA"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EWB-USA as of December 31, 2022, and the results of 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EWB-USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management 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, and for 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.

### Independent Auditors' Report (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EWB - USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 EWB - USA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Independent Auditors' Report (Continued)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EWB - USA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Reporting on Summarized Comparative Information**

We have previously audited the Organization's December 31, 2021, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*JDS Professional Group*

July 6, 2023

**ENGINEERS WITHOUT BORDERS - USA, INC.**Statements Of Financial Position  
As Of December 31, 2022 and 2021

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<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,244,244	\$ 6,972,474
Investments	2,460,836	2,916,872
Contributions and grants receivable, net of discount	929,850	725,339
Prepaid expenses and other assets	24,304	61,108
Project advances	70,254	26,970
Furniture and equipment, net of accumulated depreciation	47,542	45,590
Investments - endowment	<u>572,053</u>	<u>322,053</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,349,083</u></u>	<u><u>\$ 11,070,406</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 68,010	\$ 92,370
Payable to EWB-EA	128,654	
Accrued personnel costs	67,903	70,343
Refundable advance	6,536	54,542
Refundable advance - PPP		<u>601,434</u>
Total Liabilities	<u>271,103</u>	<u>818,689</u>
Net Assets:		
Without donor restrictions	3,705,925	3,139,551
With donor restrictions	<u>7,372,055</u>	<u>7,112,166</u>
Total Net Assets	<u>11,077,980</u>	<u>10,251,717</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 11,349,083</u></u>	<u><u>\$ 11,070,406</u></u>

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

**ENGINEERS WITHOUT BORDERS - USA, INC.**Statement Of Activities  
For the Year Ended December 31, 2022

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	Without Donor Restrictions	With Donor Restrictions	2022 Total
<b>Support and Revenue:</b>			
Contributions, grants and contracts	\$ 3,717,393	\$ 3,541,692	\$ 7,259,085
Contributions of nonfinancial assets	1,175,063		1,175,063
Other income	61,325		61,325
Investment return	(228,264)		(228,264)
Net assets released from restriction - Satisfaction of program and time restrictions	<u>3,281,803</u>	<u>(3,281,803)</u>	
<b>Total Support and Revenue</b>	<u>8,007,320</u>	<u>259,889</u>	<u>8,267,209</u>
<b>Expenses:</b>			
Program services	<u>6,264,920</u>		<u>6,264,920</u>
Supporting services - General and administrative	742,945		742,945
Fundraising	<u>433,081</u>		<u>433,081</u>
<b>Total Supporting Services</b>	<u>1,176,026</u>		<u>1,176,026</u>
<b>Total Expenses</b>	<u>7,440,946</u>		<u>7,440,946</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	<u>566,374</u>	<u>259,889</u>	<u>826,263</u>
Net Assets, Beginning Of Year	<u>3,139,551</u>	<u>7,112,166</u>	<u>10,251,717</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,705,925</u>	<u>\$ 7,372,055</u>	<u>\$ 11,077,980</u>

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

**ENGINEERS WITHOUT BORDERS - USA, INC.**

## Statement Of Activities

For the Year Ended December 31, 2021

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	Without Donor Restrictions	With Donor Restrictions	2021 Total
Support and Revenue:			
Contributions, grants and contracts	\$ 5,693,284	\$ 3,373,404	\$ 9,066,688
Contributions of nonfinancial assets	678,500		678,500
Other income	28,662		28,662
Investment return	(10,292)		(10,292)
Net assets released from restriction - Satisfaction of program and time restrictions	<u>3,021,852</u>	<u>(3,021,852)</u>	
Total Support and Revenue	<u>9,412,006</u>	<u>351,552</u>	<u>9,763,558</u>
Expenses:			
Program Services	<u>6,055,756</u>		<u>6,055,756</u>
Supporting services - General and administrative	908,846		908,846
Fundraising	<u>354,654</u>		<u>354,654</u>
Total Supporting Services	<u>1,263,500</u>		<u>1,263,500</u>
Total Expenses	<u>7,319,256</u>		<u>7,319,256</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	<u>2,092,750</u>	<u>351,552</u>	<u>2,444,302</u>
Net Assets, Beginning Of Year, As Originally Reported	941,116	6,760,614	7,701,730
Restatement	<u>105,685</u>		<u>105,685</u>
Net Assets, Beginning Of Year, Restated	<u>1,046,801</u>	<u>6,760,614</u>	<u>7,807,415</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,139,551</u>	<u>\$ 7,112,166</u>	<u>\$ 10,251,717</u>

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

**ENGINEERS WITHOUT BORDERS - USA, INC.**Statement Of Functional Expenses  
For The Year Ended December 31, 2022

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	Program	Management		Total	
	Services	and General	Fundraising	Supporting	2022
				Services	Total
Salaries	\$ 1,142,216	\$ 407,742	\$ 237,957	\$ 645,699	\$ 1,787,915
Payroll taxes	98,035	34,996	20,424	55,420	153,455
Benefits	124,494	44,441	25,935	70,376	194,870
Total salaries and related expenses	1,364,745	487,179	284,316	771,495	2,136,240
Project mentors	1,173,000			-	1,173,000
Travel	372,628	12,870	20,256	33,126	405,754
Contract services	360,134	82,758	73,228	155,986	516,120
Project materials and logistic support	979,536			-	979,536
Office expense	1,102,198	3,058	10,960	14,018	1,116,216
Grants	532,589		5,000	5,000	537,589
Meetings and conventions	191,523	1,433	2,407	3,840	195,363
Insurance	59,621	18,093	8,443	26,536	86,157
Depreciation and amortization	5,237	4,908	742	5,650	10,887
Occupancy	35,636	10,814	5,047	15,861	51,497
License and fees	14,173	(388)	4,200	3,812	17,985
Bank fees	28,278	8,641	4,004	12,645	40,923
Professional fees	4,095	109,397		109,397	113,492
Printing and copying	2,614		4,063	4,063	6,677
Dues and subscriptions	1,321	15	1,804	1,819	3,140
Postage and delivery	2,517	150	605	755	3,272
Promotional materials	18,976		4,535	4,535	23,511
Miscellaneous expenses	16,099	4,017	3,471	7,488	23,587
Total	\$ 6,264,920	\$ 742,945	\$ 433,081	\$ 1,176,026	\$ 7,440,946

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



**ENGINEERS WITHOUT BORDERS - USA, INC.**Statement Of Functional Expenses  
For The Year Ended December 31, 2021

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	Program	Management		Total	2021
	Services	and General	Fundraising	Supporting	Total
				Services	
Salaries	\$ 1,401,990	\$ 417,235	\$ 199,572	\$ 616,807	\$ 2,018,797
Payroll taxes	117,462	34,957	16,721	51,678	169,140
Benefits	96,151	28,699	13,610	42,309	138,460
Total salaries and related expenses	1,615,603	480,891	229,903	710,794	2,326,397
Project mentors	678,500	-	-	-	678,500
Travel	77,465	6,714	1,532	8,246	85,711
Contract services	812,389	210,005	41,982	251,987	1,064,376
Project materials and logistic support	1,007,029	-	-	-	1,007,029
Office expense	1,183,648	1,824	2,722	4,546	1,188,194
Grants	478,556	-	20,333	20,333	498,889
Meetings and conventions	9,688	742	850	1,592	11,280
Insurance	92,480	28,013	-	28,013	120,493
Depreciation and amortization	16,060	22,267	-	22,267	38,327
Occupancy	-	80,836	-	80,836	80,836
License and fees	4,116	606	-	606	4,722
Bank fees	851	43,996	-	43,996	44,847
Professional fees	9,869	27,572	-	27,572	37,441
Printing and copying	1,352	-	414	414	1,766
Dues and subscriptions	1,692	4,850	1,775	6,625	8,317
Postage and delivery	670	530	922	1,452	2,122
Promotional materials	8,393	-	124	124	8,517
Miscellaneous expenses	57,395	-	54,097	54,097	111,492
Total	\$ 6,055,756	\$ 908,846	\$ 354,654	\$ 1,263,500	\$ 7,319,256

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

**ENGINEERS WITHOUT BORDERS – USA, INC.**Statement Of Cash Flows  
For The Years Ended December 31, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets from operations	\$ 796,833	\$ 2,444,302
Adjustments to reconcile changes in net assets from operations to net cash (used in) provided by operating activities:		
Forgiveness of PPP	(601,434)	(607,900)
Depreciation and amortization	10,887	38,327
Donation of stock	(24,940)	(1,668,431)
Contributions restricted for long-term purposes	(250,000)	(322,053)
Net realized and unrealized losses on investments	270,825	47,442
Changes in current assets and liabilities:		
(Increase) in contributions and grants receivable	(175,078)	(105,859)
Decrease in prepaid expenses and other assets	36,881	47,588
(Increase) decrease in project advances	(43,284)	110,712
(Decrease) increase in accounts payable and accrued expenses	(24,443)	68,541
Increase in payable to EWB-EA	128,654	
(Decrease) in accrued personnel costs	(2,440)	(86,351)
(Decrease) in refundable advance	<u>(48,006)</u>	<u>(230,202)</u>
Net cash provided by (used in) operating activities	<u>74,455</u>	<u>(263,884)</u>
Cash flows from investing activities:		
Purchases of investments	(2,582,943)	(501,813)
Sale of investments	<u>2,530,258</u>	<u>736,773</u>
Net cash (used in) provided by investing activities	<u>(52,685)</u>	<u>234,960</u>
Cash flows from financing activities:		
Proceeds from refundable advance - PPP		601,434
Proceeds from contributions restricted for investment in perpetuity	<u>250,000</u>	<u>322,053</u>
Net cash provided by financing activities	<u>250,000</u>	<u>923,487</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>271,770</b>	<b>894,563</b>
Cash And Cash Equivalents, Beginning Of Year	<u>6,972,474</u>	<u>6,077,911</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 7,244,244</u></b>	<b><u>\$ 6,972,474</u></b>

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

(1) **Nature Of The Organization**

The Engineers Without Borders - USA, Inc. (EWB-USA) was established in 2002 to utilize professional and student volunteers to address critical infrastructure needs to underserved regions globally. EWB-USA coordinates projects at home and through affiliates abroad to address some of the most prevalent challenges facing developing communities, including water purification, sanitation, transportation, renewable energy, and other essential infrastructure projects.

In addition, EWB-USA provides training and education for its volunteers to ensure that its designs are appropriate and sustainable for the environment in which they are constructed.

EWB-USA has an office in Nicaragua. As discussed in Note 8; EWB-USA had an office in Uganda through December 21, 2022. During the years ending December 31, 2022 and 2021, EWB-USA had approximately 13,000 and 10,500 volunteers, respectively, within the USA organized within over 250 professional and student chapters. While the financial activities of the Uganda and Nicaragua offices are included in EWB-USA's financial statements, some student chapters utilize the not-for-profit status of their respective University to raise funds for their projects and therefore, the financial activities related to those funds are not reflected in EWB-USA's financial statements.

(2) **Summary Of Significant Accounting Policies**

**Method Of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

**Recently Adopted Accounting Standard**

In 2022, EWB-USA adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which required lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. EWB-USA elected not to restate the comparative period. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The adoption did not have any impact on amounts reported on the statement of activities for the year ended December 31, 2022.

### Basis Of Presentation

EWB-USA reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and with donor restrictions as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates, and those differences could be material.

### Cash and Cash Equivalents

EWB-USA considers all highly liquid investments with an original maturity of three months or less and not held for long-term purposes to be cash equivalents.

### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment gain or loss (including realized and unrealized gains and losses) are included in the change in net assets in the statement of activities.

### Fair Value Measurements

EWB-USA follows *Fair Value Measurements*, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

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- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that EWB-USA has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Certificates of deposit:* The fair value of the certificates of deposit is based on amortized cost or original cost plus accrued interest.

*Equities and Exchange Traded Products:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual Funds:* Valued at the published net asset value (NAV) of the shares held at the reporting date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while EWB-USA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

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Project Advances

EWB-USA advances money to its members for travel and in-country project expenses that are to take place in the future.

Furniture and Equipment

Furniture and equipment are stated at cost or, if donated, at fair value at date of donation. Expenditures for and contributions of equipment with a fair value greater than \$1,000 are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years.

Leases

EWB-USA determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. EWB-USA does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Measure Of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consists of those items attributable to EWB-USA's ongoing program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, and unconditional promises to give, or notification of a beneficial interest is received. Conditional promises to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. All donor restricted support, including promises to give, is reported as an increase in net assets with donor restrictions, depending on the existence and/or nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Should EWB-USA substantially meet the conditions in the same period that the contributions was received, and barring any further donor-imposed restrictions, EWB-USA has

elected to recognize the revenue as net assets without donor restrictions.

A portion of EWB-USA's revenue is derived from cost-reimbursable federal contracts and grants. These are treated as contributions that are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when EWB-USA has incurred expenditures in compliance with specific contract or grant provisions.

EWB-USA has received contributions, grants and contracts totaling \$6,536 and \$109,221, including \$6,536 and \$52,542 of refundable advances, that have not been recognized for the year ended December 31, 2022 and 2021, respectively, because they are conditioned upon the following barriers:

Meeting specific milestones or	2022	2021
deliverables/performance requirements	\$ 6,536	\$ 54,542
Incurring allowable qualifying expenditure		54,679
Total conditional contributions, grants and contracts	<u>\$ 6,536</u>	<u>\$ 109,221</u>

EWB-USA uses allowance method to determine uncollectible contributions and grants receivable. The allowance is based upon on past collection experience and management's analysis of specific promises made. Uncollectible amounts are charged to the allowance in the year they are deemed uncollectible. EWB-USA considers all contributions and grants receivable to be fully collectible; accordingly, no allowance for doubtful amounts is considered necessary.

Conference revenue consists of registrations fees collected to attend the annual conference held in November put in by EWB-USA. Revenue is recognized when the conference is held.

Workshop fees received in advance of the workshop date are recorded as deferred revenue until the workshop occurs.

Membership dues are recognized over the membership period (calendar year) as the revenue only has an exchange element based on the value of benefits provided.

#### Functional Expense Allocation

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. EWB-USA incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. EWB-USA also conducts a number of activities which benefit both its programs objectives as well as supporting services (i.e. fundraising and general and administrative activities). Such expenses included are contract services, professional fees, office expense, postage and delivery, dues and subscriptions, insurance, travel, bank fees, and depreciation. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefitted, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

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**Subsequent Events**

EWB-USA has performed an evaluation of subsequent events through July 6, 2023, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

**(3) Income Taxes**

EWB-USA is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and qualifies for the charitable contribution deduction. Income from activities not directly related to EWB-USA's tax exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income tax incurred during 2022. Additionally, EWB-USA is subject to tax regulations in the countries they operate and any potential liability has been recognized in the financial statements. Management is required to evaluate tax positions taken by EWB-USA, and to recognize a tax liability if EWB-USA has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. EWB-USA believes it has appropriate support for any tax positions taken relative to its USA operations and that none would require recognition of a liability or disclosure in the financial statements. EWB-USA is subject to routine audits by tax jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes EWB-USA is no longer subject to income tax examinations on its IRS Form 990s filed for years prior to December 31, 2019.

**(4) Concentration Of Credit Risk**

Financial instruments which potentially subject EWB-USA to concentrations of credit risk consist primarily of cash and cash equivalents, investments, contributions and grants receivable. EWB-USA places its cash and cash equivalents with creditworthy, high-qualified financial institutions. At times during the year, a portion of EWB-USA's cash deposits may not be insured by the FDIC or related entity. As of December 31, 2022, EWB-USA's cash demand deposits exceeded the FDIC limit by \$6,559,575.

EWB-USA has significant investments in debt and equity securities and temporary cash investments and is therefore subject to concentrations of credit risk. Investments are made and monitored by the management of EWB-USA pursuant to an investment policy established by the Board of Directors. Though the market values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of EWB-USA.

Credit risk with respect to contributions and grants receivable is limited due to the credit worthiness of the entities that comprise the contributor base.



(5) **Investments**

The following table summarizes EWB-USA’s investments by the fair value hierarchy levels as of December 31, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income bond ETF	\$ 1,427,245	\$ 1,427,245		
Certificates of deposit	1,453,252	1,453,252		
Mutual funds	94,795	94,795		
Equity securities	31,309	31,309		
Total	<u>\$ 3,006,601</u>	<u>\$ 3,006,601</u>	<u>\$ 0</u>	<u>\$ 0</u>
Money market	25,578			
Total investments	<u>\$ 3,032,179</u>			

The following table summarizes EWB-USA’s investments by the fair value hierarchy levels as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income bond ETF	\$ 1,683,728	\$ 1,683,728		
Certificates of deposit	1,412,723	1,412,723		
Mutual funds	109,793	109,793		
Equity securities	11,581	11,581		
Total	<u>\$ 3,217,825</u>	<u>\$ 3,217,825</u>	<u>\$ 0</u>	<u>\$ 0</u>
Money market	21,100			
Total investments	<u>\$ 3,238,925</u>			

Investment return is summarized below for the years ended December 31, 2022, and 2021

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 42,561	\$ 37,150
Realized and unrealized net investment gains (losses)	(270,825)	(47,442)
Net investment return	<u>\$ (228,264)</u>	<u>\$ (10,292)</u>

**(6) Contributions and Grants Receivable**

The following table provides information about unconditional contributions and grants receivable for the years ended December 31, 2022 and 2021:

Amounts due in:	2022	2021
Less than one year	\$ 375,463	\$ 690,339
One to five years	600,000	35,000
Less: discount	(45,613)	
Total contributions and grants receivable	<u>\$ 929,850</u>	<u>\$ 725,339</u>

During the year ended December 31, 2022, the discount rate utilized was 4.06%.

**(7) Furniture And Equipment**

Furniture and equipment as of December 31, 2022 and 2021, consisted of the following:

	2022	2021
Furniture and equipment	\$ 64,773	\$ 63,920
Leasehold improvements	99,547	99,547
	164,320	163,467
Less: accumulated depreciation and amortization	(116,778)	(117,877)
	<u>\$ 47,542</u>	<u>\$ 45,590</u>

**(8) Asset Transfer Agreement**

As of December 21, 2022, EWB-USA entered into an Asset Transfer Agreement (the “Agreement”) with its Uganda office, Engineers Without Borders East Africa (“EWB-EA”). As part of the Agreement, EWB-USA agreed to transfer to EWB-EA all of EWB-USA’s right, title, and interest in specific assets including the cash held relating to Uganda activities. Additionally, EWB-EA assumed certain EWB-USA’s liabilities and obligations relating to Uganda activities. As of December 31, 2022, EWB-USA owed \$128,654 under the Agreement and is reflected as a payable to EWB-EA on the statements of financial position.

**(9) Leases**

EWB-USA leases office space and equipment under cancellable and non-cancellable operating leases that expire through May 31, 2023. The office space can be terminated with a 90 days notice. The

headquarters' office lease is subject to a 3% rent escalator increase beginning January of each year. Rent expense related to these leases totaled \$51,498 and \$80,836 for the years ended December 31, 2022 and 2021, respectively. Minimum future lease payments under the lease agreements was not significant.

(10) **Refundable Advance - Paycheck Protection Program**

On May 18, 2021, EWB-USA qualified for and received a refundable advance pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate amount of \$601,434. The advance was forgiven during the year ended December 31, 2022, and is reflected in contributions, grants and contracts on the statement of activities.

On April 18, 2020, EWB-USA qualified for and received a refundable advance pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate amount of \$607,900. The advance was forgiven during the year ended December 31, 2021, and is reflected in contributions, grants and contracts on the statement of activities.

(11) **Net Assets**

Net assets with donor restrictions for the years ended December 31, 2022 and 2021 are for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to specific purposes:		
Student and professional chapters	\$ 4,930,432	\$ 5,321,466
International projects	955,683	1,126,063
General operating support for specific chapters	104,500	243,000
Total subject to purpose restrictions	<u>5,990,615</u>	<u>6,690,529</u>
Subject to spending policy and appropriation:		
Investment in perpetuity	572,053	322,053
Subject to time restrictions:		
Contributions and grants receivable for future operations	809,387	99,584
	<u>\$ 7,372,055</u>	<u>\$ 7,112,166</u>

Net assets were released from restrictions for the years ended December 31, 2022 and 2021, as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions and/or passage of time:		
Student and professional chapters and international projects	\$ 1,884,405	\$ 1,158,300
General operating support	<u>1,397,398</u>	<u>1,863,552</u>
	<u>\$ 3,281,803</u>	<u>\$ 3,021,852</u>

(12) **Endowment**

EWB-USA maintains one donor-restricted endowment fund which is the Endowment Fund. The Endowment Fund was established in accordance with general instructions from the initial donor, and is to be maintained in perpetuity. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

EWB-USA is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, classifies amounts in its donor-restricted Endowment Fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Directors of EWB-USA has interpreted UPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, EWB-USA would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. EWB-USA has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law.

In accordance with UPMIFA, EWB-USA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of EWB-USA and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of EWB-USA, and (7) investment policies of EWB-USA.

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended December 31, 2022, are as follows:

	With Donor Restrictions
Endowment net assets, December 31, 2020	\$ 0
Contributions	322,053
Endowment net assets, December 31, 2021	322,053
Contributions	250,000
Endowment net assets, December 31, 2022	<u>\$ 572,053</u>

Underwater Funds

As of December 31, 2022 and 2021, no funds were underwater.

Return Objectives and Risk Parameters

An Investment Policy was adopted in July of 2022, in which the Endowment Fund is invested with a long-term strategy with a balanced portfolio of mutual funds, certificates of deposit, equities, and exchange traded products. The Endowment Fund shall be well diversified to avoid undue exposure to any single economic sector, industry group or individual security.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, EWB-USA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Typically, subject to fluctuating economic conditions and market trends, EWB-USA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

EWB-USA can receive an annual distribution of up to 4% of the average market value of this endowment fund based on the previous three year's value. During the years ended December 31, 2022 and 2021, the spending policy was followed.

**(13) Liquidity And Availability Of Financial Assets**

As of December 31, 2022 and 2021, liquidity and availability of financial assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 7,244,244	\$ 6,972,474
Investments	2,460,836	2,916,872
Contributions and grants receivable, net of discount	929,850	725,339
Total financial assets	<u>10,634,930</u>	<u>10,614,685</u>
Less amounts not available to be used within one year:		
Contributions receivable not expected to be collected within one year	(600,000)	(35,000)
Net assets with purposes restrictions not expected to be met in one year	(5,853,642)	(6,493,649)
Total amounts not available to be used within one year	<u>(6,453,642)</u>	<u>(6,528,649)</u>
Financial assets available to meet expenditures over the next twelve months	<u>\$ 4,181,288</u>	<u>\$ 4,086,036</u>

Management has estimated that net assets with purpose and time restrictions expected to be met within one year total \$380,399 and \$261,464 for the years ended December 31, 2022 and 2021, respectively. This estimate is based on projects expected to be completed, budgeted expenditures for the next year, and contributions receivable expected to be collected in the next year.

As part of EWB-USA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and short-term investments.

**(14) Contributed Nonfinancial Assets****Gifts-In-Kind**

EWB-USA received gifts-in-kind for the year ended December 31, 2022:

	<u>2022</u>	<u>2021</u>
International project professional services	<u>\$ 1,175,063</u>	<u>\$ 678,500</u>

During the year ended December 31, 2022 and 2021, all gifts-in-kind were utilized to carry out the mission of EWB-USA. The professional services were valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

All gifts-in-kind received by EWB-USA for the year ended December 31, 2022 and 2021, were considered without donor restrictions and able to be used by EWB-USA as determined by the board of directors and management.

Donated service hours are tracked in a volunteer tracking platform, and the in-kind contributions for these donated services are based on the actual hours reported by volunteers.

In addition, numerous volunteers have donated significant amounts of time to EWB-USA's program services. These services did not meet the requirement for recognition in the financial statement and have not been recorded.

(15) **Pension Plan**

EWB-USA sponsors an employee 401(k) retirement plan which covers all employees. EWB-USA makes a discretionary contribution each year equal to a percentage of each eligible participant's contributions totaling \$54,148 and \$0, respectively, for the years ended December 31, 2022 and 2021.