

**Engineers Without Borders – USA, Inc.**

**Financial Statements**

**December 31, 2019 and 2018**

**(With Independent Auditor's Report Thereon)**

*Kundinger, Corder & Engle, P.C.*

*Certified Public Accountants*

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**Independent Auditor's Report**

**Board of Directors  
Engineers Without Borders – USA, Inc.**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Engineers Without Borders – USA, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. 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 Engineers Without Borders – USA, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Kundinger, Corder & Engle, P.C.*

April 3, 2020

**Engineers Without Borders - USA, Inc.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

|  | 2019          | 2018       |
|--|---------------|------------|
| <b>Assets</b>                                |               |            |
| Cash and cash equivalents                    | \$ 4,242,029  | 3,983,440  |
| Investments (note 3)                         | 2,822,215     | 2,023,036  |
| Contributions and grants receivable (note 4) | 2,917,874     | 3,585,183  |
| Membership dues receivable                   | 82,648        | 77,535     |
| Prepaid expenses and other assets            | 151,275       | 158,575    |
| Project advances                             | 253,216       | 225,257    |
| Funds held on behalf of EWB-I (note 7)       | 238,733       | 252,107    |
| Furniture and equipment (note 5)             | 108,302       | 185,091    |
| Total assets                                 | \$ 10,816,292 | 10,490,224 |
| <b>Liabilities and Net Assets</b>            |               |            |
| Accounts payable and accrued expenses        | \$ 91,098     | 120,565    |
| Accrued personnel costs                      | 303,953       | 199,603    |
| Deferred revenue                             | 49,868        | 77,545     |
| Refundable advance                           | 453,811       | -          |
| Agency liability (note 7)                    | 238,733       | 252,107    |
| Total liabilities                            | 1,137,463     | 649,820    |
| Net assets (note 8)                          |               |            |
| Without donor restrictions:                  |               |            |
| Board designated                             | 800,000       | 800,000    |
| Undesignated                                 | 2,720         | 331,039    |
| Total net assets without donor restrictions  | 802,720       | 1,131,039  |
| With donor restrictions                      | 8,876,109     | 8,709,365  |
| Total net assets                             | 9,678,829     | 9,840,404  |
| Commitments (notes 6, 9 and 10)              |               |            |
| Total liabilities and net assets             | \$ 10,816,292 | 10,490,224 |

See the accompanying notes to the financial statements.

**Engineers Without Borders - USA, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2019**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|--|-------------------------------|----------------------------|-------------------|
| <b>Revenue, Gains and Support</b>      |                               |                            |                   |
| Contributions, grants and contracts    | \$ 5,148,677                  | 3,051,518                  | 8,200,195         |
| In-kind project mentor contributions   | 1,836,700                     | -                          | 1,836,700         |
| Membership dues                        | 248,676                       | -                          | 248,676           |
| Conference revenue                     | 160,953                       | -                          | 160,953           |
| Chapter fees                           | 55,064                        | -                          | 55,064            |
| Other income                           | 30,389                        | -                          | 30,389            |
| Investment return (note 3)             | 165,272                       | -                          | 165,272           |
| Net assets released from restrictions  | 2,884,774                     | (2,884,774)                | -                 |
| Total revenue, gains and support       | <u>10,530,505</u>             | <u>166,744</u>             | <u>10,697,249</u> |
| <b>Expenses</b>                        |                               |                            |                   |
| Program services:                      |                               |                            |                   |
| Projects                               | 8,170,711                     | -                          | 8,170,711         |
| Education                              | 513,957                       | -                          | 513,957           |
| Total program services                 | <u>8,684,668</u>              | <u>-</u>                   | <u>8,684,668</u>  |
| Supporting services:                   |                               |                            |                   |
| General and administrative             | 704,503                       | -                          | 704,503           |
| Fund raising                           | 1,469,653                     | -                          | 1,469,653         |
| Total supporting services              | <u>2,174,156</u>              | <u>-</u>                   | <u>2,174,156</u>  |
| Total expenses                         | <u>10,858,824</u>             | <u>-</u>                   | <u>10,858,824</u> |
| <b>Change in net assets</b>            | (328,319)                     | 166,744                    | (161,575)         |
| <b>Net assets at beginning of year</b> | <u>1,131,039</u>              | <u>8,709,365</u>           | <u>9,840,404</u>  |
| <b>Net assets at end of year</b>       | <u>\$ 802,720</u>             | <u>8,876,109</u>           | <u>9,678,829</u>  |

See the accompanying notes to the financial statements.

**Engineers Without Borders - USA, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2018**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|--|-------------------------------|----------------------------|-------------------|
| <b>Revenue, Gains and Support</b>      |                               |                            |                   |
| Contributions, grants and contracts    | \$ 5,178,099                  | 5,064,672                  | 10,242,771        |
| In-kind project mentor contributions   | 4,320,000                     | -                          | 4,320,000         |
| Membership dues                        | 327,735                       | -                          | 327,735           |
| Conference revenue                     | 151,010                       | -                          | 151,010           |
| Chapter fees                           | 67,972                        | -                          | 67,972            |
| Other income                           | 24,647                        | -                          | 24,647            |
| Investment return (note 3)             | 45,329                        | -                          | 45,329            |
| Net assets released from restrictions  | 1,781,364                     | (1,781,364)                | -                 |
| Total revenue, gains and support       | <u>11,896,156</u>             | <u>3,283,308</u>           | <u>15,179,464</u> |
| <b>Expenses</b>                        |                               |                            |                   |
| Program services:                      |                               |                            |                   |
| Projects                               | 9,071,547                     | -                          | 9,071,547         |
| Education                              | 364,936                       | -                          | 364,936           |
| Total program services                 | <u>9,436,483</u>              | <u>-</u>                   | <u>9,436,483</u>  |
| Supporting services:                   |                               |                            |                   |
| General and administrative             | 558,478                       | -                          | 558,478           |
| Fund raising                           | 1,022,445                     | -                          | 1,022,445         |
| Total supporting services              | <u>1,580,923</u>              | <u>-</u>                   | <u>1,580,923</u>  |
| Total expenses                         | <u>11,017,406</u>             | <u>-</u>                   | <u>11,017,406</u> |
| <b>Change in net assets</b>            | 878,750                       | 3,283,308                  | 4,162,058         |
| <b>Net assets at beginning of year</b> | <u>252,289</u>                | <u>5,426,057</u>           | <u>5,678,346</u>  |
| <b>Net assets at end of year</b>       | <u>\$ 1,131,039</u>           | <u>8,709,365</u>           | <u>9,840,404</u>  |

See the accompanying notes to the financial statements.

**Engineers Without Borders - USA, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2019**

|  | Program services |           |                        | Supporting services        |              |                           | Total expenses |
|--|------------------|-----------|------------------------|----------------------------|--------------|---------------------------|----------------|
|  | Projects         | Education | Total program services | General and administrative | Fund raising | Total supporting services |                |
| Salaries                               | \$ 1,665,464     | 129,022   | 1,794,486              | 504,336                    | 715,214      | 1,219,550                 | 3,014,036      |
| Payroll taxes                          | 126,486          | 9,357     | 135,843                | 43,220                     | 49,030       | 92,250                    | 228,093        |
| Benefits                               | 130,315          | 13,279    | 143,594                | 49,110                     | 42,319       | 91,429                    | 235,023        |
| Total salaries and related expenses    | 1,922,265        | 151,658   | 2,073,923              | 596,666                    | 806,563      | 1,403,229                 | 3,477,152      |
| Project mentors                        | 1,836,700        | -         | 1,836,700              | -                          | -            | -                         | 1,836,700      |
| Travel                                 | 1,076,545        | 12,678    | 1,089,223              | 9,504                      | 33,581       | 43,085                    | 1,132,308      |
| Contract services                      | 899,892          | 86,463    | 986,355                | 18,308                     | 431,265      | 449,573                   | 1,435,928      |
| Project materials and logistic support | 1,141,834        | -         | 1,141,834              | -                          | -            | -                         | 1,141,834      |
| Office expense                         | 380,449          | 16,181    | 396,630                | 4,880                      | 137,845      | 142,725                   | 539,355        |
| Grants                                 | 523,285          | -         | 523,285                | -                          | -            | -                         | 523,285        |
| Meetings and conventions               | 40,362           | 233,854   | 274,216                | 2,918                      | 3,297        | 6,215                     | 280,431        |
| Insurance                              | 143,509          | 554       | 144,063                | 1,915                      | 1,760        | 3,675                     | 147,738        |
| Depreciation and amortization          | 42,243           | 3,225     | 45,468                 | 16,318                     | 15,004       | 31,322                    | 76,790         |
| Occupancy                              | 94,717           | 2,818     | 97,535                 | 17,541                     | 16,130       | 33,671                    | 131,206        |
| Licenses and fees                      | 954              | -         | 954                    | 3,136                      | -            | 3,136                     | 4,090          |
| Bank fees                              | 28,283           | 3,581     | 31,864                 | 10,438                     | 9,547        | 19,985                    | 51,849         |
| Professional fees                      | 5,178            | -         | 5,178                  | 20,400                     | -            | 20,400                    | 25,578         |
| Printing and copying                   | 1,442            | 2,289     | 3,731                  | -                          | 605          | 605                       | 4,336          |
| Dues and subscriptions                 | 1,286            | 125       | 1,411                  | 1,224                      | 2,720        | 3,944                     | 5,355          |
| Postage and delivery                   | 7,683            | 531       | 8,214                  | 1,255                      | 5,647        | 6,902                     | 15,116         |
| Promotional materials                  | 24,084           | -         | 24,084                 | -                          | 5,689        | 5,689                     | 29,773         |
| Total expenses                         | \$ 8,170,711     | 513,957   | 8,684,668              | 704,503                    | 1,469,653    | 2,174,156                 | 10,858,824     |

See the accompanying notes to the financial statements.

**Engineers Without Borders - USA, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2018**

|  | Program services |           |                        | Supporting services        |              |                           | Total expenses |
|--|------------------|-----------|------------------------|----------------------------|--------------|---------------------------|----------------|
|  | Projects         | Education | Total program services | General and administrative | Fund raising | Total supporting services |                |
| Salaries                               | \$ 1,428,980     | -         | 1,428,980              | 367,808                    | 477,906      | 845,714                   | 2,274,694      |
| Payroll taxes                          | 108,460          | -         | 108,460                | 39,752                     | 29,623       | 69,375                    | 177,835        |
| Benefits                               | 102,495          | -         | 102,495                | 45,999                     | 18,480       | 64,479                    | 166,974        |
| Total salaries and related expenses    | 1,639,935        | -         | 1,639,935              | 453,559                    | 526,009      | 979,568                   | 2,619,503      |
| Project mentors                        | 4,320,000        | -         | 4,320,000              | -                          | -            | -                         | 4,320,000      |
| Travel                                 | 912,253          | 35,344    | 947,597                | 7,677                      | 25,706       | 33,383                    | 980,980        |
| Contract services                      | 502,380          | 83,735    | 586,115                | 12,651                     | 315,406      | 328,057                   | 914,172        |
| Project materials and logistic support | 795,635          | -         | 795,635                | -                          | -            | -                         | 795,635        |
| Office expense                         | 198,570          | 13,785    | 212,355                | 3,765                      | 107,668      | 111,433                   | 323,788        |
| Meetings and conventions               | 283,314          | -         | 283,314                | -                          | -            | -                         | 283,314        |
| Insurance                              | 48,754           | 216,706   | 265,460                | 5,303                      | 4,190        | 9,493                     | 274,953        |
| Grants                                 | 158,395          | 415       | 158,810                | 2,238                      | 1,399        | 3,637                     | 162,447        |
| Depreciation and amortization          | 56,572           | 3,143     | 59,715                 | 18,736                     | 11,714       | 30,450                    | 90,165         |
| Occupancy                              | 55,328           | 2,710     | 58,038                 | 16,154                     | 10,100       | 26,254                    | 84,292         |
| Bank fees                              | 50,210           | -         | 50,210                 | 1,563                      | -            | 1,563                     | 51,773         |
| Professional fees                      | 28,987           | 4,288     | 33,275                 | 9,470                      | 5,920        | 15,390                    | 48,665         |
| Licenses and fees                      | 2,818            | -         | 2,818                  | 18,000                     | -            | 18,000                    | 20,818         |
| Postage and delivery                   | 5,461            | 1,364     | 6,825                  | -                          | 8,546        | 8,546                     | 15,371         |
| Promotional materials                  | 2,650            | -         | 2,650                  | 8,290                      | 4,067        | 12,357                    | 15,007         |
| Dues and subscriptions                 | 2,804            | 2,741     | 5,545                  | 1,072                      | 470          | 1,542                     | 7,087          |
| Printing and copying                   | 7,481            | 705       | 8,186                  | -                          | 1,250        | 1,250                     | 9,436          |
| Total expenses                         | \$ 9,071,547     | 364,936   | 9,436,483              | 558,478                    | 1,022,445    | 1,580,923                 | 11,017,406     |

See the accompanying notes to the financial statements.

**Engineers Without Borders - USA, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

|  | <u>2019</u>         | <u>2018</u>      |
|--|---------------------|------------------|
| <b>Cash flows from operating activities</b>  |                     |                  |
| Change in net assets   | \$ (161,575)        | 4,162,058        |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                     |                  |
| Depreciation and amortization  | 76,790              | 90,165           |
| Net realized and unrealized (gains) losses on investments                                      | (88,131)            | 3,747            |
| Discount on long-term pledges  | 54,067              | 1,171            |
| Change in operating assets and operating liabilities:  |                     |                  |
| Contributions and grants receivable  | 613,242             | (3,349,132)      |
| Membership dues receivable   | (5,113)             | 12,530           |
| Prepaid expenses and other assets  | 7,300               | (20,713)         |
| Project advances   | (27,959)            | (16,388)         |
| Accounts payable and accrued expenses  | (29,467)            | 46,981           |
| Accrued personnel costs  | 104,350             | 51,882           |
| Deferred revenue   | (27,677)            | (48,272)         |
| Refundable advance   | 453,811             | (200,000)        |
| Net cash provided by operating activities  | <u>969,638</u>      | <u>734,029</u>   |
| <b>Cash flows from investing activities</b>  |                     |                  |
| Purchases of furniture and equipment   | -                   | (1,562)          |
| Net purchases of investments   | <u>(711,049)</u>    | <u>(37,528)</u>  |
| Net cash used in investing activities  | <u>(711,049)</u>    | <u>(39,090)</u>  |
| <b>Net increase in cash and cash equivalents</b>   | 258,589             | 694,939          |
| <b>Cash and cash equivalents at beginning of year</b>  | <u>3,983,440</u>    | <u>3,288,501</u> |
| <b>Cash and cash equivalents at end of year</b>  | <u>\$ 4,242,029</u> | <u>3,983,440</u> |

See the accompanying notes to the financial statements.



**Engineers Without Borders–USA, Inc.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**(1) Summary of Significant Accounting Policies**

**(a) Organization**

Engineers Without Borders - USA, Inc. (EWB-USA) was established in 2002 to connect a developing community with a specific infrastructure need to engineers that can design a solution to that need. EWB-USA's projects seek to address some of the most prevalent challenges facing developing communities, including water purification, sanitation, transportation, renewable energy, and other 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 approximately 10,500 volunteers within the USA organized within over 250 student and professional chapters. Some of the student chapters utilize the not-for-profit status of their respective university and therefore, the financial activities of those chapters are not reflected in the EWB-USA's financial statements.

**(b) Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

**(c) Financial Statement Presentation**

EWB-USA is required to present information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of EWB-USA. These net assets may be used at the discretion of EWB-USA's management and the board of directors.

*Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of EWB-USA or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. At December 31, 2019 and 2018, there are no net assets with perpetual donor restrictions.

**(d) 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.

**Engineers Without Borders—USA, Inc.**  
**Notes to Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(e) 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. Fair value is determined as more fully described in note 1(f). Investment gain or loss (including realized and unrealized gains and losses) are included in the change in net assets in the statements of activities.

**(f) Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1     Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2     Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3     Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in EWB-USA's financial statements.

**Engineers Without Borders–USA, Inc.**  
**Notes to Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(g) 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, and membership dues receivable. EWB-USA places its cash and cash equivalents with creditworthy, high-quality 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.

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 and membership dues receivable is limited due to the credit worthiness of the entities that comprise the contributor base.

**(h) Project Advances**

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

**(i) 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.

**(j) Revenue Recognition**

Contributions, grants and contracts

Contributions are recognized when cash, securities or other assets, and unconditional promise 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 contribution was received, and barring any further donor-imposed restrictions, EWB-USA has elected to recognize the revenue as net assets without donor restrictions.

**Engineers Without Borders–USA, Inc.**  
**Notes to Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(j) Revenue Recognition, Continued**

Contributions, grants and contracts, Continued

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 \$1,085,162, including \$453,811 of refundable advances, that have not been recognized at December 31, 2019 because they are conditioned upon the following barriers:

|  |                     |
|--|---------------------|
| Meeting specific milestones or deliverables/performance requirements | \$ 724,712          |
| Incurring allowable qualifying expenditure                           | <u>360,450</u>      |
| Total conditional contributions, grants and contracts                | \$ <u>1,085,162</u> |

Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

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

Membership Dues

The American Society of Civil Engineers (ASCE) collects memberships on behalf of EWB-USA. Memberships received through ASCE are paid by cash transfers from ASCE to EWB-USA and are recognized as revenue at that time. As of December 31, 2019 and 2018, memberships collected by ASCE resulted in a receivable in the amount of \$82,648 and \$77,535, respectively, and are included in membership dues receivable on the accompanying statements of financial position. Membership dues which are billed and collected in advance are deferred and recognized as revenue ratably over the membership period. Deferred membership revenue at December 31, 2019 and 2018 totaled \$49,868 and \$77,545, respectively.

Conference Revenue and Other Income

Conference revenue consists of registrations fees collected to attend the annual conference held in November put on 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.

**Engineers Without Borders–USA, Inc.**  
**Notes to Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(k) Donated Goods and Services**

Donated goods and services are reflected as contributions and corresponding expenses at their estimated values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise need to be purchased. During the years ended December 31, 2019 and 2018, in-kind contributions consisted of international project professional services valued at \$1,836,700 and \$4,320,000, respectively. In 2018, the number of service hours donated by volunteers were estimated. Starting in 2019, donated service hours are tracked in a new volunteer tracking process, 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 statements and have not been recorded.

**(l) Functional Expense Allocation**

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements 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 program objectives as well as supporting services (i.e. fundraising and general and administrative activities). 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 benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

**(m) 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 disclosure of 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.

**(n) 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 2019. 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 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 for years prior to December 31, 2016.

**Engineers Without Borders–USA, Inc.**  
**Notes to Financial Statements, Continued**

**(1) Summary of Significant Accounting Policies, Continued**

**(n) Subsequent Events**

EWB-USA has evaluated subsequent events through April 3, 2020, the date the financial statements were available to be issued.

**(o) New Accounting Pronouncement**

During 2019, EWB-USA adopted Accounting Standard Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective method. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

**(p) Prior Year Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassification had no effect on net assets or the change in net assets.

**(2) Liquidity and Availability of Financial Assets**

The following represents EWB-USA's financial assets as of December 31:

|   | <u>2019</u>         | <u>2018</u>      |
|---|---------------------|------------------|
| Financial assets at year-end:   |                     |                  |
| Cash and cash equivalents   | \$ 4,242,029        | 3,983,440        |
| Investments   | 2,822,215           | 2,023,036        |
| Contributions and grants receivable   | 2,917,874           | 3,585,183        |
| Membership dues receivable  | <u>82,648</u>       | <u>77,535</u>    |
| Total financial assets  | 9,941,497           | 9,669,194        |
| Less amounts not available to be used within one year:                      |                     |                  |
| Net assets with donor restrictions  | (8,876,109)         | (8,709,365)      |
| Board designated operating reserve fund                                     | (800,000)           | (800,000)        |
| Contributions receivable expected to be collected within one year           | 2,234,579           | 1,647,527        |
| Net assets with purposes restrictions expected to be met in one year        | <u>1,852,421</u>    | <u>997,339</u>   |
| Total amounts not available to be used within one year                      | (5,589,109)         | (6,864,499)      |
| Financial assets available to meet expenditures over the next twelve months | \$ <u>4,352,388</u> | <u>2,804,695</u> |

**Engineers Without Borders–USA, Inc.**  
**Notes to Financial Statements, Continued**

**(2) Liquidity and Availability of Financial Assets, Continued**

At December 31, 2019 and 2018, the Board designated \$800,000 as an operating reserve (see note 8). While EWB-USA does not intend to spend the operating reserve fund, it could be made available for current operations, if needed.

Management has estimated that net assets with purpose and time restrictions expected to be met within one year total \$4,087,000 and \$2,644,866 for December 31, 2019 and 2018, 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, CDs, and other short-term investments. To help manage liquidity, EWB-USA maintains a \$250,000 line of credit with a bank that is drawn upon as needed to manage cash flows. At December 31, 2019 and 2018, no amounts are outstanding under this line of credit.

**(3) Investments**

Investments are stated at their fair values and consist of the following at December 31:

|                         | <u>2019</u>         | <u>2018</u>         |
|-------------------------|---------------------|---------------------|
| Fixed income ETF        | \$ 1,491,618        | \$ 1,305,539        |
| Certificates of deposit | 1,249,800           | 649,505             |
| Mutual funds            | 75,444              | 63,831              |
| Equity securities       | <u>5,353</u>        | <u>4,161</u>        |
| Total                   | <u>\$ 2,822,215</u> | <u>\$ 2,023,036</u> |

Investment return is summarized below for the years ended December 31:

|   | <u>2019</u>       | <u>2018</u>      |
|---|-------------------|------------------|
| Interest and dividends                                | \$ 77,141         | \$ 49,076        |
| Realized and unrealized net investment gains (losses) | <u>88,131</u>     | <u>(3,747)</u>   |
| Net investment return                                 | <u>\$ 165,272</u> | <u>\$ 45,329</u> |

The following table summarizes EWB-USA's investments by the fair value hierarchy levels as of December 31, 2019:

|                         | <u>Fair Value</u>   | <u>Level 1</u>   | <u>Level 2</u>   | <u>Level 3</u> |
|-------------------------|---------------------|------------------|------------------|----------------|
| Fixed Income ETF        | \$ 1,491,618        | 1,491,618        | -                | -              |
| Certificates of deposit | 1,249,800           | -                | 1,249,800        | -              |
| Mutual funds            | 75,444              | 75,444           | -                | -              |
| Equity securities       | <u>5,353</u>        | <u>5,353</u>     | -                | -              |
| Total investments       | <u>\$ 2,822,215</u> | <u>1,572,415</u> | <u>1,249,800</u> | <u>-</u>       |

**Engineers Without Borders–USA, Inc.**  
**Notes to Financial Statements, Continued**

**(3) Investments, Continued**

The following table summarizes EWB-USA's investments by the fair value hierarchy levels as of December 31, 2018:

|                         | <u>Fair Value</u>   | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------|---------------------|------------------|----------------|----------------|
| Fixed Income ETF        | \$ 1,305,539        | 1,305,539        | -              | -              |
| Certificates of deposit | 649,505             | -                | 649,505        | -              |
| Mutual funds            | 63,831              | 63,831           | -              | -              |
| Equity securities       | <u>4,161</u>        | <u>4,161</u>     | <u>-</u>       | <u>-</u>       |
| Total investments       | <u>\$ 2,023,036</u> | <u>1,373,531</u> | <u>649,505</u> | <u>-</u>       |

All assets have been valued using a market based approach, except for Level 2 assets. The fair value of investments in marketable equity securities and mutual funds is based upon market values and other observable inputs. The fair value of corporate debt securities is determined by quoted market prices for similar assets or liabilities in active markets, as determined by the custodians of the securities. The fair value of certificates of deposit is based on current interest rates for debt instruments with similar characteristics, as estimated by the custodians of the securities. There were no changes in the valuation techniques during the current year. EWB-USA recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

**(4) Contributions and Grants Receivable**

Unconditional contributions and grants receivable consist of the following at December 31:

|   | <u>2019</u>         | <u>2018</u>      |
|---|---------------------|------------------|
| Amounts due in:   |                     |                  |
| Less than one year  | \$ 2,234,579        | 1,786,728        |
| One to five years   | <u>614,467</u>      | <u>1,800,000</u> |
|   | 2,849,046           | 3,586,728        |
| Less discount to net present value at rates ranging from 1.52% to 2.60% | <u>(54,441)</u>     | <u>(1,545)</u>   |
| Total contributions and grants receivable                               | <u>\$ 2,794,605</u> | <u>3,585,183</u> |

**(5) Furniture and Equipment**

Furniture and equipment consists of the following at December 31:

|  | <u>2019</u>       | <u>2018</u>      |
|--|-------------------|------------------|
| Computers and equipment                        | \$ 1,563          | 10,151           |
| Furniture and equipment                        | 54,463            | 62,463           |
| Leasehold improvements                         | 99,997            | 99,997           |
| Website and software costs                     | <u>341,763</u>    | <u>425,667</u>   |
|  | 497,786           | 598,278          |
| Less accumulated depreciation and amortization | <u>(389,484)</u>  | <u>(413,187)</u> |
|  | <u>\$ 108,302</u> | <u>185,091</u>   |



**Engineers Without Borders–USA, Inc.**  
**Notes to Financial Statements, Continued**

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**(6) Leases**

EWB-USA leases office space and equipment under cancelable and non-cancelable operating leases that expire through May 31, 2023. The headquarters' office lease is subject to a 3% rent escalator increase beginning January of each year. Rent expense related to these leases totaled \$113,102 and \$81,849 for the years ended December 31, 2019 and 2018. Minimum future lease payments under the non-cancelable lease agreements are as follows for the years ending December 31:

|      |                   |
|------|-------------------|
| 2020 | \$ 90,025         |
| 2021 | 92,576            |
| 2022 | 95,203            |
| 2023 | <u>47,703</u>     |
|      | <u>\$ 325,507</u> |

**(7) Agency Liability**

EWB-USA collects and distributes assets on behalf of Engineers Without Borders-International (EWB-I). During the year ended December 31, 2019, EWB-USA received contributions and membership dues totaling \$98,467 for the benefit of EWB-I and paid grants and other expenses of \$111,841 through this agency arrangement. During the year ended December 31, 2018, EWB-USA received contributions and membership dues totaling \$310,553 for the benefit of EWB-I and paid grants and other expenses of \$319,266 through this agency arrangement. The remaining benefit to EWB-I at December 31, 2019 and 2018 totals \$238,733 and \$252,107, respectively, and is reflected as a liability in the statements of financial position.

**(8) Net Assets**

Net Assets Without Donor Restrictions

During 2019 and 2018, EWB-USA's board of directors elected to designate \$800,000 of its net assets without donor restrictions as an operating reserve.

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

|  | <u>2019</u>         | <u>2018</u>      |
|--|---------------------|------------------|
| Subject to specific purposes:                                |                     |                  |
| Student and professional chapters and international projects | \$ 4,884,912        | 4,405,035        |
| General operating support for specific chapters              | 1,368,078           | 779,986          |
| Tyler Palmer fund  | <u>82,526</u>       | <u>78,006</u>    |
| Total subject to purpose restrictions                        | 6,335,516           | 5,263,027        |
| Subject to time restrictions:                                |                     |                  |
| Contributions and grant receivables for future operations    | <u>2,540,593</u>    | <u>3,446,338</u> |
|  | <u>\$ 8,876,109</u> | <u>8,709,365</u> |

**Engineers Without Borders–USA, Inc.**  
**Notes to Financial Statements, Continued**

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**(8) Net Assets, Continued**

Net Assets With Donor Restrictions, Continued

Net assets were released from restrictions as follows for the years ended December 31:

|   | <u>2019</u>         | <u>2018</u>      |
|---|---------------------|------------------|
| Satisfactions of purpose restrictions and/or passage of time: |                     |                  |
| Student and professional chapters and international projects  | \$ 1,707,281        | 1,123,029        |
| General operating support for specific chapters               | 1,167,493           | 654,276          |
| Tyler Palmer fund   | <u>10,000</u>       | <u>4,059</u>     |
| Total net assets released from restrictions                   | \$ <u>2,884,774</u> | <u>1,781,364</u> |

**(9) Line of Credit**

EWB-USA has a \$250,000 revolving line of credit with a bank. Under the terms of the agreement, EWB-USA is required to maintain on deposit with the bank a compensating balance of \$500,000, which is included in cash and cash equivalents in the accompanying statements of financial position. The line of credit agreement expires on August 24, 2020. Borrowings on the line bear interest at the one-month London Interbank Offered Rate (“LIBOR”) plus 5.84%. At December 31, 2019 and 2018, no amounts were outstanding on the line.

**(10) 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. EWB-USA made matching contributions totaling \$83,889 and \$64,188, respectively, for the years ended December 31, 2019 and 2018.

**(11) Subsequent Event**

In recent days, the COVID-19 pandemic has caused business disruption in numerous sectors of the economy. As a result of the spread of the COVID-19 virus, economic uncertainties have arisen which are likely to have a negative impact on some of EWB-USA’s activities. However, the related financial impact and duration cannot be reasonably estimated at this time. As a precautionary safeguard, EWB-USA applied for a loan under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Subsequent to April 3, 2020, the loan application was approved for \$607,900 and EWB-USA is awaiting disbursement of the funds. The loan may be fully forgiven if used for payroll costs, interest on mortgages, rent, and utilities. At least 75% of the forgiven amount must be used for payroll. Loan payments will be deferred for six months and no collateral or personal guarantees are required.