

Engineers Without Borders – USA, Inc.

Financial Statements

December 31, 2020 and 2019

(With Independent Auditor’s Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

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, 2020 and 2019, 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 audits 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, 2020 and 2019, 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 6, 2021

Engineers Without Borders - USA, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 5,975,817	4,242,029
Investments (note 3)	1,854,698	2,822,215
Contributions and grants receivable (note 4)	619,480	2,917,874
Membership dues receivable	–	82,648
Prepaid expenses and other assets	108,696	151,275
Project advances	160,727	253,216
Funds held on behalf of EWB-I (note 7)	150,494	238,733
Furniture and equipment (note 5)	55,479	108,302
Total assets	\$ 8,925,391	10,816,292
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 23,829	91,098
Accrued personnel costs	156,694	303,953
Deferred revenue	–	49,868
Refundable advances	284,744	453,811
Agency liability (note 7)	150,494	238,733
Paycheck Protection Program loan (note 8)	607,900	–
Total liabilities	1,223,661	1,137,463
Net assets (note 9)		
Without donor restrictions:		
Board designated	–	800,000
Undesignated	941,116	2,720
Total net assets without donor restrictions	941,116	802,720
With donor restrictions	6,760,614	8,876,109
Total net assets	7,701,730	9,678,829
Commitments and contingency (notes 6, 8, and 11)		
Total liabilities and net assets	\$ 8,925,391	10,816,292

See the accompanying notes to the financial statements.

Engineers Without Borders - USA, Inc.
Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Gains and Support			
Contributions, grants and contracts	\$ 3,031,469	2,571,822	5,603,291
In-kind project mentor contributions	1,075,900	–	1,075,900
Membership dues	74,388	–	74,388
Other income	103,922	–	103,922
Investment return (note 3)	140,740	–	140,740
Net assets released from restrictions	<u>4,687,317</u>	<u>(4,687,317)</u>	<u>–</u>
Total revenue, gains and support	<u>9,113,736</u>	<u>(2,115,495)</u>	<u>6,998,241</u>
Expenses			
Program services:			
Projects	7,104,734	–	7,104,734
Education	<u>355,626</u>	<u>–</u>	<u>355,626</u>
Total program services	<u>7,460,360</u>	<u>–</u>	<u>7,460,360</u>
Supporting services:			
General and administrative	765,777	–	765,777
Fund raising	<u>749,203</u>	<u>–</u>	<u>749,203</u>
Total supporting services	<u>1,514,980</u>	<u>–</u>	<u>1,514,980</u>
Total expenses	<u>8,975,340</u>	<u>–</u>	<u>8,975,340</u>
Change in net assets	138,396	(2,115,495)	(1,977,099)
Net assets at beginning of year	<u>802,720</u>	<u>8,876,109</u>	<u>9,678,829</u>
Net assets at end of year	<u>\$ 941,116</u>	<u>6,760,614</u>	<u>7,701,730</u>

See the accompanying notes to the financial statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Support			
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>
Expenses			
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>
Change in net assets	(328,319)	166,744	(161,575)
Net assets at beginning of year	<u>1,131,039</u>	<u>8,709,365</u>	<u>9,840,404</u>
Net assets at end of year	<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 Functional Expenses
Year Ended December 31, 2020

	Program services			Supporting services			Total expenses
	Projects	Education	Total program services	General and administrative	Fund raising	Total supporting services	
Salaries	\$ 1,733,676	198,775	1,932,451	542,270	539,776	1,082,046	3,014,497
Payroll taxes	160,939	14,512	175,451	45,911	40,713	86,624	262,075
Benefits	157,619	18,713	176,332	83,267	53,412	136,679	313,011
Total salaries and related expenses	2,052,234	232,000	2,284,234	671,448	633,901	1,305,349	3,589,583
Project mentors	1,075,900	–	1,075,900	–	–	–	1,075,900
Travel	365,839	3,668	369,507	1,158	6,819	7,977	377,484
Contract services	1,184,067	90,892	1,274,959	15,805	24,201	40,006	1,314,965
Project materials and logistic support	1,319,517	–	1,319,517	–	–	–	1,319,517
Office expense	394,091	2,558	396,649	9,132	41,155	50,287	446,936
Grants	440,618	–	440,618	–	–	–	440,618
Meetings and conventions	14,760	12,757	27,517	1,107	1,184	2,291	29,808
Insurance	87,437	1,271	88,708	3,284	5,084	8,368	97,076
Depreciation and amortization	30,350	3,488	33,838	9,515	9,471	18,986	52,824
Occupancy	85,443	5,559	91,002	15,166	15,096	30,262	121,264
Licenses and fees	2,454	152	2,606	663	2,515	3,178	5,784
Bank fees	19,486	2,992	22,478	5,460	5,115	10,575	33,053
Professional fees	1,475	–	1,475	22,250	–	22,250	23,725
Printing and copying	10,769	–	10,769	–	3,664	3,664	14,433
Dues and subscriptions	9,095	288	9,383	785	921	1,706	11,089
Postage and delivery	3,653	1	3,654	4	77	81	3,735
Promotional materials	7,546	–	7,546	10,000	–	10,000	17,546
Total expenses	\$ 7,104,734	355,626	7,460,360	765,777	749,203	1,514,980	8,975,340

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.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (1,977,099)	(161,575)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	52,824	76,790
Net realized and unrealized gains on investments	(86,639)	(88,131)
Discount on long-term pledges	(54,067)	54,067
Change in operating assets and operating liabilities:		
Contributions and grants receivable	2,352,461	613,242
Membership dues receivable	82,648	(5,113)
Prepaid expenses and other assets	42,579	7,300
Project advances	92,489	(27,959)
Accounts payable and accrued expenses	(67,269)	(29,467)
Accrued personnel costs	(147,259)	104,350
Deferred revenue	(49,868)	(27,677)
Refundable advance	(169,067)	453,811
Net cash provided by operating activities	<u>71,733</u>	<u>969,638</u>
Cash flows from investing activities		
Net proceeds from sales (purchases of) investments	<u>1,054,155</u>	<u>(711,049)</u>
Net cash provided by (used in) investing activities	<u>1,054,155</u>	<u>(711,049)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	<u>607,900</u>	<u>—</u>
Net cash provided by financing activities	<u>607,900</u>	<u>—</u>
Net increase in cash and cash equivalents	1,733,788	258,589
Cash and cash equivalents at beginning of year	<u>4,242,029</u>	<u>3,983,440</u>
Cash and cash equivalents at end of year	<u>\$ 5,975,817</u>	<u>4,242,029</u>

See the accompanying notes to the financial statements.

Engineers Without Borders–USA, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

(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, 2020 and 2019, 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

(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

(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

(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 \$720,866, including \$284,744 of refundable advances, that have not been recognized at December 31, 2020 because they are conditioned upon the following barriers:

Meeting specific milestones or deliverables/performance requirements	\$ 284,744
Incurring allowable qualifying expenditure	<u>436,122</u>
Total conditional contributions, grants and contracts	\$ <u>720,866</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) collected memberships on behalf of EWB-USA through July 2020. Memberships received through ASCE were paid by cash transfers from ASCE to EWB-USA and were recognized as revenue at that time. As of December 31, 2020 and 2019, memberships collected by ASCE resulted in a receivable in the amount of \$0 and \$82,648, 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, 2020 and 2019 totaled \$0 and \$49,868, 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

(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, 2020 and 2019, in-kind contributions consisted of international project professional services valued at \$1,075,900 and \$1,836,700, respectively. 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 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 2020. 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, 2017.

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 6, 2021, the date the financial statements were available to be issued.

(2) Liquidity and Availability of Financial Assets

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,975,817	4,242,029
Investments	1,854,698	2,822,215
Contributions and grants receivable	619,480	2,917,874
Membership dues receivable	—	<u>82,648</u>
Total financial assets	<u>8,449,995</u>	<u>10,064,766</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(6,760,614)	(8,876,109)
Board designated operating reserve fund (note 9)	—	(800,000)
Contributions receivable expected to be collected within one year	572,580	2,234,579
Net assets with purposes restrictions expected to be met in one year	<u>1,473,338</u>	<u>1,852,421</u>
Total amounts not available to be used within one year	<u>(4,714,696)</u>	<u>(5,589,109)</u>
Financial assets available to meet expenditures over the next twelve months	\$ <u>3,735,299</u>	<u>4,475,657</u>

Management has estimated that net assets with purpose and time restrictions expected to be met within one year total \$2,045,918 and \$4,087,000 for December 31, 2020 and 2019, 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.

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

(3) Investments

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

	<u>2020</u>	<u>2019</u>
Fixed income ETF	\$ 1,752,071	\$ 1,491,618
Certificates of deposit	–	1,249,800
Mutual funds	95,618	75,444
Equity securities	<u>7,009</u>	<u>5,353</u>
Total	\$ <u>1,854,698</u>	\$ <u>2,822,215</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 54,101	\$ 77,141
Realized and unrealized net investment gains (losses)	<u>86,639</u>	<u>88,131</u>
Net investment return	\$ <u>140,740</u>	\$ <u>165,272</u>

The following table summarizes EWB-USA’s investments by the fair value hierarchy levels as of December 31, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed Income ETF	\$ 1,752,071	1,752,071	–	–
Mutual funds	95,618	95,618	–	–
Equity securities	<u>7,009</u>	<u>7,009</u>	–	–
Total investments	\$ <u>1,854,698</u>	<u>1,854,698</u>	<u>–</u>	<u>–</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>

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.

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

(4) Contributions and Grants Receivable

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

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 572,580	2,357,848
One to five years	<u>46,900</u>	<u>614,467</u>
	619,480	2,972,315
Less discount to net present value at rates ranging from 1.52% to 2.60%	<u>—</u>	<u>(54,441)</u>
Total contributions and grants receivable	\$ <u>619,480</u>	<u>2,917,874</u>

(5) Furniture and Equipment

Furniture and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Computers and equipment	\$ 1,563	1,563
Furniture and equipment	54,463	54,463
Leasehold improvements	99,997	99,997
Website and software costs	<u>137,081</u>	<u>341,763</u>
	293,104	497,786
Less accumulated depreciation and amortization	<u>(237,625)</u>	<u>(389,484)</u>
	\$ <u>55,479</u>	<u>108,302</u>

(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 \$112,510 and \$113,102 for the years ended December 31, 2020 and 2019. Minimum future lease payments under the non-cancelable lease agreements are as follows for the years ending December 31:

2021	\$ 94,576
2022	95,203
2023	<u>47,703</u>
	\$ <u>237,482</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, 2020, EWB-USA received contributions and membership dues totaling \$41,665 for the benefit of EWB-I and paid grants and other expenses of \$129,888 through this agency arrangement. 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. The remaining benefit to EWB-I at December 31, 2020 and 2019 totals \$150,494 and \$238,733, respectively, and is reflected as a liability in the statements of financial position.

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

(8) Paycheck Protection Program Loan

In April 2020, EWB-USA received a \$607,900 loan that the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, this loan may be partially or fully forgiven if certain eligibility requirements are met, including that 60% of the loan must be spent on payroll. The loan is being treated as a refundable advance of a conditional contribution until such time that the loan has been explicitly forgiven by the SBA. At such time that the loan is forgiven, the conditions will be considered met and EWB-USA will recognize contribution revenue in the amount of the loan forgiveness. In the case that the loan is not forgiven in its entirety, the outstanding balance is payable in equal amounts required to fully amortize the principal amount outstanding on the note by the maturity date of April 18, 2022. The loan is unsecured, and interest is charged at 1% per annum.

(9) Net Assets

Net Assets Without Donor Restrictions

During 2020, the board-designated operating reserve of \$800,000 that was held as of the beginning of the year was used in the normal course of operations.

Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to specific purposes:		
Student and professional chapters and international projects	\$ 5,623,420	4,884,912
General operating support for specific chapters	520,814	1,368,078
Tyler Palmer fund	<u>99,386</u>	<u>82,526</u>
Total subject to purpose restrictions	6,243,620	6,335,516
Subject to time restrictions:		
Contributions and grant receivables for future operations	<u>516,994</u>	<u>2,540,593</u>
	<u>\$ 6,760,614</u>	<u>8,876,109</u>

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

	<u>2020</u>	<u>2019</u>
Satisfactions of purpose restrictions and/or passage of time:		
Student and professional chapters and international projects	\$ 1,211,987	1,707,281
General operating support	3,475,330	1,167,493
Tyler Palmer fund	<u>—</u>	<u>10,000</u>
Total net assets released from restrictions	<u>\$ 4,687,317</u>	<u>2,884,774</u>

(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 \$93,043 and \$83,889, respectively, for the years ended December 31, 2020 and 2019.

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

(11) Impact of COVID-19

The COVID-19 pandemic has caused business disruption and economic uncertainties in numerous sectors of the economy. The related financial statement impact on the future operation of EWB-USA cannot be reasonably estimated at this time. Management and the Board of Directors continue to monitor and evaluate the situation as it evolves.