

Engineers Without Borders – USA, Inc.

Financial Statements

December 31, 2017 and 2016

(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.:**

We have audited the accompanying financial statements of Engineers Without Borders – USA, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 2, 2018

Engineers Without Borders - USA, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets:		
Cash and cash equivalents	\$ 3,288,501	2,388,970
Investments (notes 2 and 3)	1,989,255	2,202,796
Grants receivable (note 1(l))	237,222	81,161
Membership dues receivable	90,065	123,788
Prepaid expenses and other assets	137,862	181,400
Project advances	208,869	162,570
Funds held on behalf of EWB-I (note 6)	260,820	390,433
Furniture and equipment (note 4)	273,694	363,688
Total assets	\$ 6,486,288	5,894,806
Liabilities and Net Assets:		
Accounts payable and accrued expenses	\$ 73,584	147,165
Accrued personnel costs	147,721	166,897
Deferred revenue	125,817	154,559
Refundable advance	200,000	-
Agency liability (note 6)	260,820	390,433
Total liabilities	807,942	859,054
Net assets:		
Unrestricted	252,289	185,326
Temporarily restricted (note 7)	5,426,057	4,850,426
Total net assets	5,678,346	5,035,752
Commitments (notes 5, 8 and 9)		
Total liabilities and net assets	\$ 6,486,288	5,894,806

See the accompanying notes to the financial statements.

Engineers Without Borders - USA, Inc.
Statement of Activities
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Gains and Support:			
Contributions and grants	\$ 3,160,880	2,366,091	5,526,971
In-kind project mentor contributions	3,561,900	-	3,561,900
Membership dues	337,321	-	337,321
Conference revenue	85,801	-	85,801
Chapter fees	123,651	-	123,651
Other income	42,448	-	42,448
Investment return (note 2)	45,907	-	45,907
Net assets released from restrictions	<u>1,790,460</u>	<u>(1,790,460)</u>	<u>-</u>
Total revenue, gains and support	<u>9,148,368</u>	<u>575,631</u>	<u>9,723,999</u>
Expenses:			
Program services:			
Projects	7,637,616	-	7,637,616
Education	<u>283,253</u>	<u>-</u>	<u>283,253</u>
Total program services	<u>7,920,869</u>	<u>-</u>	<u>7,920,869</u>
Supporting services:			
General and administrative	420,822	-	420,822
Fund raising	<u>739,714</u>	<u>-</u>	<u>739,714</u>
Total supporting services	<u>1,160,536</u>	<u>-</u>	<u>1,160,536</u>
Total expenses	<u>9,081,405</u>	<u>-</u>	<u>9,081,405</u>
Change in net assets	66,963	575,631	642,594
Net assets at beginning of year	<u>185,326</u>	<u>4,850,426</u>	<u>5,035,752</u>
Net assets at end of year	<u>\$ 252,289</u>	<u>5,426,057</u>	<u>5,678,346</u>

See the accompanying notes to the financial statements.

Engineers Without Borders - USA, Inc.
Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Gains and Support:			
Contributions and grants	\$ 3,057,675	1,271,299	4,328,974
In-kind project mentor contributions	4,804,217	-	4,804,217
Membership dues	332,375	-	332,375
Conference revenue	223,023	-	223,023
Chapter fees	47,292	-	47,292
Other income	12,031	-	12,031
Investment return (note 2)	27,891	-	27,891
Net assets released from restrictions	1,855,475	(1,855,475)	-
Total revenue, gains and support	<u>10,359,979</u>	<u>(584,176)</u>	<u>9,775,803</u>
Expenses:			
Program services:			
Projects	8,877,613	-	8,877,613
Education	512,254	-	512,254
Total program services	<u>9,389,867</u>	<u>-</u>	<u>9,389,867</u>
Supporting services:			
General and administrative	370,577	-	370,577
Fund raising	558,563	-	558,563
Total supporting services	<u>929,140</u>	<u>-</u>	<u>929,140</u>
Total expenses	<u>10,319,007</u>	<u>-</u>	<u>10,319,007</u>
Change in net assets	40,972	(584,176)	(543,204)
Net assets at beginning of year	<u>144,354</u>	<u>5,434,602</u>	<u>5,578,956</u>
Net assets at end of year	<u>\$ 185,326</u>	<u>4,850,426</u>	<u>5,035,752</u>

See the accompanying notes to the financial statements.

Engineers Without Borders - USA, Inc.
Statement of Functional Expenses
Year Ended December 31, 2017

	Program services			Supporting services			Total expenses
	Projects	Education	Total program services	General and administrative	Fund raising	Total supporting services	
Salaries	\$ 1,176,832	52,617	1,229,449	237,845	378,448	616,293	1,845,742
Payroll taxes	93,846	4,733	98,579	25,804	22,714	48,518	147,097
Benefits	90,148	3,866	94,014	47,458	8,518	55,976	149,990
Total salaries and related expenses	1,360,826	61,216	1,422,042	311,107	409,680	720,787	2,142,829
Project mentors	3,561,900	-	3,561,900	-	-	-	3,561,900
Travel	903,576	6,886	910,462	4,904	11,872	16,776	927,238
Contract services	452,074	55,008	507,082	11,590	148,596	160,186	667,268
Project materials and logistic support	636,717	-	636,717	-	-	-	636,717
Office expense	145,004	17,277	162,281	4,464	113,513	117,977	280,258
Meetings and conventions	30,935	133,320	164,255	1,424	1,064	2,488	166,743
Insurance	149,883	718	150,601	3,970	2,490	6,460	157,061
Grants	112,910	-	112,910	-	-	-	112,910
Depreciation and amortization	72,693	2,576	75,269	21,146	13,262	34,408	109,677
Miscellaneous	79,032	(918)	78,114	(2,768)	10,000	7,232	85,346
Occupancy	58,657	1,703	60,360	13,978	8,767	22,745	83,105
Bank fees	33,239	3,255	36,494	9,521	5,971	15,492	51,986
Professional fees	8,973	-	8,973	24,279	-	24,279	33,252
Licenses and fees	9,459	-	9,459	6,312	1,395	7,707	17,166
Postage and delivery	3,540	366	3,906	2,553	9,565	12,118	16,024
Promotional materials	11,721	1,305	13,026	-	500	500	13,526
Dues and subscriptions	1,800	-	1,800	8,249	2,270	10,519	12,319
Printing and copying	4,677	541	5,218	93	769	862	6,080
Total expenses	\$ 7,637,616	283,253	7,920,869	420,822	739,714	1,160,536	9,081,405

See the accompanying notes to the financial statements.

Engineers Without Borders - USA, Inc.
Statement of Functional Expenses
Year Ended December 31, 2016

	Program services			Supporting services			Total expenses
	Projects	Education	Total program services	General and administrative	Fund raising	Total supporting services	
Salaries	\$ 1,145,742	56,559	1,202,301	232,711	383,885	616,596	1,818,897
Payroll taxes	110,714	5,209	115,923	4,374	28,649	33,023	148,946
Benefits	123,223	3,722	126,945	7,818	18,271	26,089	153,034
Total salaries and related expenses	1,379,679	65,490	1,445,169	244,903	430,805	675,708	2,120,877
Project mentors	4,804,217	-	4,804,217	-	-	-	4,804,217
Travel	1,010,043	54,257	1,064,300	7,227	10,019	17,246	1,081,546
Project materials and logistic support	705,986	-	705,986	-	-	-	705,986
Contract services	405,207	76,623	481,830	39,226	44,263	83,489	565,319
Meetings and conventions	15,274	287,695	302,969	3,766	3,419	7,185	310,154
Office expense	169,123	13,136	182,259	4,502	15,226	19,728	201,987
Insurance	155,796	1,559	157,355	(1,824)	-	(1,824)	155,531
Depreciation and amortization	68,543	3,264	71,807	19,584	17,408	36,992	108,799
Occupancy	46,188	1,895	48,083	11,370	10,106	21,476	69,559
Bank fees	39,289	3,210	42,499	10,849	9,643	20,492	62,991
Miscellaneous	54,938	877	55,815	2,445	2,171	4,616	60,431
Professional fees	4,892	-	4,892	15,200	-	15,200	20,092
Postage and delivery	4,988	126	5,114	2,445	9,140	11,585	16,699
Dues and subscriptions	5,371	-	5,371	8,101	850	8,951	14,322
Printing and copying	4,853	2,920	7,773	-	888	888	8,661
Licenses and fees	369	312	681	1,544	4,625	6,169	6,850
Promotional materials	2,857	890	3,747	1,239	-	1,239	4,986
Total expenses	\$ 8,877,613	512,254	9,389,867	370,577	558,563	929,140	10,319,007

See the accompanying notes to the financial statements.

Engineers Without Borders - USA, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 642,594	(543,204)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	109,677	108,799
Net realized and unrealized (gains) losses on investments	(2,208)	22,008
(Increase) decrease in operating assets:		
Grants receivable	(156,061)	629,509
Membership dues receivable	33,723	(16,593)
Prepaid expenses and other assets	43,538	(84,156)
Project advances	(46,299)	(51,701)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(73,581)	66,305
Accrued personnel costs	(19,176)	24,337
Deferred revenue	(28,742)	(21,514)
Refundable advance	200,000	-
Net cash provided by operating activities	703,465	133,790
Cash flows from investing activities:		
Purchases of furniture and equipment	(19,683)	(165,788)
Net sales of investments	215,749	147,784
Net cash provided by (used in) investing activities	196,066	(18,004)
Net increase in cash and cash equivalents	899,531	115,786
Cash and cash equivalents at beginning of year	2,388,970	2,273,184
Cash and cash equivalents at end of year	\$ 3,288,501	2,388,970

See the accompanying notes to the financial statements.

Engineers Without Borders–USA, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

(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 over 16,000 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) Basis of Presentation

EWB-USA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. EWB-USA has no permanently restricted net assets.

(d) Use of 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.

(e) 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

(f) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Fair value is determined as more fully described in note 3. Investment gain or loss (including realized and unrealized gains and losses) are included in the change in net assets in the statement of activities.

(g) Concentration of Credit Risk

Financial instruments which potentially subject EWB-USA to concentrations of credit risk consist principally of cash and cash equivalents, and investments in debt and equity securities and temporary cash investments. EWB-USA places its cash and investments with creditworthy, high-quality financial institutions. A significant portion of the funds is not insured by the FDIC or related entity.

(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) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the donor restriction expires or the restricted activity is performed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(k) Grants and Contracts Revenue

Grant and contract awards generally specify the purpose for which the funds are to be used. Revenue under grant and contract agreements is deemed earned and is reported as revenue when EWB-USA has incurred expenditures or performed services in compliance with the provisions of the grant and contract agreement.

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

(1) Summary of Significant Accounting Policies, Continued

(l) Contributions and Grants Receivable

Unconditional contributions and grants receivable are recognized as revenue in the period the pledge is received. Unconditional contributions and grants receivable are recognized 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 uncollectible contributions and grants receivable. The allowance is based on management's analysis of specific promises made. There is no allowance for contributions and grants receivable at December 31, 2017 or 2016 as management considers all pledges to be collectible due to past collection history. Grants receivable total \$237,222 and \$81,161 at December 31, 2017 and 2016, respectively, and are expected to be collected within one year.

Conditional contributions and grant receivables are recognized as revenue when the conditions on which they depend are substantially met. During 2017, EWB received two \$1,000,000 conditional pledges. One pledge is subject to a \$1,000,000 match from an individual and a \$1,000,000 match from an organization. The \$1,000,000 match from an individual has been obtained, but it is contingent upon the first donor following through with their commitment. A \$200,000 prepayment was received in 2017 from one of the donors and has been recognized as a refundable advance as of December 31, 2017.

(m) In-Kind Contributions

Donated materials, equipment, 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, 2017 and 2016, in-kind contributions consisted of international project professional services valued at \$3,561,900 and \$4,804,217, respectively.

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.

(n) Deferred Revenue and Membership Dues

Membership dues which are billed and collected in advance are deferred and recognized as revenue ratably over the membership period. Workshop fees received in advance of the workshop date are recorded as deferred revenue until the workshop occurs. Contract revenue received in advance of the commencement date are recorded as deferred revenue until earned.

The American Society of Civil Engineers (ASCE) collects memberships on behalf of EWB-USA. Memberships received through ASCE have been paid by cash transfers from ASCE to EWB-USA. As of December 31, 2017 and 2016, memberships collected by ASCE resulted in a receivable in the amount of \$90,065 and \$123,788, respectively, and are included in membership dues receivable on the accompanying statement of financial position.

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

(1) Summary of Significant Accounting Policies, Continued

(o) Functional Expense Allocation

The costs of providing the various program services, activities, and related supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the appropriate programs and supporting services benefited.

(p) 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. For the years ended December 31, 2017 and 2016, EWB-USA did not incur taxes for unrelated trade or business income. EWB-USA follows guidance related to the uncertainty in income taxes which requires management to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2017 or 2016. EWB-USA is subject to routine audits by taxing 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, 2014.

(q) Subsequent Events

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. EWB-USA's financial statements were available to be issued on April 2, 2018 and this is the date through which subsequent events were evaluated.

(2) Investments

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

	<u>2017</u>	<u>2016</u>
Corporate debt securities	\$ 1,267,307	\$ 1,574,130
Certificates of deposit	647,947	564,181
Mutual funds	69,801	61,356
Equity securities	<u>4,200</u>	<u>3,129</u>
Total	<u>\$ 1,989,255</u>	<u>\$ 2,202,796</u>

The certificates of deposit have maturities ranging from two to five years and interest rates ranging from 1% to 1.75%.

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

(2) Investments, Continued

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 43,699	\$ 49,899
Realized and unrealized net investment gains (losses)	<u>2,208</u>	<u>(22,008)</u>
Net investment return	<u>\$ 45,907</u>	<u>\$ 27,891</u>

(3) Fair Value Measurements

EWB-USA reports required types of financial instruments in accordance with fair value accounting standards. Fair value is 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. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require EWB-USA to classify these financial instruments into a three-level hierarchy based on the priority of inputs to the valuation technique, which allow for either Level 2 or Level 3 reporting depending on lock up and notice periods associated with the underlying funds. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange, listed derivatives, cash and cash equivalents.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument'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 (Levels 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

(3) Fair Value Measurements, Continued

The following table summarizes EWB-USA's investments by the above fair value hierarchy levels as of December 31, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate debt securities	\$ 1,267,307	-	1,267,307	-
Certificates of deposit	647,947	-	647,947	-
Mutual funds	69,801	69,801	-	-
Equity securities	<u>4,200</u>	<u>4,200</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 1,989,255</u>	<u>74,001</u>	<u>1,915,254</u>	<u>-</u>

The following table summarizes EWB-USA's investments by the above fair value hierarchy levels as of December 31, 2016:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate debt securities	\$ 1,547,130	-	1,547,130	-
Certificates of deposit	564,181	-	564,181	-
Mutual funds	61,356	61,356	-	-
Equity securities	<u>3,129</u>	<u>3,129</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 2,202,796</u>	<u>64,485</u>	<u>2,138,311</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) Furniture and Equipment

Furniture and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Computers and equipment	\$ 10,932	81,370
Furniture and fixtures	15,128	15,128
Leasehold improvements	99,997	99,997
Vehicles	48,575	36,740
Website and software costs	<u>508,561</u>	<u>500,713</u>
	683,193	733,948
Less accumulated depreciation and amortization	<u>(409,499)</u>	<u>(370,260)</u>
	<u>\$ 273,694</u>	<u>363,688</u>

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

(5) Leases

EWB-USA leases office space and equipment under operating leases that expire through May 31, 2023. The office lease is subject to a 3% rent escalator increase beginning January of each year. Rent expense related to these leases totaled \$72,500 and \$67,016 for the years ended December 31, 2017 and 2016. Minimum future lease payments under these lease agreements are as follows for the years ending December 31:

2018	\$ 85,144
2019	87,549
2020	90,025
2021	92,576
2022	95,203
Thereafter	<u>47,703</u>
	<u>\$ 498,200</u>

(6) Agency Liability

EWB-USA collects and distributes assets on behalf of Engineers Without Borders-International (EWB-I). During the year ended December 31, 2017, EWB-USA received contributions and membership dues totaling \$486,338 for the benefit of EWB-I and paid grants and other expenses of \$615,951 through this agency arrangement. During the year ended December 31, 2016, EWB-USA received contributions and membership dues totaling \$213,979 for the benefit of EWB-I and paid grants and other expenses of \$183,527 through this agency arrangement. The remaining benefit to EWB-I at December 31, 2017 and 2016 totals \$260,820 and \$390,433, respectively, and is reflected as a liability in the statements of financial position.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Student and professional chapters and international projects	\$ 4,736,710	4,252,449
Tyler Palmer fund	86,308	86,885
2018 general operating support	315,000	-
General operating support for specific chapters	<u>288,039</u>	<u>511,092</u>
	<u>\$ 5,426,057</u>	<u>4,850,426</u>

During 2017 and 2016, temporarily restricted net assets totaling \$1,790,460 and \$1,855,475, respectively, were released from restrictions by incurring expenses satisfying the restricted purposes or the passage of time.

(8) 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, 2018. Borrowings on the line bear interest at the one-month London Interbank Offered Rate (“LIBOR”) plus 3.5%. At December 31, 2017 and 2016, no amounts were outstanding on the line.

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

(9) Pension Plan

EWB-USA sponsors an employee 401(k) profit sharing 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 \$56,665 and \$58,045, respectively, for the years ended December 31, 2017 and 2016.