

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

Financial Statements As Of  
December 31, 2021 and 2020

Together With Independent Auditors' Report

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

## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the accompanying financial statements of Engineers Without Borders - USA, Inc. ("EWB-USA"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EWB-USA as of December 31, 2021, and the results of its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Prior Period Financial Statements and Restatement**

The financial statements of EWB - USA, Inc. as of December 31, 2020, were audited by other others whose report dated April 6, 2021, expressed an unmodified opinion on those statements prior to the restatement.

As discussed in Note 15 to the financial statements, certain errors resulted in an understatement of amounts previously reported for cash, net furniture and equipment and an overstatement of project advances relating to the Nicaragua activity as of December 31, 2019, were discovered by management of EWB-USA during the current year. Accordingly, amounts reported for cash, net furniture and equipment and project advances have been restated in the 2020 financial statements now presented and an adjustment has been made to net assets as of December 31, 2019, to correct the error. Our opinion is not modified with respect to that matter.

*Members:*

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Independent Auditors' Report (Continued)

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EWB - USA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Independent Auditors' Report (Continued)

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

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

*JDS Professional Group*

May 3, 2022

**ENGINEERS WITHOUT BORDERS - USA, INC.**Statements Of Financial Position  
As Of December 31, 2021 and 2020

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<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,972,474	\$ 6,077,911
Investments	2,916,872	1,854,698
Contributions and grants receivable	725,339	619,480
Prepaid expenses and other assets	61,108	108,696
Project advances	26,970	137,682
Funds held on behalf of EWB-I		150,494
Furniture and equipment, net of accumulated depreciation	45,590	82,115
Investments - endowment	<u>322,053</u>	
<b>TOTAL ASSETS</b>	<u>\$ 11,070,406</u>	<u>\$ 9,031,076</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 92,370	\$ 23,829
Accrued personnel costs	70,343	156,694
Refundable advance	54,542	284,744
Agency liability		150,494
Refundable advance - PPP	<u>601,434</u>	<u>607,900</u>
Total Liabilities	<u>818,689</u>	<u>1,223,661</u>
Net Assets:		
Without donor restrictions	3,139,551	1,046,801
With donor restrictions	<u>7,112,166</u>	<u>6,760,614</u>
Total Net Assets	<u>10,251,717</u>	<u>7,807,415</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,070,406</u>	<u>\$ 9,031,076</u>

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

**ENGINEERS WITHOUT BORDERS - USA, INC.**Statement Of Activities  
For the Year Ended December 31, 2021

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

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

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

## Statement Of Activities

For the Year Ended December 31, 2020

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	Without Donor Restrictions	With Donor Restrictions	2020 Total
<b>Support and Revenue:</b>			
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	140,740		140,740
Net assets released from restriction - Satisfaction of program and time restrictions	<u>4,687,317</u>	<u>(4,687,317)</u>	
<b>Total Support and Revenue</b>	<u>9,113,736</u>	<u>(2,115,495)</u>	<u>6,998,241</u>
<b>Expenses:</b>			
<b>Program services -</b>			
Projects	7,104,734		7,104,734
Education	<u>355,626</u>		<u>355,626</u>
<b>Total Program Services</b>	<u>7,460,360</u>		<u>7,460,360</u>
<b>Supporting services -</b>			
General and administrative	765,777		765,777
Fundraising	<u>749,203</u>		<u>749,203</u>
<b>Total Supporting Services</b>	<u>1,514,980</u>		<u>1,514,980</u>
<b>Total Expenses</b>	<u>8,975,340</u>		<u>8,975,340</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	<u>138,396</u>	<u>(2,115,495)</u>	<u>(1,977,099)</u>
Net Assets, Beginning Of Year, As Originally Reported	802,720	8,876,109	9,678,829
Restatement	<u>105,685</u>		<u>105,685</u>
Net Assets, Beginning Of Year, Restated	<u>908,405</u>	<u>8,876,109</u>	<u>9,784,514</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,046,801</u>	<u>\$ 6,760,614</u>	<u>\$ 7,807,415</u>

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

# ENGINEERS WITHOUT BORDERS - USA, INC.

Statement Of Functional Expenses  
For The Year Ended December 31, 2021

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

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



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

Statement Of Functional Expenses  
For The Year Ended December 31, 2020

	Projects	Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	2020 Total
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
License 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	\$ 7,104,734	\$ 355,626	\$ 7,460,360	\$ 765,777	\$ 749,203	\$ 1,514,980	\$ 8,975,340

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

**ENGINEERS WITHOUT BORDERS – USA, INC.**Statement Of Cash Flows  
For The Years Ended December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets from operations	\$ 2,444,302	\$ (1,977,099)
Adjustments to reconcile changes in net assets from operations to net cash provided by operating activities:		
Forgiveness of PPP	(607,900)	
Depreciation and amortization	38,327	52,824
Donation of stock	(1,668,431)	
Contributions restricted for long-term purposes	(322,053)	
Net realized and unrealized losses and (gains) on investments	47,442	(86,639)
Discount on long-term pledges		(54,067)
Changes in current assets and liabilities:		
(Increase) decrease in contributions and grants receivable	(105,859)	2,352,461
Decrease in membership dues receivable		82,648
Decrease in prepaid expenses and other assets	47,588	42,579
Decrease in project advances	110,712	92,489
Increase (decrease) in accounts payable and accrued expenses	68,541	(67,269)
(Decrease) in accrued personnel costs	(86,351)	(147,259)
(Decrease) in deferred revenue		(49,868)
(Decrease) in refundable advance	(230,202)	(169,067)
Net cash provided by (used in) operating activities	<u>(263,884)</u>	<u>71,733</u>
Cash flows from investing activities:		
Purchases of investments	(501,813)	(1,035,815)
Sale of investments	<u>736,773</u>	<u>2,089,970</u>
Net cash provided by investing activities	<u>234,960</u>	<u>1,054,155</u>
Cash flows from financing activities:		
Proceeds from refundable advance - PPP	601,434	607,900
Proceeds from contributions restricted for investment in perpetuity	<u>322,053</u>	
Net cash provided by financing activities	<u>923,487</u>	<u>607,900</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	894,563	1,733,788
Cash And Cash Equivalents, Beginning Of Year	<u>6,077,911</u>	<u>4,344,123</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 6,972,474</u></u>	<u><u>\$ 6,077,911</u></u>

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

(1) **Nature Of The Organization**

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

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

EWB-USA has offices in Uganda and Nicaragua and has approximately 10,500 volunteers within the USA organized within over 250 professional and student chapters. While the financial activities of the Uganda and Nicaragua offices are included in EWB-USA's financial statements, some student chapters utilize the not-for-profit status of their respective University to raise funds for their projects and therefore, the financial activities related to those funds are not reflected in EWB-USA's financial statements.

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

**Method Of Accounting**

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

**Basis Of Presentation**

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

**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, whereby the donor has stipulated the funds must be maintained in perpetuity.

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Risks and Uncertainties

The global community has been under a significant threat from coronavirus (“COVID-19”). The extent to which the COVID-19 pandemic impacts EWB-USA’s business, results of operations and financial condition will depend on future developments, which are still uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, EWB-USA may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, EWB-USA cannot reasonably estimate the impact at this time.

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

Cash and Cash Equivalents

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

Investments

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

Fair Value Measurements

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

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that EWB-USA has the ability to access.
- Level 2      Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

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

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

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

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

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

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

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

Project Advances

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

Furniture and Equipment

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

Revenue Recognition

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

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

EWB-USA has received contributions, grants and contracts totaling \$109,221 and \$720,866, including \$54,542 and \$284,744 of refundable advances, that have not been recognized for the year ended December 31, 2021 and 2020, respectively, because they are conditioned upon the following barriers:

Meeting specific milestones or deliverables/performance requirements	2021	2020
	\$ 54,542	\$ 284,744
Incurring allowable qualifying expenditure	54,679	436,122
Total conditional contributions, grants and contracts	<u>\$ 109,221</u>	<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. During the year ended December 31, 2021, the discount was insignificant.

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

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

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

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

#### 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 1) create or enhance nonfinancial assets or 2) require specialized skills, are performed by people with those skills, and would otherwise need to be purchased. During the years ended December 31, 2021 and 2020, in-kind contributions consisted of international project professional services values at \$678,500 and \$1,075,900, respectively and are reflected in program services. Donated service hours are tracked in a volunteer tracking platform, and the in-kind contributions for these donated services are based on the actual hours reported by volunteers.

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

#### Functional Expense Allocation

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. EWB-USA incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. EWB-USA also conducts a number of activities which benefit both its programs objectives as well as supporting services (i.e. fundraising and general and administrative activities). Such expenses included are contract services, professional fees, office expense, postage and delivery, dues and subscriptions, insurance, travel, bank fees, and depreciation. These costs, which are not specifically attributable to a specific program

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or supporting activity, are allocated by management on a consistent basis among program and supporting services benefitted, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

#### Subsequent Events

EWB-USA has performed an evaluation of subsequent events through May 3, 2022, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

#### Prior-Year Amounts

Certain prior-year comparative information has been reclassified to conform to the current year presentation.

### (3) Tax Exempt Status

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 2021. Additionally, EWB-USA is subject to tax regulations in the countries they operate and any potential liability has been recognized in the financial statements. Management is required to evaluate tax positions taken by EWB-USA, and to recognize a tax liability if EWB-USA has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. EWB-USA believes it has appropriate support for any tax positions taken relative to its USA operations and that none would require recognition of a liability or disclosure in the financial statements. EWB-USA is subject to routine audits by tax jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes EWB-USA is no longer subject to income tax examinations on its IRS Form 990s filed for years prior to December 31, 2018.

### (4) Concentration Of Credit Risk

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

EWB-USA has significant investments in debt and equity securities and temporary cash investments and is therefore subject to concentrations of credit risk. Investments are made and monitored by the management of EWB-USA pursuant to an investment policy established by the Board of Directors.



Though the market values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of EWB-USA.

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

(5) **Investments**

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

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

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

	Fair Value	Level 1	Level 2	Level 3
Fixed income bond ETF	\$ 1,752,071	\$ 1,752,071		
Mutual funds	95,618	95,618		
Equity securities	7,009	7,009		
Total	<u>\$ 1,854,698</u>	<u>\$ 1,854,698</u>	<u>\$ 0</u>	<u>\$ 0</u>

Investment return is summarized below for the years ended December 31, 2021, and 2020

	2021	2020
Interest and dividends	\$ 37,150	\$ 54,101
Realized and unrealized net investment gains (losses)	(47,442)	86,639
Net investment return	<u>\$ (10,292)</u>	<u>\$ 140,740</u>

**(6) Contributions and Grants Receivable**

The following table provides information about unconditional contributions and grants receivable for the years ended December 31, 2021 and 2020:

Amounts due in:	2021	2020
Less than one year	\$ 690,339	\$ 572,580
One to five years	35,000	46,900
Total contributions and grants receivable	<u>\$ 725,339</u>	<u>\$ 619,480</u>

**(7) Furniture and Equipment**

Furniture and equipment as of December 31, 2021 and 2020, consisted of the following:

	2021	2020
Computers and equipment	\$	\$ 1,563
Furniture and equipment	63,920	87,495
Leasehold improvements	99,547	99,997
Website and software costs		137,081
	<u>163,467</u>	<u>326,136</u>
Less: accumulated depreciation and amortization	(117,877)	\$ (244,021)
	<u>\$ 45,590</u>	<u>\$ 82,115</u>

**(8) Leases**

EWB-USA leases office space and equipment under cancellable and non-cancellable operating leases that expire through May 31, 2023. The office space can be terminated with a 90 days notice. The headquarters' office lease is subject to a 3% rent escalator increase beginning January of each year. Rent expense related to these leases totaled \$80,836 and \$112,510 for the years ended December 31, 2021 and 2020, respectively. Minimum future lease payments under lease agreements are as follows for the years ended December 31:

For the year ended December 31,

2022	\$ 80,784
2023	32,786
	<u>\$ 113,570</u>

**(9) Agency Liability**

EWB-USA collects and distributes assets on behalf of Engineers Without Borders-International (EWB-I). During the year ended December 31, 2021, EWB-USA received contributions and memberships dues totaling \$0 for the benefit of EWB-I and paid grants and other expenses of \$0 through this agency arrangement. During the year ended December 31, 2020, EWB-USA received contributions and membership dues \$41,665 for the benefit of EWB-I and paid grants and other expenses of \$129,888 through this agency arrangement. The remaining benefit to EWB-I for the year ended December 31, 2021 and 2020 totals \$0 and \$150,494, respectively, and is reflected as a liability in the statements of financial position.

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

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

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

**(11) Net Assets**

Net assets with donor restrictions for the years ended December 31, 2021 and 2020 are for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to specific purposes:		
Student and professional chapters	\$ 5,321,466	\$ 4,698,904
International projects	1,126,063	1,023,902
General operating support for specific chapters	243,000	520,814
Total subject to purpose restrictions	<u>6,690,529</u>	<u>6,243,620</u>
Subject to spending policy and appropriation:		
Investment in perpetuity	322,053	
Subject to time restrictions:		
Contributions and grants receivable for future operations	99,584	516,994
	<u>\$ 7,112,166</u>	<u>\$ 6,760,614</u>

Net assets were released from restrictions for the years ended December 31, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions and/or passage of time:		
Student and professional chapters and international projects	\$ 1,158,300	\$ 1,211,987
General operating support	1,863,552	3,475,330
	<u>\$ 3,021,852</u>	<u>\$ 4,687,317</u>

**(12) Endowment**

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

**Interpretation of Relevant Law**

EWB-USA is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, classifies amounts in its donor-restricted Endowment Fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have

been met. The Board of Directors of EWB-USA has interpreted UPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, EWB-USA would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. EWB-USA has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law.

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

#### Changes in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2021, are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of the year	\$ 0
Contribution	322,053
Endowment net assets, end of year	<u>\$ 322,053</u>

#### Underwater Funds

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

#### Return Objectives and Risk Parameters

An Investment Policy was adopted in August of 2018, in which the Endowment Fund is invested with a long-term strategy with a balanced portfolio of mutual funds, certificates of deposit, equities, and exchange traded products. The Endowment Fund shall be well diversified to avoid undue exposure to any single economic sector, industry group or individual security.

#### Strategies Employed for Achieving Objectives

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

equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

Due to the timing of receiving the endowment contribution in 2021, EWB-USA has not developed a spending policy. However, at such time the earnings are spent, EWB-USA will adopt a spending policy to ensure, to the degree reasonably possible, that the Endowment Fund with which it is entrusted keep pace with inflation so that the original purpose of the Endowment Fund can be maintained in perpetuity.

#### (13) Liquidity and Availability of Financial Assets

As of December 31, 2021 and 2020, liquidity and availability of financial assets consisted of the following:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 6,972,474	\$ 6,077,911
Investments	2,916,872	1,854,698
Contributions and grants receivable	725,339	619,480
Total financial assets	<u>10,614,685</u>	<u>8,552,089</u>
Less amounts not available to be used within one year:		
Contributions receivable not expected to be collected within one year	(35,000)	(46,900)
Net assets with purposes restrictions not expected to be met in one year	(6,493,649)	(4,770,282)
Total amounts not available to be used within one year	<u>(6,528,649)</u>	<u>(4,817,182)</u>
Financial assets available to meet expenditures over the next twelve months	<u>\$ 4,086,036</u>	<u>\$ 3,734,907</u>

Management has estimated that net assets with purpose and time restrictions expected to be met within one year total \$261,464 and \$1,943,432 for the years ended December 31, 2021 and 2020, respectively. This estimate is based on projects expected to be completed, budgeted expenditures for the next year, and contributions receivable expected to be collected in the next year.

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

**(14) Pension Plan**

EWB-USA sponsors an employee 401(k) retirement plan which covers all employees. EWB-USA makes a discretionary contribution each year equal to a percentage of each eligible participant's contributions totaling \$0 and \$93,043, respectively, for the years ended December 31, 2021 and 2020.

**(15) Restatement**

The December 31, 2020, financial statements have been restated to properly reflect cash, net furniture and equipment, and project advances related to the activities of Nicaragua. Such restatement impacted the December 31, 2020, financial statements as follows:

	2020
	<u>Increase (decrease)</u>
Cash	\$ 102,094
Property and equipment, net of accumulated depreciation	26,636
Project advances	(23,045)
Beginning net assets - Without donor restrictions	105,685

**(16) New Accounting Pronouncement**

In June of 2018, FASB issued ASU No. 2018-20, *Leases*, which requires the EWB-USA to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosure as to the nature and extent of leasing activities. The requirements of this statement are effective for EWB-USA's financial statements for the year ended December 31, 2022. The EWB-USA has not evaluated the impact due to the timing of implementation of this standard.