

Report

**on the audit
of the annual financial statements as of 31 December 2017**

**Water Integrity Network Association e. V.
Berlin**

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**For computational reasons, rounding differences may
occur in the tables.**

List of abbreviations

| | |
|------------|---|
| BGB | Bürgerliches Gesetzbuch, German Civil Code |
| EUR | Euro |
| HGB | Handelsgesetzbuch, German Commercial Code |
| IDW | Institut der Wirtschaftsprüfer in Deutschland e. V., Institute of Auditors in Germany e. V. |
| IDW PS 450 | IDW audit standard: Principles of proper reporting in statutory audits |
| TEUR | Thousand Euro |

1 Audit engagement

The supervisory board of the Water Integrity Network Association e. V., Berlin, elected us as auditors at its meeting on 19 May 2017. Accordingly, Mr van der Valk, as Executive Director of the Association, commissioned us by letter dated 3 January 2018 to audit

the annual financial statements as of 31 December 2017

of the Water Integrity Network Association e. V.,

Berlin,

- hereinafter referred to as the “Association” -

together with the accounting records. It is a voluntary audit according to Articles 317 et seq. HGB.

The general terms and conditions for auditors and auditing companies, which are attached to this report as a final appendix, apply for the order execution and our responsibility, also in relation to third parties. In accordance with Article 321 (4a) HGB, we confirm that we have observed the applicable independence rules in our audit.

We make this report on the nature, extent and results of our audit; It was written in accordance with professional principles and the IDW PS 450 auditing standard.

2 **Fundamental statement**

Location of the Association

Opinion on the assessment of the legal representatives

As is permitted, the legal representatives have not prepared a management report. Therefore, we cannot comment on the lack of management report submission by the legal representatives under Article 321 (1) sentence 2 HGB. The legal representatives have commented on the situation of the association in the annual accounts and in other documents. In doing so, they assume that the association is a going concern. Having completed our audit, we consider the status report of the legal representatives to be correct.

As a result of our audit, we summarize the following key statements concerning the business development and the situation of the association:

The association closes the financial year with a net profit of TEUR 42 (previous year: net loss TEUR 5). This compares to total income of TEUR 1,859 (previous year: TEUR 1,568) total expenses of TEUR 1,817 (previous year: TEUR 1,573).

The major portion of 92.58% of the income of the association relates to income from grants. In this case, the balance of donation received and donations consumed is unchanged based on IDW RS HFA 21 "IDW statement on accounting: Accounting characteristics of organizations that collect donations". Due to the resulting donation implementations at the time of appropriate use, these revenues are usually offset by the same amount of expenses for statutory outputs. A surplus from the project activity of the association arises in the intangible area only by non-reclaimed resources, flat-rate funding as well as other proceeds by donations and similar income.

Income from grants increased by TEUR 172 compared to the previous year. Emphasis should be placed here on the activities of the association in connection with the funders the Swedish International Development Agency (Sida), Stockholm, as well as the Swiss Agency for development and cooperation (SDC), Bern, which accounted for a substantial share of the total income, amounting to TEUR 787 and TEUR 503.

Corresponding to the increase in income, there was also an increase in other operating expenses, mainly expenses for statutory outputs. New projects with sub-partners were initiated in the fiscal year. The recognition in the income and expenditure statement of the resource allocation to the project partners is recorded in accordance with the accounting system described in item 4.1.2 at the time of proving the appropriate use of funds by sub-granting to project partners. In the reporting year, these expenses amounted to TEUR 567. Other material expenses in the reporting year include consulting costs of TEUR 275 and travel expenses of TEUR 101.

In the course of the implementation of the new strategy of the association, revenues from consulting services were generated for the first time in the reporting year. The concluded consultancy agreement for the implementation of a "Toolbox for Integrity Management in the Water Sector" in the form of the WIN-SIWI-cewas consortium with the Inter-American Development Bank (IADB), New York, resulted in income of TEUR 123.

As a result, the portion of annual net profit of TEUR 42 comprising TEUR 29 is attributed to the charitable segment, of which TEUR 18 of flat-rate funding relates to overhead costs of the German Federal Ministry for Economic Cooperation and Development (BMZ), Bonn, and TEUR 5 to non-reclaimed resources of the Directorate-General for International Cooperation (DGIS), The Hague. The surplus amounting to TEUR 13 was generated from consulting activities in the course of the IADB project.

The asset and capital structures as well as the liquidity situation of the association are well-regulated on the whole. The long-term available funds cover the assets with a corresponding maturity of TEUR 510 (previous year: TEUR 479). In the corresponding amount, short-term assets are financed on a long-term basis. In addition, the company has sufficient short-term liquidity available to cover its operating needs for 3.5 months (previous year: 3.8 months). The liquidity in the short term seems to be solid.



It should be noted for subsequent financial years that the association continues to rely on grants from investors to implement its purposes.

3 Subject, nature and scope of the audit

The subject of our audit was the accounting and the annual financial statements (Annexes I to III) consisting of the balance sheet, the income and expenditure statement and the notes. The present annual financial statements have been prepared in accordance with German commercial law. The audit covered whether the statutory provisions applicable to financial statement, including German principles of proper accounting, have been observed.

The audit of compliance with other statutory provisions is only part of the statutory audit to the extent that other provisions arising therefrom usually have repercussions on the items of the audit. A review of the nature and appropriateness of the insurance cover, in particular whether all the risks are considered and adequately insured, was not part of our audit assignment.

The legal representatives of the association are responsible for the accounting and the preparation of the annual financial statements as well as the provided to us information. Our function is to assess the documents submitted by the legal representatives and the information provided in the context of our duly auditing including accounting.

The annual audit was carried out on site in May 2018. Further audit procedures and the production of the audit report took place in our offices in Berlin.

All information, clarifications and proofs requested by us were willingly provided to us by the legal representatives and the employees designated for information desk. In addition, the legal representatives have confirmed to us in the written professional completeness declaration that all balance assets, liabilities, risks and relevant accruals, all expenses and income, all necessary information and all existing contingent liabilities have been disclosed in the accounting and the annual financial statements to be audited. No events of special significance after the close of the financial year have occurred following this declaration and we had no knowledge thereof during our audit.

We conducted our annual audit in accordance with Article 317 HGB in compliance with professional principles as well as with the IDW audit standards and guidelines. Subsequently, the audit must be planned and conducted in such a way that it can be reasonably assessed whether the accounting records and the financial statements are free from errors and omissions.

In the course of the audit, evidence supporting the disclosures in the accounting and financial statements is assessed primarily on a sampling basis. The audit includes assessing the accounting, valuation and classification principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We are of the opinion that our audit has provided a sufficiently sound basis for our audit opinion.

The audit we performed was appropriate to examine the evidential value of the accounting and to audit the statement, verification and appropriateness of the valuations of the balance sheet items.

On this basis, we have prepared the audit of the annual financial statements in accordance with the principles of diligent professional practice aimed at recognizing material misstatements and violations of the statutory accounting rules, which affect the presentation of a true and fair view of the assets, financial and earnings position under Article 264 (2) HGB, but without any special focus on an underfunding audit.

The basis of our risk-oriented audit approach is the development of an audit strategy. Based on the assessment of the economic and legal environment of the association as well as its goals, strategies and business risks, critical audit areas are identified. As part of this approach, we have formed the following focal points for the fiscal year:

- ◆ Inventory of the income from grants,

- ◆ Completeness and accuracy of other assets and
- ◆ Completeness and valuation of provisions.

As part of their assessment, we examined the effectiveness of the accounting-related internal control system and the underlying processes. The findings from the audit of the processes and the internal control system have been taken into account in the selection of the analytical audit procedures and the individual case reviews. We have determined the scope of our individual case studies by conscious choice. The selection was made taking into account the economic importance of the individual items of the annual financial statements and allowing adequate audit of compliance with the statutory accounting principles.

When selecting the type and scope of the audit procedures, we have followed the principles of materiality and efficiency.

As part of the verification check commitment, confirmations of the credit institutions were obtained.

We did not obtain balance confirmations from suppliers on the basis of our risk assessment and taking into account the available audit evidence. We have obtained adequate assurance through alternative test-related procedures.

We have refrained from obtaining written information from lawyers due to lacking indications of pending legal disputes and similar information of the legal representatives as well as missing information in the declaration of completeness.

We have determined in the audit planning the timing of the audit and the deployment of employees in addition to the audit approach described above.

The nature, scope and outcome of the individual audit procedures are specified in our working papers.

4 Statements and explanations on accounting

4.1 Regularity of financial accounting

4.1.1 Accounting and other approved documents

The organization of the financial department and the accounting-related internal control system enable complete, correct, timely and orderly recording and entry of business transactions. The organization of accounting is appropriate to the status of the association. According to our findings, the accounting and other audited documents including the record-keeping system of the association comply with the statutory provisions including German principles of proper accounting. The audit revealed no objections.

Based on our audit of the annual financial statements, nothing has come to our attention that causes us to believe that the security of the data and IT systems processed for the purpose of accounting is not guaranteed as of 31 December 2017. Irrespective of this observation, we recommend that you monitor and, if necessary, strengthen the security of your IT systems against unauthorized access and malware.

4.1.2 Annual financial statements

The starting point for the audit was the annual financial statements of 31 December 2016 audited by us and audited with an unqualified audit opinion dated 27 March 2017; it was approved by resolution of the Supervisory Board of 19 May 2017.

The annual financial statements of the association have complied with all applicable statutory provisions, including German principles of proper accounting and all industry-specific regulations. The balance sheet and income and expenditure statement have been duly developed from the accounting. The statutory recognition, presentation and evaluation regulations have been followed.

The structure of the balance sheet (Annex I) is in accordance with Article 266 HGB. The income and expenditure statement (Annex II) has been structured according to the total cost method pursuant to Article 275 (2) HGB and adapted to the needs of the association. The notes are clear and concise. All legally required individual details as well as the information on the balance sheet and the income and expenditure statement, which are optionally included in the notes, are fully and accurately presented.

The provisions of the articles of association contain no provisions on the principles of accounting. With regard to the balance sheet presentation of donations received or used, the presentation is in accordance with the statement on the accounting of the IDW, " Accounting characteristics of organizations that collect donations " (IDW RS HFA 21):

- The cash receipt from the donor is recognized as a pre-existing donation in other liabilities and shown as a bank balance on the assets side.
- If the funds are paid out to a project partner for the implementation of the objects of the association, an asset swap is made from the bank balance to other assets as an amount receivable from the project partners. Furthermore, the amount disbursed to the project partners is transferred in other liabilities from the donations received in advance to liabilities to lenders. According to this, the funds paid out to the project partners and the liabilities towards grantors are equal.
- If the project partner proves an appropriate use, the liability to the donor is deducted in the amount of the proven amount against the proceeds from donations. The amount receivable from the project partner is released against a separate expense account. It should be noted that the write-off of the receivables and liabilities against the income and expenses are carried out in the same amount and that the entry in the income and expenditure statement has no effect on the annual result. Please refer to Annex VII for the composition and development of other assets and liabilities in connection with project funding.

- The above statements on the accounting system of the association refer to procedures for the project implementation with third parties and their reimbursements. In addition, the purpose of the association is implemented through measures and activities, which the association executes under its own direction. Expenses related to personnel, travel or other costs are allocated to the respective donor according to the project commitment. The realization of income from the cash receipts is also carried out at the time of the statutory use, i.e. when the expenses incurred are of the same amount.

No objections have arisen with regard to the audit priorities.

According to our findings, the annual financial statements comply with the legal requirements.

4.2 Overall statement of the annual financial statements

4.2.1 Findings on the overall statement of the annual financial statements

On the basis of our duly conducted audit, we believe that the overall annual financial statements, i.e. the balance sheet, income and expenditure statement and notes, together with German principles of proper accounting, give a true and fair view of the assets, financial and earnings position of the association.

4.2.2 Essential valuation basis

The valuation methods applied to the previous annual financial statements were maintained, as well as existing reporting options were executed in line with the previous year. For further details, please refer to the annex.

4.3 Economic situation and other explanations

4.3.1 Profit situation

Period comparison

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>Change</u> | |
|-------------------------------|--------------|--------------|--------------|---------------|-------------|
| | TEUR | TEUR | TEUR | TEUR | % |
| <u>INCOME</u> | | | | | |
| Income from grants | 1,721 | 1,549 | 1,940 | 172 | 11,1 |
| Other turnover | 124 | 0 | 0 | 124 | - |
| Other operating income | <u>14</u> | <u>19</u> | <u>19</u> | <u>-5</u> | <u>26,3</u> |
| | <u>1,859</u> | <u>1,568</u> | <u>1,959</u> | <u>291</u> | <u>18,6</u> |
| <u>EXPENSES</u> | | | | | |
| Personnel expenses | 668 | 613 | 617 | 55 | 9,0 |
| Other operating expenses | 1.136 | 952 | 1.253 | 184 | 19,3 |
| Amortization and depreciation | 10 | 8 | 7 | 2 | 25,0 |
| Taxes on income and earnings | <u>3</u> | <u>0</u> | <u>0</u> | <u>3</u> | <u>-</u> |
| | <u>1,817</u> | <u>1,573</u> | <u>1,877</u> | <u>244</u> | <u>15,5</u> |
| <u>Annual result</u> | <u>42</u> | <u>-5</u> | <u>82</u> | <u>47</u> | |

4.3.2 Assets and financial position

Asset and capital structure

| | <u>31.12.2017</u> | | <u>31.12.2016</u> | | <u>Change</u> |
|-------------------------------|-------------------|--------------|-------------------|--------------|---------------|
| | TEUR | % | TEUR | % | TEUR |
| <u>ASSETS</u> | | | | | |
| <u>Long-term assets</u> | | | | | |
| Intangible assets | 2 | | 2 | | 0 |
| Tangible assets | <u>25</u> | | <u>14</u> | | <u>11</u> |
| | <u>27</u> | 2,1 | <u>16</u> | 1,0 | <u>11</u> |
| <u>Short-term assets</u> | | | | | |
| Accounts receivable | 51 | | 0 | | 51 |
| Other assets | 367 | | 402 | | -35 |
| Cash and bank balances | <u>843</u> | | <u>1.088</u> | | <u>-245</u> |
| | <u>1.261</u> | <u>97,9</u> | <u>1.490</u> | <u>99,0</u> | <u>-229</u> |
| | <u>1.288</u> | <u>100,0</u> | <u>1.506</u> | <u>100,0</u> | <u>-218</u> |
| <u>EQUITY AND LIABILITIES</u> | | | | | |
| <u>Long-term capital</u> | | | | | |
| Equity | <u>537</u> | 41,7 | <u>495</u> | 32,9 | <u>42</u> |
| <u>Short-term capital</u> | | | | | |
| Tax provisions | 3 | | 0 | | 3 |
| Other provisions | 108 | | 104 | | 4 |
| Accounts payable | 39 | | 19 | | 20 |
| Other liabilities | <u>601</u> | | <u>888</u> | | <u>-287</u> |
| | <u>751</u> | <u>58,3</u> | <u>1.011</u> | <u>67,1</u> | <u>-260</u> |
| | <u>1.288</u> | <u>100,0</u> | <u>1.506</u> | <u>100,0</u> | <u>-218</u> |

Coverage

The comparison of the long-term capital and the assets of the corresponding maturity determined the following collateral in a year-on-year comparison:

| | <u>31.12.2017</u> TEUR | <u>31.12.2016</u> TEUR | <u>Change</u> TEUR |
|---|---------------------------|---------------------------|-----------------------|
| Long-term capital | 537 | 495 | 42 |
| Long-term assets | <u>-27</u> | <u>-16</u> | <u>-11</u> |
| Coverage of long-term assets through long-term capital | <u><u>510</u></u> | <u><u>479</u></u> | <u><u>31</u></u> |

The long-term financing funds cover the assets with a corresponding term by TEUR 510 as of the balance sheet date. The economically desirable compliance of capital transfer and capital commitment periods has been retained.

Liquidity situation

The above coverage represents the net working capital or the liquidity in the medium term as a starting point for further liquidity considerations.

| | <u>31.12.2017</u> TEUR | <u>31.12.2016</u> TEUR | <u>Change</u> TEUR |
|--|---------------------------|---------------------------|------------------------|
| <u>Liquidity in the medium term / Net working capital</u> | 510 | 479 | 31 |
| Plus holiday and overtime provision | <u>18</u> | <u>16</u> | <u>2</u> |
| <u>Liquidity in the short term</u> | <u><u>528</u></u> | <u><u>495</u></u> | <u><u>33</u></u> |
| <u>Operating month- financial requirements</u> | <u><u>150</u></u> | <u><u>130</u></u> | <u><u>20</u></u> |
| <u>Coverage factor in months (Ratio of liquidity in the short term to operational financial needs)</u> | <u><u>3.5</u></u> | <u><u>3.8</u></u> | <u><u>-0.3</u></u> |

Please note that the considerations of abilities to pay depend strictly on the balance sheet date. A longer-term forecast is not readily derivable from them because of the change in the reference values due to subsequent business transactions.

5 Presentation of the audit certificate and concluding remarks

According to the audit conducted by us and the information and evidence provided to us, we have provided the annual financial statements as of 31 December 2017 of the association

Water Integrity Network Association e. V.,

Berlin,

with the following auditor's report:

Audit certificate of the statutory auditor

To the Water Integrity Network Association e. V., Berlin

We have audited the annual financial statements comprising the balance sheet, income and expenditure statement and notes, including accounting of the Water Integrity Network Association e. V., Berlin, for the financial year from January 1 to December 31, 2017. The accounting and the preparation of the annual financial statements according to German Commercial Law are the responsibility of the legal representatives of the association. Our responsibility is to express an opinion on the annual financial statements, including accounting based on our audit.

We conducted our audit of the annual financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Accordingly, the audit must be planned and conducted in such a manner that any misstatements and violations materially affecting the presentation of the net assets, financial and earnings position as conveyed by the annual financial statements in compliance with generally accepted accounting principles are detected with reasonable certainty.

Knowledge of the business activities and the economic and legal environment of the association and expectations as to possible misstatements are taken into

account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the annual financial statements and the group management report are examined primarily on a sampling basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We are of the opinion that our audit has provided a sufficiently sound basis for our assessment.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give true and fair view of net assets, financial position and results of operations of the association in accordance with German principles of proper accounting.

Berlin, 28 May 2018

*Solidaris Revisions-GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Branch Office Berlin*

*signed Dirk Römer
Dirk Römer
Wirtschaftsprüfer
[Auditor]*

*signed Joris Pelz
Joris Pelz
Wirtschaftsprüfer
[Auditor]*

We have submitted the above report in compliance with the legal regulations and the principles of proper audit reporting (IDW PS 450).

Berlin, 28 May 2018

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Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Branch Office Berlin

Dirk Römer
Wirtschaftsprüfer
[Auditor]

Joris Pelz
Wirtschaftsprüfer
[Auditor]

Annexes

Balance sheet as of 31 December 2017

ASSETS

| | <u>31.12.2017</u> EUR | <u>31.12.2016</u> TEUR |
|--|----------------------------|---------------------------|
| A. LONG TERM ASSETS | | |
| I. Intangible assets | | |
| Acquired concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets | 2,035.62 | 2 |
| II. Tangible assets | | |
| 1. Technical equipment and machinery | 22,923.15 | 11 |
| 2. Other equipment, factory and office equipment | <u>1,971.03</u> | <u>3</u> |
| | 24,894.18 | 14 |
| B. CURRENT ASSETS | | |
| I. Receivables and other assets | | |
| 1. Accounts receivable | 51,324.71 | 0 |
| 2. Other assets | <u>366,837.43</u> | <u>402</u> |
| | 418,162.14 | 402 |
| II. Cash and bank balances | <u>842,769.81</u> | <u>1,089</u> |
| | <u><u>1,287,861.75</u></u> | <u><u>1,507</u></u> |

EQUITY AND LIABILITIES

| | <u>31.12.2017</u> EUR | <u>31.12.2016</u> TEUR |
|---|--------------------------|---------------------------|
| A. EQUITY | | |
| I. Association capital | 19,405.22 | 19 |
| II. Reserves | 475,606.12 | 481 |
| III. Profit carried forward | <u>41,887.90</u> | <u>-5</u> |
| | 536,899.24 | 495 |
| B. PROVISIONS | | |
| 1. Tax provisions | 2,742.76 | 0 |
| 2. Other provisions | <u>107,748.75</u> | <u>104</u> |
| | 110,491.51 | 104 |
| C. LIABILITIES | | |
| 1. Accounts payable | 39,347.58 | 19 |
| - of which with a residual maturity up to a year EUR 39,347.58 (previous year TEUR 19) | | |
| 2. Other liabilities | 601,123.42 | 889 |
| - of which with a residual maturity up to a year EUR 601,123.42 (previous year TEUR 889) | | |
| - of which from taxes EUR 13,497.95 (previous year TEUR 0) | | |
| - of it in the context of social security EUR 800.40 (previous year TEUR 1) | | |
| | <u>640,471.00</u> | <u>908</u> |
| | <u>1,287,861.75</u> | <u>1,507</u> |

Income and expenditure statement for the financial year 2017

| | <u>2017</u> EUR | <u>2016</u> TEUR |
|---|-------------------------|---------------------|
| 1. Income from grants | 1,720,993.30 | 1,549 |
| 2. Other turnover | 123,378.39 | 0 |
| 3. Other operating income | <u>14,368.69</u> | <u>19</u> |
| Total operating income | 1,858,740.38 | 1,568 |
| 4. Personnel expenses | | |
| a) Wages and salaries | 576,629.73 | 531 |
| b) Social security contributions | <u>91,227.44</u> | <u>82</u> |
| | <u>667,857.17</u> | <u>613</u> |
| Interim result | 1,190,883.21 | 955 |
| 5. Amortization of intangible and depreciation of tangible assets | 9,677.47 | 8 |
| 6. Other operating expenses | <u>1,136,598.57</u> | <u>952</u> |
| Interim result | 44,607.17 | -5 |
| 7. Other interest and similar income | 23.49 | 0 |
| 8. Taxes on income and earnings | <u>2,742.76</u> | <u>0</u> |
| 9. Earnings after taxes / net income / loss | 41,887.90 | -5 |
| 10. Profit carried forward from the previous year | 5,000.00 | 0 |
| 11. Withdrawal from the reserves | <u>-5,000.00</u> | <u>0</u> |
| 12. Profit carried forward | <u><u>41,887.90</u></u> | <u><u>-5</u></u> |

NOTES TO THE 2017 FINANCIAL YEAR OF WATER INTEGRITY NETWORK ASSOCIATION e.V.

I. GENERAL INFORMATION

The Water Integrity Network Association e. V., hereinafter referred to as “WIN”, has its headquarters in Berlin and is registered in the register of associations at Charlottenburg district court under No.VR 32914 B. The association was founded on 23 December 2013. WIN has the following objectives with regard to promoting the integrity of the global water sector:

- a) Promoting systematic, reproducible and documented research, the results of which are promptly published,
- b) Promotion of education and training,
- c) Promotion of development cooperation,
- d) Promotion of crime prevention by combatting corruption,
- e) Raising of funds to support research, education, development cooperation and the prevention of crime through another tax-privileged institution or public body.

The tax-privileged special-purpose operations are exempt from corporate income tax and trade tax. Taxable economic operations are not exempt.

In accordance with Article 264 HGB, WIN is a small corporation. Notes are drawn up voluntarily. The annual financial statements were prepared in accordance with the provisions of the HGB. The structure of the balance sheet complies with Article 266 HGB, the income and expenditure statement has been prepared according to the total cost method under Article 275 (2). The structure of the income and expenditure statement has been expanded in accordance with Article 265 HGB. No changes to the financial statement of the previous year amounts were made in the income and expenditure statement.

The evaluation was based on the continuation of the business activity.

II. Accounting principles

The annual financial statement includes the balance sheet, the income and expenditure statement and the notes for the financial year ended 31 December 2017.

The annual financial statements were prepared in accordance with the German Commercial Code (HGB) for small corporations.

Representation, classification, recognition and measurement in balance sheet and income and expenditure statement corresponds to the principles of the previous year.

Purchased intangible assets (software) and tangible assets are valued at acquisition or production costs less the accumulated depreciation and amortization in the financial year. Depreciation is calculated on a straight-line basis in accordance with the asset depreciation range.

Receivables and other assets are stated at nominal value. All identifiable individual risks are taken into account in the evaluation.

The cash in hand and the bank balances are stated at their nominal amounts.

Provisions take into account all identifiable risks and contingent liabilities and are valued at the settlement amount required by reasonable commercial assessment. Future price and cost increases will be considered if there are sufficient objective indications for their occurrence.

Liabilities are recognized at the settlement amount.

Receivables and liabilities denominated in **foreign currencies** with a residual maturity of up to one year are valued at the average spot exchange rate on the balance sheet date. In this respect, unrealized gains and losses from currency conversion are included in the present annual financial statements.

Donations are included in the financial statements, provided proof of eligibility exists.

Donations received but not yet used are shown under other liabilities as "Donations received in advance", while grants approved and used but whose funds have not yet been received by the end of the year are included under accounts receivable trade as "Donor pledges" in the Balance sheet.

Advances to project partners are recognized under other assets as "advances to partners". Accordingly, donation allocations used for these advances are reclassified under other liabilities from "donations received in advance" to "liabilities to donors".

Expenses are included in the income and expenditure statement if proof of the costs incurred is available. Expenses for advances to project partners are only considered as expenses if WIN receives proof of the expenditure in the form of project reports, original receipts or other relevant evidence.

"Donations" are included in the income and expenditure statement,

- (a) if the entitlement is demonstrable and there are no funding restrictions ("free" funds) or
- (b) in accordance with those incurred for project-related grants expenses that have been fully supported by evidence and submitted ("earmarked" funds).

III. NOTES TO THE BALANCE SHEET

1. Long-term assets

The development of the individual items in long-term assets is shown in the asset proof, which is attached to these notes.

2. Current assets

2.1 Accounts receivable

The accounts receivable have a remaining term of less than one year.

2.2 Other assets

Other assets include advances to partners and receivables from donors, deposit and security for credit cards and debit creditors.

| | 2017 |
|-------------------------|------------------|
| Advances to partners | € 323,308 |
| Receivables from donors | € 27,222 |
| Collateral | € 13,005 |
| KSK receivables | € 2,075 |
| Debit creditors | € 1,227 |
| Total | € 366,837 |

The advances to partners are made up as follows:

| | 2017 |
|----------------|------------------|
| Helvetas MCWIP | € 167,635 |
| PNE Benin | € 48,178 |
| Cewas | € 39,248 |
| Other | € 68,247 |
| Total | € 323,308 |

All other assets have a residual maturity of less than one year.

2.3. Cash and bank balances

The item contains the cash in hand and bank balances.

| | 2017 |
|----------------|------------------|
| Petty cash | € 201 |
| General EUR 00 | € 290,127 |
| USD account | € 6,854 |
| SDC CHF 02 | € 309,296 |
| SDC EUR 04 | € 27,423 |
| BMZ 05 | € 109,855 |
| UmweltBank | € 99,014 |
| Total | € 842,770 |

Liquid funds come mainly from installments of grants received..

3. Provisions

The provisions include the following items:

| | |
|--|------------------|
| Holiday and loyalty bonus | € 27,830 |
| Professional Association | € 1,000 |
| Preparation of the annual financial statements | € 4,000 |
| Operating expenses | € 4,400 |
| Audit | € 9,282 |
| Archiving and decommissioning | € 582 |
| Outstanding invoices | € 60,655 |
| Tax provisions | € 2,743 |
| Total | € 110,492 |

4. Accounts payable

The item accounts payable is composed as follows:

| | |
|-----------------------|-----------------|
| Employees and members | € 2,285 |
| Partners | € 15,567 |
| Other | € 21,496 |
| Total | € 39,348 |

As in the previous year, all accounts payable have a remaining term of less than one year.

5. Other liabilities

The item other liabilities is composed as follows:

| | |
|---|------------------|
| Sales tax | € 6,476 |
| Funds received in advance | € 246,584 |
| Liabilities to partners | € 13,410 |
| Liabilities to donors - partner advances | € 323,309 |
| Other liabilities to donors | € 3,523 |
| Social security liabilities | € 800 |
| Liabilities from payroll tax and church tax | € 7,022 |
| Total | € 601,124 |

All other liabilities, as in the previous year, have a remaining term of less than one year.

The individual items of the funds received in advance can be shown as follows:

| | |
|------------------|-----------|
| SDC CP 2015-2019 | € 246,584 |
|------------------|-----------|

IV NOTES TO THE INCOME AND EXPENDITURE STATEMENT

1. Income from grants

| Donor | 2017 |
|------------------|--------------------|
| DGIS old | € 204,639 |
| DGIS new | € 13,294 |
| BMZ | € 200,000 |
| Sida | € 786,594 |
| SDC Core | € 103,293 |
| SDC CP | € 400,115 |
| Other | € 12,901 |
| Shopping portals | € 158 |
| Total | € 1,720,993 |

2. Other turnover

Other turnover includes income from consulting projects in the amount of TEUR 123.

3. Other operating income

| | 2017 |
|--|-----------------|
| Reimbursements Expenses Compensation Act | € 5,193 |
| Income from currency conversion | € 6,127 |
| Sale of long-term assets | € 20 |
| Income from reversal of provisions | € 536 |
| Contributions | € 2,493 |
| Total | € 14,369 |

4. Personnel expenses

Personnel expenses in the financial year amounted to TEUR 668, of which TEUR 0 relates to pension scheme.

5. Other operating expenses

| | 2017 |
|-------------------------|--------------------|
| Consultant | € 274,807 |
| Partner | € 566,792 |
| Publications | € 37,187 |
| Travel expenses | € 116,397 |
| Travel expenses partner | € 24,519 |
| Office expenses | € 94,332 |
| Currency conversion | € 22,564 |
| Total | € 1,136,599 |

V. OTHER INFORMATION

WIN's vision is a world with equitable and sustained access to water and a clean environment, which is no longer threatened by corruption, greed, dishonesty and wilful malpractice.

WIN's mission is to increase integrity and reduce corruption in the water sector by focusing on poverty and equality. WIN works with partners and influences decision-makers to facilitate coalitions between multiple active players and build capacity for the use of water integrity tools and strategies at all levels.

In order to fulfil its mission, WIN pursues strategic objectives related to **advocacy, networks, partnerships, country and regional programs, capacity building, knowledge management, tools and methodologies**, and as such, are included in its budget by the General Assembly.

1. Expenses compared to the budget of 2017

The following table shows how the costs for the year 2017 are distributed among the various organizational objectives.

Expenses to the budget by work area

| | Budget | Adjusted budget | DGIS old | DGIS new | SDC Core | SDC MCWIP | BMZ | Sida | Other | IADB | Total expense | Underspending |
|--|-----------|-----------------|----------|----------|----------|-----------|---------|---------|-------|---------|---------------|---------------|
| Objective 1 | 200,750 | 200,750 | 1,946 | 6,846 | 31,726 | 0 | 32,759 | 39,782 | 0 | 110,136 | 223,196 | -22,446 |
| Objective 2 | 791,750 | 921,835 | 195,222 | 6,448 | 25,961 | 384,016 | 54,525 | 137,525 | 0 | 0 | 803,697 | 118,138 |
| Objective 3 | 586,250 | 612,268 | 2,182 | 0 | 33,756 | 16,099 | 88,340 | 278,090 | 7,901 | 0 | 426,368 | 185,900 |
| <i>Outcome 3.1: Research, measurement and analysis</i> | 133,750 | 182,768 | 2,182 | 0 | 25,222 | 0 | 27,766 | 70,420 | 7,901 | 0 | 133,489 | 49,279 |
| <i>Outcome 3.2: Tools</i> | 72,500 | 72,500 | 0 | 0 | 0 | 0 | 47,273 | 6,210 | 0 | 0 | 53,483 | 19,017 |
| <i>Outcome 3.3: Knowledge exchanges and CoP, incl. MCWIP L & L</i> | 317,750 | 294,750 | 0 | 0 | 8,535 | 16,099 | 5,325 | 199,418 | 0 | 0 | 229,376 | 65,374 |
| <i>L&L</i> | | | 0 | 0 | 8,535 | 16,099 | 5,325 | 959 | 0 | 0 | 30,918 | |
| <i>Outcome 3.4: Online courses</i> | 51,750 | 51,750 | 0 | 0 | 0 | 0 | 7,977 | 0 | 0 | 0 | 7,977 | 43,773 |
| <i>Outcome 3.5: International Reference Group</i> | 10,500 | 10,500 | 0 | 0 | 0 | 0 | 0 | 2,043 | 0 | 0 | 2,043 | 8,457 |
| Knowledge management & communications | 137,750 | 137,750 | 0 | 0 | 0 | 0 | 0 | 112,911 | 0 | 0 | 112,911 | 24,839 |
| Management, administration, governance | 188,500 | 208,500 | 0 | 0 | 11,841 | 0 | 21,862 | 200,213 | 0 | 0 | 233,915 | -25,415 |
| Fundraising | 34,750 | 34,750 | 0 | 0 | 9 | 0 | 2,513 | 18,120 | 0 | 0 | 20,642 | 14,108 |
| | 1,939,750 | 2,115,853 | 199,349 | 13,294 | 103,293 | 400,115 | 200,000 | 786,641 | 7,901 | 110,136 | 1,820,728 | 295,125 |

Overall, expenses were TEUR 295 under the revised budget for 2017. Underspending occurred almost across the board. This was largely caused by cautious financial management in view of the fact that part of the donor funding became available only at the end of the year. Consequently, time was too short to fully implement the adjusted budget. Management, administration and governance are relatively high, due to extra coordination required to start the new strategic period.

2. Expenditure by type of costs compared to the budget

| Type of expenditure | Budget | Expenditure: | Difference |
|--------------------------------------|--------------------|--------------------|------------------|
| in EUR | | | |
| Consultants | € 255,000 | € 274,807 | € -19,807 |
| Partners | € 744,750 | € 591,311 | € 153,439 |
| Publications | € 50,000 | € 37,187 | € 12,813 |
| WIN Travel expenses | € 120,000 | € 116,397 | € 3,603 |
| WIN General and office costs | € 110,000 | € 112,533 | € -2,533 |
| WIN Personnel costs | € 650,000 € | € 662,665 | € -12,665 |
| Amortization and depreciation | € 10,000 | € 9,677 | € 323 |
| Currency conversion | | € 22,564 | € -22,564 |
| Taxes | | € 2,743 | € -2,743 |
| Income (in work areas) | | € -9,156 | € 9,156 |
| Total | € 1,939,750 | € 1,820,728 | € 119,022 |

3. Development of donation advances by donor

| in EUR | DGIS old program | DGIS new program | SDC Core | SDC CP | BMZ | SIDA | U4 | IADB | Small donors | Total |
|--|------------------|------------------|----------|----------|----------|----------|--------|----------|--------------|------------|
| Opening balance | -76,396 | | -18,689 | 232,189 | | 366,473 | 1,553 | | | 505,130 |
| Advances to partners | 84,964 | | | 184,958 | | 13,240 | | | | 283,162 |
| Funds received | 196,071 | | 222,000 | 451,380 | 200,000 | 410,404 | | 123,378 | 5,178 | 1,608,412 |
| Repayments | | | | | | | | | | |
| Expenditure: | -199,349 | -13,294 | -103,293 | -400,115 | -181,799 | -786,617 | -7,901 | -110,136 | | -1,802,504 |
| Advances to partners | | | -107,598 | -215,711 | | | | | | -323.309 |
| Currency conversion | | | | -6,117 | | | | | | -6,117 |
| Interest rates | | | | | | 23 | | | | 23 |
| Overhead | | | | | -18,201 | | | | | -18,201 |
| Profit carried forward | -5,289 | | | | | | | -13,243 | -5,178 | -23,710 |
| To pay back | | | | | | -3,523 | | | | -3,523 |
| Balance carried forward in the next year | 0 | -13,294 | -7,580 | 246,584 | 0 | 0 | -6,348 | 0 | 0 | 291,363 |

VI Other legal information

1. Personnel

The average number of employees employed during the fiscal year is 10.

2. Corporate bodies

The Executive Board in 2017 comprises:

Frank van der Valk, Executive Director, Berlin

The Supervisory Board is composed as follows:

Ravi Narayanan, Bangalore, Chairman of the Board, retiree

Hakan Tropp, Stockholm, Managing Director, SIWI, until 30 November 2017

Alejandro Jiménez, Stockholm, SIWI, since 30 November 2017

Susanne Weber-Mosdorf, Hochdorf, retiree

Finn Heinrich, Research Department, Berlin, Transparency International, until 29 November 2017

Casey Kelso, Berlin, Transparency International, since 29 November 2017

Thomas Zeller, Hauterive, retiree, until 30 November 2017

Dick van Ginhoven, Delft, retiree, since 30 November 2017

3. Proposal for the appropriation of the result

The Executive Board proposes to enter the annual net income into reserves.

Berlin, 2 May 2018

Water Integrity Network Association e. V.

Executive Director

Mr Frank van der Valk

Composition and development of fixed assets
for the financial year 2017

| Balance sheet items A Long-term assets | Development of the acquisition values | | | |
|---|---------------------------------------|-------------------------|------------------------|---------------------------|
| | Opening <u>balance</u> EUR | <u>Additions</u> EUR | <u>Disposal</u> EUR | <u>Final score</u> EUR |
| 1 | 2 | 3 | 4 | 5 |
| I. Intangible assets | | | | |
| Acquired concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets | <u>2.582,30</u> | <u>1.806,66</u> | <u>0,00</u> | <u>4.388,96</u> |
| II. Tangible assets | | | | |
| Technical equipment and machinery | 30.175,14 | 18.673,48 | 3.768,28 | 45.080,34 |
| Other equipment, factory and office equipment | 3.275,37 | 0,00 | 101,15 | 3.174,22 |
| (of which GWG) | <u>(408,17)</u> | <u>(0,00)</u> | <u>(101,15)</u> | <u>(307,02)</u> |
| | <u>33.450,51</u> | <u>18.673,48</u> | <u>3.869,43</u> | <u>48.254,56</u> |
| | <u>36.032,81</u> | <u>20.480,14</u> | <u>3.869,43</u> | <u>52.643,52</u> |

| Development of depreciation | | | | Residual book value 31.12.2017 EUR | Residual book value 31.12.2016 EUR |
|-----------------------------|---|------------------------------------|--------------------|---|---|
| Opening balance EUR | Amortization of financial year EUR | Withdrawal for Disposals EUR | Final score EUR | | |
| 6 | 7 | 8 | 9 | 10 | 11 |
| <u>351,05</u> | <u>2.002,29</u> | <u>0,00</u> | <u>2.353,34</u> | <u>2.035,62</u> | <u>2.231,25</u> |
| 19.040,62 | 6.884,85 | 3.768,28 | 22.157,19 | 22.923,15 | 11.134,52 |
| 514,01 | 790,33 | 101,15 | 1.203,19 | 1.971,03 | 2.761,36 |
| <u>(408,17)</u> | <u>(0,00)</u> | <u>(101,15)</u> | <u>(307,02)</u> | <u>(0,00)</u> | <u>(0,00)</u> |
| <u>19.554,63</u> | <u>7.675,18</u> | <u>3.869,43</u> | <u>23.360,38</u> | <u>24.894,18</u> | <u>13.895,88</u> |
| <u>19.905,68</u> | <u>9.677,47</u> | <u>3.869,43</u> | <u>25.713,72</u> | <u>26.929,80</u> | <u>16.127,13</u> |

Water Integrity Network Association e. V.
Berlin

Audit certificate of the statutory auditor

To the Water Integrity Network Association e. V., Berlin

We have audited the annual financial statements comprising the balance sheet, income and expenditure statement and notes, including accounting of the Water Integrity Network Association e. V., Berlin, for the financial year from January 1 to December 31, 2017. The accounting and the preparation of the annual financial statements according to German Commercial Law are the responsibility of the legal representatives of the association. Our responsibility is to express an opinion on the annual financial statements, including accounting based on our audit.

We conducted our audit of the annual financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Accordingly, the audit must be planned and conducted in such a manner that any misstatements and violations materially affecting the presentation of the net assets, financial and earnings position as conveyed by the annual financial statements in accordance with German principles of proper accounting are detected with reasonable certainty.

Knowledge of the business activities and the economic and legal environment of the association and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the annual financial statements and the group management report are examined primarily on a sampling basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We are of the opinion that our audit has provided a sufficiently sound basis for our assessment.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give true and fair view of net assets, financial position and results of operations of the association in accordance with German principles of proper accounting.

Berlin, 28 May 2018

Solidaris Revisions-GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Branch Office Berlin

Dirk Römer
Wirtschaftsprüfer
[Auditor]

Joris Pelz
Wirtschaftsprüfer
[Auditor]

Water Integrity Network Association e. V.
Berlin

Bases

1. Legal bases

| | |
|----------------------------|--|
| Name | Water Integrity Network Association e. V. |
| Location | Berlin |
| Legal form | registered association (e.V.) |
| Register of associations | District Court Charlottenburg VR 32914 B (last entry from 23.12.2013 change in executive) |
| Articles of Association | in the version dated 9 September 2013 (as last amended by decision of the General Assembly of 30 November 2017) |
| Purpose of the association | The purpose of the association is to promote integrity in the global water sector, in particular through: a) the promotion of systematic, reproducible and documented research, the results of which are promptly published, b) the promotion of education and training, c) the promotion of development cooperation, d) the promotion of crime prevention by combatting corruption, e) the raising of funds to support research, education, development cooperation and the prevention of crime through another tax-privileged institution or public body. |

| | |
|---|--|
| Fiscal year | Calendar year |
| Association capital | EUR 19,405.22 |
| Bodies of the Association | General Assembly |
| | Executive |
| | Supervisory Board |
| Executive | Mr Frank van der Valk |
| Supervisory Board | Mr Ravi Narayanan (Chairman) |
| | Mr Hakan Tropp until 30 November 2017 |
| | Mr Alejandro Jiménez since 30 November 2017 |
| | Ms Susanne Weber-Mosdorf |
| | Mr Finn Heinrich until 29 November 2017 |
| | Mr Casey Kelso since 29 November 2017 |
| | Mr Thomas Zeller until 30 November 2017 |
| | Mr Dick van Ginhoven since 30 November 2017 |
| Regulation of representation | The judicial and extrajudicial representation of the association is the responsibility of the executive of the association under Article 26 BGB and the conduct of its business. The representation authority of the executive is limited in a way that the legal transactions with a business value of more than EUR 100,000.00 require the prior written consent of the Supervisory Board. |
| Approval of the previous financial statement and discharge of the executive | on 19 May 2017 |

Tax related conditions

Finanzamt für Körperschaften I, Berlin
Tax number 27/681/54615

Corporate tax exemption certificate for the
calendar years 2013 to 2014 of 15 August
2016

2. Bases of accounting

The business transactions of the association are conducted according to the system of double entry accounting using the IT system Sage 100 from Sage GmbH, Frankfurt am Main. Assets are also accounted using the aforementioned software. Since 1 January 2017, payroll accounting has been carried out by Relog OHG, Lüneburg, with the ADDISON software from Wolters Kluwer Software and Service GmbH, Ludwigsburg.

The chart of accounts and the document system of the association are clearly arranged and adapted to its purpose. Accounts, receipts and other accounting documents were fully available to us for review.

Water Integrity Network Association e. V.
Berlin

Composition and development of other provisions

| | Balance 1.1.2017 EUR | Engage- ment EUR | Reversal EUR | Supply EUR | Interest effects Compounding EUR | Discounting EUR | Balance 31.12.2017 EUR |
|---------------------------|----------------------------|------------------------|-----------------|-------------------|--|--------------------|------------------------------|
| Holiday and loyalty bonus | 23.619,01 | 23.619,01 | 0,00 | 27.830,30 | 0,00 | 0,00 | 27.830,30 |
| Professional Association | 1.000,00 | 957,66 | 0,00 | 957,66 | 0,00 | 0,00 | 1.000,00 |
| Operating expenses | 4.000,00 | 2.199,88 | 0,00 | 2.599,88 | 0,00 | 0,00 | 4.400,00 |
| Audit costs | 9.282,00 | 9.282,00 | 0,00 | 9.282,00 | 0,00 | 0,00 | 9.282,00 |
| Outstanding invoices | 52.022,38 | 49.291,01 | 536,11 | 63.041,19 | 0,00 | 0,00 | 65.236,45 |
| Artists' social insurance | 14.131,93 | 14.131,93 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| | <u>104.055,32</u> | <u>99.481,49</u> | <u>536,11</u> | <u>103.711,03</u> | <u>0,00</u> | <u>0,00</u> | <u>107.748,75</u> |

Water Integrity Network Association e. V.
Berlin

**Composition and development of other assets
and liabilities (unused donations)**

| | <u>Balance</u> <u>1.1.2017</u> EUR | <u>Additions</u> EUR | <u>Disposal</u> EUR | <u>Balance</u> <u>31.12.2017</u> EUR |
|-----------------------------------|--|----------------------------|----------------------------|--|
| <u>Other assets</u> | | | | |
| Receivables from project partners | 283.161,67 | 571.929,33 | 531.782,87 | 323.308,13 |
| Receivables from donors | 95.085,01 | 435.171,51 | 503.034,57 | 27.221,95 |
| Other receivables | <u>23.889,21</u> | <u>3.302,09</u> | <u>10.883,95</u> | <u>16.307,35</u> |
| | <u><u>402.135,89</u></u> | <u><u>1.010.402,93</u></u> | <u><u>1.045.701,39</u></u> | <u><u>366.837,43</u></u> |
| <u>Other liabilities</u> | | | | |
| Donations received in advance | 600.213,60 | 1.259.982,24 | 1.613.611,95 | 246.583,89 |
| Liabilities to donors | 283.161,67 | 323.309,00 | 283.161,67 | 323.309,00 |
| Other liabilities | <u>4.988,18</u> | <u>97.894,80</u> | <u>71.652,45</u> | <u>31.230,53</u> |
| | <u><u>888.363,45</u></u> | <u><u>1.681.186,04</u></u> | <u><u>1.968.426,07</u></u> | <u><u>601.123,42</u></u> |

