

World Water Council

Association registered under the French law of 1901
Espace Gaymard
2-4, Place d'Arvieux
13002 Marseille France

Statutory Auditors' Report **Financial Statements - Year ended December 31, 2012**

**World Water Council
Espace Gaymard
2-4, Place d'Arvieux
13002 Marseille France**

**Statutory Auditor's Report
(Translated from French into English)**

To the General Assembly of members of the **World Water Council** (association registered **under** the French law of 1901).

In compliance with the assignment entrusted to us by your members' general meeting, we hereby report to you, for the year ended December 31, 2012, on :

- the audit of the accompanying financial statements of the World Water Council association,
- the justification of our assessments,
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Governors. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France, those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

2 Justification of assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters :

Our assessments have evaluated the appropriateness of the accounting principles applied and the reasonableness of the accounting estimates made, in all material respects.

Our assessments are part of our audit procedures of the annual financial statements taken as a whole and therefore contributed to providing a basis for our audit opinion presented in the first part of this report.

3 Specific verifications and information

We have also performed, according to the professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Governors, and in the documents addressed to the association's members with respect to the financial position and the financial statements.

Marseille, April 23th 2013

Statutory Auditor

SYREC

Luc-René CHAMOULEAU

WORLD WATER COUNCIL
Balance sheets as at December 31, 2012 and 2011
Amounts in Euros

	Notes	2012	2011
Assets			
Current assets			
Cash and equivalent		3,826,624	2,805,986
Prepaid expenses and other current assets	5	36,647	163,040
Total current assets		3,863,271	2,969,027
Noncurrent assets			
Software, fixtures, office and computer equipment, net	2C	57,917	73,646
Deposit		244	244
Total noncurrent assets		58,161	73,890
TOTAL ASSETS		3,921,432	3,042,918
LIABILITIES			
Accounts payable and accrued liabilities	6	383,061	313,578
Total current liabilities		383,061	313,578
Advance -payment	6	233,000	
Deferred revenue	4	109,890	95,355
Long term debt	7	3,813	6,813
TOTAL LIABILITIES		729,764	415,746
PROVISIONS FOR LITIGATION		56,150	56,150
FUNDS			
Unrestricted funds			
Undesignated fund		2,571,022	897,520
Net revenues(expenses) for the year		564,496	1,673,502
TOTAL FUNDS		3,135,518	2,571,022
TOTAL LIABILITIES AND FUNDS		3,921,432	3,042,918

WORLD WATER COUNCIL
Statements of financial activities
For the year ended December 31, 2012 and 2011
Amounts in Euros

	Notes	2012	2011
Revenues			
City government grant	8	440,000	440,000
Other government grant	9	1 750 000	2,050 000
Membership fees	10	438,432	324,291
Total revenues		2,628,432	2,814,291
Expenses			
Salaries and benefits		597,722	457,520
General expenses		920,081	446,658
Professional fees	11	511,942	141,934
Depreciation of office and computer equipment	2c	33,039	40,242
Total expenses		2,062,784	1,086,354
Net operating revenues(expenses) for the year		565,648	1,727,937
Net non operating revenues (expenses) for the year	12	(1,153)	(54,436)
Net revenues (expenses) for the year		564,496	1,673,502
Funds balances, at the beginning of the year		2,571,022	897,520
Funds balances, at the end of year		3,135,518	2,571,022

WORLD WATER COUNCIL
Statements of cash flows
For the year ended December 31, 2012 and 2011
Amounts in Euros

	Notes	2012	2011
Cash flows from operating activities			
Net revenues(expenses) for the year		564,496	1,673,502
Depreciation and provision	2c	33,039	96,392
Prepaid expenses	5	126,394	(96,091)
Accounts payable and accrued liabilities	6	302,482	65,289
Deferred revenues	4	14,535	(29,261)
Net cash provided by(used in) operating activities		1,040,946	1,709,831
Cash flows from investing activities			
Purchase of office furniture and computer equipment		(17,309)	(68,375)
Net cash used in investing activities		(17,309)	(68,375)
Cash Flows from Financing activities			
Reimbursement of long term debt		(3,000)	(3,000)
Net cash used in financing activities		(3 000)	(3,000)
Net increase in cash		1 020,637	1,638,456
Cash at the beginning of the year		2,805,986	1,167,531
Cash at the end of the year		3,826,623	2,805,986

WORLD WATER COUNCIL

Notes to financial statements December 31, 2012

1) Purpose of the Council

The World Water Council is an association registered under the French law of 1901 devoted to the critical issues of long term global water policy and to advocating solutions to problems of water resources management. The Council was created in June 1996 in Marseilles. Its members include principally a wide cross section of individuals and organizations concerned with the various aspects of international water policy.

2) Significant Accounting policies

a) Basis of preparation

The financial statements have been prepared and presented in accordance with the accounting rules and principles applicable in France. Revenues are reported separately based on the existence or absence of imposed restrictions. In the accompanying financial statements, funds have been defined as being unrestricted and may be designated for specific projects or may otherwise be used for general expenses.

b) Revenue recognition

Government grants are recognized when there is reasonable assurance that:

-The council will comply with the conditions attaching to them, or representation has been received from authoritative bodies that the grants are unconditional.

The membership fees are unrestricted and are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Seminar fees are recognized when the seminars are held.

c) Office and computer equipment

Office and computer equipment are stated at cost less accumulated depreciation.

The assets are depreciated on a straight-line basis over their estimated useful lives, which for office furniture is 4 years and computer equipment is 5 years.

Maintenance and repairs are charged to expense when incurred.

d) Foreign currency translation

Revenues and expenses denominated in foreign currencies are translated using exchange rates at transaction date.

Translation gains and losses that arise from exchange rate changes denominated in currencies other than the local currency are included in the statements of activities, as incurred.

e) Use of estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3) Participation in international projects.

The year 2012 was dedicated to the organization of the 6th World Water Forum held in March 2012 in Marseilles.

4) Deferred revenue

According to the accounting policy in 2b, deferred revenue represents unrestricted membership fees government or government grants received during the current year that are related to the following periods.

5) Prepaid expenses and other current assets

Prepaid expenses and other current assets include the following (in Euros)

	2012	2011
Prepaid expenses	16,093	140,844
Other receivables	20,554	22,196
Total	36,647	163,040

6) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities can be analyzed as follows (in Euros)

	2012	2011
Advance-payment 7 th Forum	233,000	0
Trade accounts payable	42,858	165,104
Accrued taxes	3,380	2,821

Accrued payroll	56,246	62,936
Other payables	207,191	5,497
Hassan II Price	73,385	77,220
Total	616,060	313,578

7) Long term debt

Long term debt consists of the debt towards the French organization "Société des Eaux de Marseille". The membership fee of the "société des eaux de Marseille" is deducted annually as a reimbursement of the long term debt. This debt does not bear interest.

8) City government grant

The City of Marseilles makes available, in the form of administrative and technical assistance, an administrative and financial team for an estimated annual cost of Euros 127,944 in 2012. Furthermore, the City of Marseilles has made available since 1996 to the Council premises (Offices of the World Water Council) for an estimated annual cost of Euros 293,020 in 2012.

Grants:

An amount of Euros was received in cash by the World Water Council in 2012 as a contribution of the City of Marseilles:

First down-payment on the 2012 grant	220,000 Euros
2 nd down-payment on the 2012 grant	<u>220,000 Euros</u>
Total 2012 statement of the city of Marseilles grant	440,000 Euros

9) Other government grants

Other government grants are detailed as follows (in Euros)

	2012	2011
6th Forum	1,750,000	2,000,000
French Foreign office	0	50,000
Total	1,750,000	2,050,000

10) Membership fees

Since 1998, the Council has been raising invoices to its members.

In accordance with the principles set out in Note 2b, membership fees have been recognized as revenue only when collection is reasonably assured.

The analysis therefore is as follows (in Euros):

	2012	2011
2012 Membership fees	362,309	315,004
2011 Membership fees	76,123	9,288
Net revenue	438,432	324,291

11) Professional fees

Professional fees are detailed as follows (in Euros)

	2012	2011
Consulting fees (for specific programs)	310,605	12,088
Accounting fees	71,975	68,815
Audit fees	15,566	15,367
Translating fees	49,001	26,326
Data processing consulting	26,019	16,816
Lawyer fees	28,949	1,136
Other fees	9,827	1,386
Total	511,942	141,934

12) Net non operating revenues (expenses)

Non operating revenues (expenses) can be analyzed as follows (in Euros)

	2012	2011
Net exchange gain (loss)	1,182	(1,386)
Financial revenues	1,734	1,573
Provision	0	(56,150)
Other	(4,069)	1,527
Total	(1,153)	(54,436)

13) Pensions Plans

In France, the Council contributes to the national pension system and its obligations to employees are restricted to a lump sum length of services award payable at the date that the employee reaches retirement age, such award being determined for each individual based upon years of service provided and projected final salary.

No current evaluation of future length of service award liability has been performed as at December 31, 2012. Management of the Council considers that the corresponding benefit is not significant and therefore no long-term liability in the balance sheet has been recorded at that date.

Post retirement benefits other than pensions

Substantially all of the Council's employees are covered under Government sponsored post retirement health and life insurance benefit plans. The Council accordingly has no significant liability to its employees in terms of post retirement benefits other than pensions and no provision is consequently made.

14) Income tax status

The council is registered as a non-profit organization regulated according to the French law of July 1901, known as "Association Loi 1901". The Council is considered as being a not profit organization and therefore is exempt from income tax.