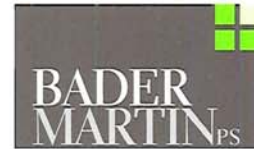


WATER FIRST INTERNATIONAL

2005

FINANCIAL STATEMENTS



Board of Directors
Water First International
Seattle, Washington

We have reviewed the accompanying statement of financial position of Water First International as of December 31, 2005, and the related statements of activities and cash flows for the period from March 30, 2005 (inception) to December 31, 2005, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Water First International.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Bader Martin, P.S.

February 9, 2006



WATER FIRST INTERNATIONAL

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2005

(See Accountants' Review Report)

ASSETS

Assets:		
Cash	\$	290,183
Pledges receivable		<u>250</u>
Total assets	\$	<u><u>290,433</u></u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued expenses	\$	288
Other liabilities		<u>152</u>
Total liabilities		<u>440</u>
Net assets:		
Unrestricted		239,993
Temporarily restricted		<u>50,000</u>
Total net assets		<u>289,993</u>
Total liabilities and net assets	\$	<u><u>290,433</u></u>

WATER FIRST INTERNATIONAL

STATEMENT OF ACTIVITIES FROM MARCH 30, 2005 (INCEPTION) TO DECEMBER 31, 2005

(See Accountants' Review Report)

Changes in unrestricted net assets:	
Support:	
Individual	\$ 181,845
Foundation	19,054
Corporate	2,750
Special events	<u>194,303</u>
Total support	<u>397,952</u>
Expenses:	
Programs	57,077
Administrative and general expenses	18,617
Special events	59,835
Fundraising expenses	<u>22,430</u>
Total expenses	<u>157,959</u>
Increase in unrestricted net assets	239,993
Changes in temporarily restricted net assets - Contributions	<u>50,000</u>
Increase in net assets and net assets at year end	<u><u>\$ 289,993</u></u>

WATER FIRST INTERNATIONAL

STATEMENT OF CASH FLOWS FROM MARCH 30, 2005 (INCEPTION) TO DECEMBER 31, 2005

(See Accountants' Review Report)

Cash flows from operating activities:	
Change in net assets	\$ 289,993
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(250)
Accrued expenses	288
Other liabilities	152
	<hr/>
Net cash provided by operating activities and cash at end of year	<u><u>\$ 290,183</u></u>

WATER FIRST INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

(See Accountants' Review Report)

1. Organization and summary of significant accounting policies:

Organization:

Water First International (Organization) is a nonprofit organization that provides grants to non-governmental organizations based in developing countries in order to support the implementation of projects that include provision of drinking water, hygiene education, and sanitary latrines. The Organization and its local partners are working in some of the poorest communities in the world to support sustainable, community-managed solutions to water supply and sanitation problems.

Cash:

The Organization held cash in demand deposit bank accounts and money market accounts. The bank account balances may, at times, be in excess of federally insured limits.

Pledges receivable:

Pledges receivable are stated at the amount management expects to collect from outstanding balances. At year end the receivable consists of a pledge from one donor which the Organization expects to collect within a year.

Income taxes:

The Organization is a nonprofit corporation as defined in Internal Revenue Code (Code) Section 501(c)(3) and, accordingly, is exempt from federal income taxes under the provisions of Section 501(a) of the Code.

Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the Organization reports the support as unrestricted.

WATER FIRST INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Accountants' Review Report)

1. Organization and summary of significant accounting policies (continued):

Use of estimates in preparation of financial statements:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Temporarily restricted net assets:

During 2005 a contribution in the amount of \$50,000 was restricted by the donor for water projects in Ethiopia.