

Charity Global, Inc. and Affiliate

Consolidated Financial Statements
and
Auditor's Report

Year Ended December 31, 2008

Board of Directors
Charity Global, Inc. and Affiliate
New York, New York

Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of Charity Global, Inc. and Affiliate as of December 31, 2008, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the management of Charity Global, inc. and Affiliate. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's December 31, 2007 combined financial statements and, in our report dated September 29, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charity Global, Inc. and Affiliate as of December 31, 2008, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lambrides, Lamos, Taylor LLP

July 1, 2009

Charity Global, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2008
With Comparative Figures at December 31, 2007

	2008	2007
Assets:		
Cash and cash equivalents	\$2,008,563	\$ 1,064,314
Contributions receivable	209,309	13,841
Prepaid expenses and security deposit	15,709	8,000
Other current assets	28,284	5,599
Investments	1,582,882	
Fixed assets (net of accumulated depreciation)	<u>149,552</u>	<u>30,656</u>
Total assets	<u>\$3,994,299</u>	<u>\$ 1,122,410</u>
 Liabilities and Net Assets:		
Liabilities:		
Grants payable	\$2,116,159	\$ 321,254
Accounts payable and accrued expenses	<u>85,578</u>	<u>43,646</u>
Total liabilities	<u>2,201,737</u>	<u>364,900</u>
 Net assets:		
Unrestricted	1,455,920	234,964
Temporarily restricted	<u>336,642</u>	<u>522,546</u>
Total net assets	<u>1,792,562</u>	<u>757,510</u>
Total liabilities and net assets	<u>\$3,994,299</u>	<u>\$ 1,122,410</u>

See notes to consolidated financial statements.

Charity Global, Inc. and Affiliate
Consolidated Statement of Activities
For the Year Ended December 31, 2008
With Summarized Comparative Figures for the Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	2008 Totals	2007 Totals
Revenue, support and releases:				
Contributions	\$ 1,985,201	\$ 3,513,092	\$ 5,498,293	\$ 1,000,299
Special event income:				
Contributions	\$ 660,178			
Revenue	99,055			
Less: direct expenses	<u>(53,207)</u>			
Net special event revenue		706,026	706,026	723,632
Gifts in kind	224,534		224,534	123,366
Donated services	29,556		29,556	68,499
Donated use of facilities	12,101		12,101	769
Interest and dividends	11,754		11,754	9,469
Unrealized gains	1,887		1,887	
Foreign currency remeasurement loss	(27,219)		(27,219)	(918)
Net assets released from restrictions	<u>4,405,022</u>	<u>(4,405,022)</u>	<u> </u>	<u> </u>
Total revenue, support and releases	<u>6,642,836</u>	<u>(185,904)</u>	<u>6,456,932</u>	<u>1,925,116</u>
Expenses:				
Program services	4,471,557		4,471,557	1,080,567
Management and general	558,914		558,914	208,322
Development and public relations	<u>391,409</u>		<u>391,409</u>	<u>241,873</u>
Total expenses	<u>5,421,880</u>		<u>5,421,880</u>	<u>1,530,762</u>
Change in net assets	1,220,956	(185,904)	1,035,052	394,354
Net assets at beginning of year	<u>234,964</u>	<u>522,546</u>	<u>757,510</u>	<u>363,156</u>
Net assets at end of year	<u>\$ 1,455,920</u>	<u>\$ 336,642</u>	<u>\$ 1,792,562</u>	<u>\$ 757,510</u>

See notes to consolidated financial statements.

Charity Global, Inc. and Affiliate
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2008
With Comparative Figures for the Year Ended December 31, 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 1,035,052	\$ 394,354
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains	(1,887)	
Depreciation	17,106	9,847
Stock gifts	(20,744)	(29,336)
(Increase) decrease in:		
Contributions receivable	(195,468)	38,658
Prepaid expenses and security deposit	(7,709)	
Other current assets	(22,685)	(5,802)
Increase in:		
Grants payable	1,657,314	321,254
Accounts payable	<u>179,523</u>	<u>23,582</u>
Net cash provided by operating activities	<u>2,640,502</u>	<u>752,557</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	20,744	29,336
Purchase of fixed assets	(136,002)	(23,319)
Purchase of investments	<u>(1,580,995)</u>	<u> </u>
Net cash provided (used) by investing activities	<u>(1,696,253)</u>	<u>6,017</u>
Net increase in cash	944,249	758,574
Cash and cash equivalents at beginning of year	<u>1,064,314</u>	<u>305,740</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,008,563</u></u>	<u><u>\$ 1,064,314</u></u>

See notes to consolidated financial statements.

Charity Global, Inc. and Affiliate
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2008
With Summarized Comparative Figures for the Year Ended December 31, 2007

	Program Services	Supporting Services		2008 Totals	2007 Totals
		Management and General	Development and Public Relations		
Grants to drill and construct water wells	\$4,308,289			\$4,308,289	\$ 931,744
Special needs grant	11,933			11,933	623
Salaries and employee benefits	70,894	\$ 259,641	\$ 159,795	490,330	245,738
Occupancy	7,808	28,594	17,598	54,000	24,950
Office supplies	1,219	25,125	3,449	29,793	10,665
Equipment and equipment rental	666	911	174	1,751	2,128
Insurance	1,026	2,847		3,873	10,984
Meetings, hospitality and meals		3,317	1,459	4,776	3,371
Travel expenses	42,101	20,836	31,375	94,312	46,465
Postage and shipping	2,517	7,447	18,184	28,148	13,655
Printing	9,315	6,208	26,741	42,264	14,223
Professional fees:					
Accounting		67,557		67,557	24,748
Legal		19,412	1,235	20,647	34,817
Website development	6,276	22,984	14,145	43,405	16,025
Donated (website development, carpentry)	2,538	9,296	5,721	17,555	
Storage fees	1,829	6,697	4,122	12,648	8,624
Communications and office maintenance	2,673	9,791	6,026	18,490	6,329
Licenses and permits		490	871	1,361	10
Development costs:					
Special events (indirect expense)			82,583	82,583	20,368
Special events (donated services)			12,000	12,000	69,628
Bank charges / credit card fees		55,498		55,498	19,092
Miscellaneous		3,205	356	3,561	16,728
Total expenses before depreciation	4,469,084	549,856	385,834	5,404,774	1,520,915
Depreciation	2,473	9,058	5,575	17,106	9,847
Total expenses	<u>\$4,471,557</u>	<u>\$ 558,914</u>	<u>\$ 391,409</u>	<u>\$5,421,880</u>	<u>\$1,530,762</u>

See notes to consolidated financial statements.

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2008

1. Organization and Purpose:

Charity Global, Inc. is a non-profit organization stimulating greater global awareness about extreme poverty issues, educating the public, and provoking compassionate and intelligent giving.

Charity Global, Inc. also operates under the name of **charity: water** and, as such, provides clean, safe drinking water, hygiene and basic sanitation to people in developing nations. Through the funding of freshwater wells, spring protections, rainwater harvesting schemes, biosand filters and other water solutions, charity: water has provided over 732,504 people with clean, safe drinking water in 14 countries since the inception of its first campaign in August 2006.

Charity Global, Inc. established Charity Global Limited (“Charity Global Limited UK”) in the United Kingdom, an affiliate organization governed by its own Board of Directors, and financially independent from Charity Global, Inc. Charity Global Limited UK received full charitable status from the UK Charities Commission in September of 2007, and is intended to operate in furtherance of Charity Global, Inc.’s mission in Europe. By virtue of the governing documents of Charity Global Limited UK, Charity Global, Inc. owns all the outstanding shares of, and thereby retains a majority voting interest in, Charity Global Limited UK.

2. Summary of Significant Accounting Policies:

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

a. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Charity Global, Inc. and its London affiliate, Charity Global Limited UK (hereinafter together referred to as “Charity Global”). All significant intercompany balances and transactions, if any, have been eliminated.

b. Accrual Basis Financial Statements

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America in accordance with the principles of not-for-profit accounting.

c. Net Assets

The net assets of Charity Global and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the organization to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the organization which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2008

2. Summary of Significant Accounting Policies: (Continued)

d. Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted cash on hand and in banks. Charity Global also considers all highly liquid unrestricted investments with a maturity of three months or less when purchased to be cash equivalents.

e. Contributions Receivable

It is the policy of Charity Global to record for the year contributions considered to be in transit at the close of the year, that is, those dated in December and received during January, as contributions receivable.

f. Investments

Investments in equity securities with readily determinable fair market values and all investments in debt securities are reported at fair market value, with gains and losses included in the statement of activities. Donated investments are reflected as contributions at their fair market values at date of receipt.

g. Fixed Assets

Fixed assets consist of equipment and are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from three to five years.

h. Grants and Grants Payable

Throughout the year, Charity Global grants funds for the construction of water wells to established partner organizations experienced in the skills of well-drilling. All partner organizations are carefully researched by management, and all grants are taken under consideration and approved by the board of directors. Grant expense is recognized upon board approval of the grant agreement.

Grants payable are reported at net realizable value at the time the promise is made. All grants are expected to be paid in one year or less.

i. Contributions

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as increases in unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Donated marketable securities are recorded as contributions at their fair values at the date of donation.

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2008

2. Summary of Significant Accounting Policies: (Continued)

j. Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the organization. These services are valued based on the estimated cost of services that would otherwise had to have been purchased.

Charity Global also receives a significant amount of donated services from unpaid volunteers who assist in various other program and supporting services. No amounts have been recognized in the statement of activities for these other unpaid volunteers because the criteria for recognition under generally accepted accounting principles have not been satisfied.

k. Donated Use of Facilities

The value of donated facilities is calculated based on the estimated fair rental value of the space used. The fair rental value is the amount that would be charged for similar space that is rented under similar terms. Since the free use of facilities is not promised for any specified period of time, Charity Global recognizes the contributions and related expense for the period it occupies the free office space.

l. Allocation of Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Development and public relations and management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

m. Foreign Currency Translation

The U.S. dollar (“dollars”) is the functional currency for Charity Global’s operations. Transactions in currencies other than dollars are translated into dollars at a weighted average exchange rate for the period in which the transactions occurred. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect as of the balance sheet date.

n. Tax Exempt Status

Charity Global, Inc. is exempt from tax under Section 501(c)(3) of the Internal Revenue Code and from state and local taxes under comparable laws.

o. Reclassification

Certain amounts previously reported in the financial statements for December 31, 2007 have been reclassified to facilitate comparability with the December 31, 2008 amounts with no effect on the change in net assets as previously reported.

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2008

2. Summary of Significant Accounting Policies: (Continued)

p. Prior Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Charity Global's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

q. Use of Estimates

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

3. Contributions Receivable:

Contributions receivable totaling \$209,309 were received in the following year.

4. Investments:

Investments are reported at fair value, as determined by market prices (Level 1 inputs) as of December 31, 2008 and consist of:

	Cost	Market	Unrealized Gains
U.S. Government obligations	\$1,560,325	\$1,561,896	\$ 1,571
Common stock	<u>20,670</u>	<u>20,986</u>	<u>316</u>
	<u>\$1,580,995</u>	<u>\$1,582,882</u>	<u>\$ 1,887</u>

5. Fixed Assets:

At December 31, 2008, fixed assets consist of:

Equipment	\$ 173,681
Less: accumulated depreciation	<u>(24,129)</u>
	<u>\$ 149,552</u>

6. Grants Payable:

Grants authorized but unpaid at year-end total \$2,116,159 and are reported as liabilities. All grants are expected to be paid in the subsequent year.

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2008

7. Fair Value Measurements:

As of January 1, 2008, Charity Global adopted Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The implementation of the provisions of SFAS 157 as of January 1, 2008 did not have a material impact on Charity Global's consolidated financial statements.

The following table presents information about Charity Global's assets and liabilities measured at fair value on a recurring basis at December 31, 2008, and the valuation techniques used by Charity Global to determine those fair values.

Level 1 inputs: In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that Charity Global has the ability to access.

Level 2 inputs: Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs: Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. Charity Global's assessment of the significance of the particular inputs to these fair value measurements requires judgment and considers factors of each asset or liability.

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	<u>\$1,582,882</u>	<u>\$1,582,882</u>	<u>-0-</u>	<u>-0-</u>
Total assets	<u>\$1,582,882</u>	<u>\$1,582,882</u>	<u>-0-</u>	<u>-0-</u>

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2008

8. Lease Commitments:

Charity Global sublets office space under a two-year sublease which expires in June of 2009.

Lease payments for the succeeding years are as follows:

Year Ending December 31,

2009	<u>\$ 27,000</u>
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9. Contributions:

Charity Global's operating, development and administrative costs are underwritten by its board of directors, private donors, and companies that support the organization through unrestricted donations, as well as in-kind gifts. 100% of the money raised through the charity: water campaign is restricted to directly fund water projects in developing nations. In 2008, charity: water developed and funded 890 water projects in 13 countries – Bangladesh, Central African Republic, Cote d'Ivoire, Democratic Republic of Congo, Ethiopia, Haiti, Honduras, India, Kenya, Liberia, Malawi, Tanzania, and Uganda. Those projects have the combined ability to serve approximately 493,155 people with clean, safe drinking water.

10. Gifts in Kind:

Charity Global received \$20,744 in stock donations and donated goods totaling \$203,790. Donations of such items are recorded as gifts in kind support at their estimated fair value at the date of donation. Donated goods are expensed at the time the items are used or distributed.

11. Donated Services:

Charity Global received donated professional services valued at \$29,556. These donated services consisted of carpentry, website development, accounting services, and image processing services. All donated services were recorded as contributions and expenditures in the accompanying financial statements, and were recorded at their estimated fair value. The image processing services were donated in connection with the annual Charity Ball fundraiser and were expensed as indirect special event costs. All other services were recorded as professional fees and allocated to management and general expense.

12. Donated Use of Facilities:

Charity Global uses storage space, without charge, at a local storage facility. The fair value of this space was estimated at \$12,101 for the year. Donated use of facilities is recorded as a contribution and resulting expenditure in the accompanying financial statements, and is valued at its estimated fair rental value.

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2008

13. Net Assets Released from Restriction:

Charity Global used \$4,308,289 of funds raised through the charity: water campaign to contract for the building and rehabilitation of 890 water solutions in 13 countries, in addition to basic sanitation, hygiene and maintenance training. The projects have the combined ability to serve approximately 493,155 people with clean, safe drinking water.

An additional \$11,933 grant was made to A Glimmer of Hope from the special needs fund to provide desks for children in Ethiopia at schools where charity: water funded water and sanitation projects.

The remaining \$84,800 was used to cover administrative salaries from a grant specifically given for that purpose.

14. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Building water wells - general	\$200,517
Building water wells - Haiti	6,565
Building water wells - India/Orissa	19,970
Building water wells - Kenya	9,427
Building water wells - Liberia	56,736
Building water wells - Uganda	15,727
Administrative salaries	<u>27,700</u>
	<u>\$336,642</u>

All funds related to the construction of water wells were released for their intended purposes during 2008 through contracts with Charity Global's partner organizations.

15. Concentration of Risk:

Charity Global's cash accounts are located in multiple institutions. At December 31, 2008, the amount on deposit in one institution exceeded the \$250,000 federal depository insurance limit by \$1,639,129.