



CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Financial Statements

December 31, 2020

(With comparative financial information
as of and for the year ended December 31, 2019)

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

To the Board of Directors
Charity Global, Inc. and Affiliate:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Charity Global, Inc. and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Our audit was conducted for the purpose of forming an opinion on the 2020 consolidated financial statements as a whole. The accompanying supplementary information in Schedule 1, Consolidated 100% Model, is presented for purposes of additional analysis and is not a required part of the 2020 consolidated financial statements or the 2019 summarized comparative information. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Charity Global, Inc. and Affiliate's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

April 30, 2021

CHARITY GLOBAL, INC. AND AFFILIATE
Consolidated Statement of Financial Position
December 31, 2020
(With summarized comparative financial information
as of December 31, 2019)

Assets	Without donor restrictions	With donor restrictions (note 2a)		2020 Totals	2019 Totals
	Operations	Operations	Water projects		
Cash and cash equivalents	\$ 18,504,845	—	45,931,874	64,436,719	41,341,502
Prepays and other current assets	339,110	—	518,122	857,232	385,950
Investments (note 3)	7,321,257	—	22,493,494	29,814,751	35,838,196
Contributions receivable, net (note 4)	1,509,595	35,060,881	5,354,453	41,924,929	38,183,397
Fixed assets, net (note 5)	177,732	—	—	177,732	503,500
Other assets	87,797	—	—	87,797	89,935
Total assets	<u>\$ 27,940,336</u>	<u>35,060,881</u>	<u>74,297,943</u>	<u>137,299,160</u>	<u>116,342,480</u>
Liabilities and Net Assets					
Liabilities:					
Committed to water projects and water project sustainability, net (note 6)	\$ —	—	44,651,996	44,651,996	53,105,864
Accounts payable and accrued expenses	1,540,913	—	248,538	1,789,451	952,739
Deferred rent obligation (note 9)	—	—	—	—	121,407
Payroll Protection Program loan payable (note 12)	16,487	—	—	16,487	—
Total liabilities	<u>1,557,400</u>	<u>—</u>	<u>44,900,534</u>	<u>46,457,934</u>	<u>54,180,010</u>
Net assets:					
Without donor restrictions	26,382,936	—	—	26,382,936	15,849,328
With donor restrictions (note 10)	—	35,060,881	29,397,409	64,458,290	46,313,142
Total net assets	<u>26,382,936</u>	<u>35,060,881</u>	<u>29,397,409</u>	<u>90,841,226</u>	<u>62,162,470</u>
Total liabilities and net assets	<u>\$ 27,940,336</u>	<u>35,060,881</u>	<u>74,297,943</u>	<u>137,299,160</u>	<u>116,342,480</u>

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Activities

Year ended December 31, 2020

(With summarized comparative financial information
for the year ended December 31, 2019)

	Without donor restrictions			With donor restrictions			2020 Totals	2019 Totals
	Operations	Water projects	Total	Operations	Water projects	Total		
Revenue and other support (note 7):								
Public support:								
Individuals	\$ 2,021,944	—	2,021,944	26,905,414	33,053,904	59,959,318	61,981,262	48,838,846
Corporations	290,220	—	290,220	69,397	9,215,652	9,285,049	9,575,269	16,220,822
Foundations and other organizations	2,514,184	—	2,514,184	1,262,278	8,867,172	10,129,450	12,643,634	16,368,531
Special event revenue:								
Contributions	—	—	—	—	4,328,679	4,328,679	4,328,679	6,693,298
Ticket sales	—	—	—	—	—	—	—	822,741
Gain on forgiveness of Payroll Protection Program loan (note 12)	1,603,263	—	1,603,263	—	—	—	1,603,263	—
Net investment return	43,897	—	43,897	—	(463)	(463)	43,434	3,555,501
Other income	41,332	—	41,332	297,434	11,937	309,371	350,703	158,252
Contributed goods and services (note 8)	916,229	—	916,229	—	—	—	916,229	893,835
Net assets released due to satisfaction of restrictions and reclassifications	22,952,032	42,914,224	65,866,256	(22,952,032)	(42,914,224)	(65,866,256)	—	—
Total revenue and other support	<u>30,383,101</u>	<u>42,914,224</u>	<u>73,297,325</u>	<u>5,582,491</u>	<u>12,562,657</u>	<u>18,145,148</u>	<u>91,442,473</u>	<u>93,551,826</u>
Expenses:								
Program services	3,490,528	42,914,224	46,404,752	—	—	—	46,404,752	59,157,279
Management and general	5,537,269	—	5,537,269	—	—	—	5,537,269	6,101,932
Development	10,821,696	—	10,821,696	—	—	—	10,821,696	9,874,554
Total expenses	<u>19,849,493</u>	<u>42,914,224</u>	<u>62,763,717</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>62,763,717</u>	<u>75,133,765</u>
Change in net assets	10,533,608	—	10,533,608	5,582,491	12,562,657	18,145,148	28,678,756	18,418,061
Net assets at beginning of year	15,849,328	—	15,849,328	29,478,390	16,834,752	46,313,142	62,162,470	43,744,409
Net assets at end of year	<u>\$ 26,382,936</u>	<u>—</u>	<u>26,382,936</u>	<u>35,060,881</u>	<u>29,397,409</u>	<u>64,458,290</u>	<u>90,841,226</u>	<u>62,162,470</u>

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

Year ended December 31, 2020
(With summarized comparative financial information
for the year ended December 31, 2019)

	Program services	Supporting services		2020 Totals	2019 Totals
		Management and general	Development		
Water project funding	\$ 39,613,408	—	—	39,613,408	52,857,985
Water project sustainability funding	3,300,816	—	—	3,300,816	3,237,472
Salaries, employee benefits, and taxes	2,004,783	3,463,177	4,982,689	10,450,649	10,338,597
Professional fees	1,014,610	573,942	446,839	2,035,391	1,640,842
Travel, meals, and meetings	39,877	78,565	46,920	165,362	671,498
Rent, utilities, and cleaning	105,875	182,894	263,141	551,910	668,727
Event costs	—	—	84,598	84,598	1,431,475
Communication, printing, and postage	28,338	48,952	70,431	147,721	153,828
Bank charges, merchant and credit card fees	—	676,606	—	676,606	618,244
Branding, education, and promotion	—	—	4,188,801	4,188,801	1,627,170
Office equipment and supplies	235,407	406,656	585,081	1,227,144	1,115,395
Total expenses before the effect of other noncash items	46,343,114	5,430,792	10,668,500	62,442,406	74,361,232
Depreciation	61,638	106,477	153,196	321,311	772,533
Total expenses	\$ 46,404,752	5,537,269	10,821,696	62,763,717	75,133,765

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Cash Flows

Year ended December 31, 2020
(With comparative financial information
for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 28,678,756	18,418,061
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	321,311	772,533
Net depreciation/(appreciation) in fair value of investments	752,312	(2,344,613)
Gain on extinguishment of Payroll Protection Program loan payable	(1,603,263)	—
Changes in assets and liabilities:		
Contributions receivable, net	(3,741,532)	(18,426,470)
Prepays and other current assets	(471,282)	457,670
Other assets	2,138	33,851
Committed to water projects and water project sustainability, net	(8,453,868)	10,306,320
Accounts payable and accrued expenses	836,712	230,647
Deferred rent obligation	(121,407)	(231,509)
Net cash provided by operating activities	<u>16,199,877</u>	<u>9,216,490</u>
Cash flows from investing activities:		
Purchase of investments	(19,473,367)	(16,210,967)
Proceeds from sale of investments	24,744,500	22,120,954
Sale/(purchase) of fixed assets	4,457	(77,221)
Net cash provided by investing activities	<u>5,275,590</u>	<u>5,832,766</u>
Cash flows from financing activities:		
Proceeds from Payroll Protection Program loan payable	1,619,750	—
Net cash provided by financing activities	<u>1,619,750</u>	<u>—</u>
Net increase in cash and cash equivalents	23,095,217	15,049,256
Cash and cash equivalents at beginning of year	<u>41,341,502</u>	<u>26,292,246</u>
Cash and cash equivalents at end of year	\$ <u><u>64,436,719</u></u>	<u><u>41,341,502</u></u>

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020
(With summarized comparative financial information
for the year ended December 31, 2019)

(1) Organization and Purpose

Charity Global, Inc. (hereinafter referred to as charity: water) is a nonprofit organization providing clean, safe drinking water, hygiene and basic sanitation to people in developing countries. Since 2006, charity: water has funded over 64,000 water projects in 29 countries through innovative programs and technologies that include drilled wells, hand-dug wells, rehabilitations, spring protections, rainwater catchments, and BioSand filters. When complete, these projects can serve more than 12.5 million people.

In 2016, charity: water established Charity Global (UK) Limited in the United Kingdom. Charity Global (UK) Limited is an affiliate organization governed by its own Board of Directors. Charity Global (UK) Limited received full charitable status from the UK Charities Commission in September 2016 and is intended to operate in furtherance of charity: water's mission. By virtue of the governing documents of Charity Global (UK) Limited, charity: water owns all the outstanding shares of, and thereby retains the entire voting interest in Charity Global (UK) Limited.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

Charity: water's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and the changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

Management designates funding received for operations as without donor restrictions (excluding donor imposed time or purpose restricted balances). Operations is defined as all charity: water staff and operating expenses including national and international travel, banking and credit card fees, promotion, events, and headquarter costs.

With donor restrictions – Net assets subject to donor imposed restrictions that will be met either by actions of charity: water or the passage of time. The two categories of net assets with donor restrictions are as follows:

- Operations – Restricted due to time or purpose.
- Water projects – Restricted in full for water projects and water project sustainability costs in the field.

Contributions are reported as increases in net assets with donor restrictions, water projects, unless the donor explicitly states that the funds should be used for charity: water operations. Expenses are reported as decreases in net assets without donor restrictions. Expiration of donor-imposed restrictions on net assets are reported as net assets released from restriction in the accompanying consolidated statement of activities.

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(b) Accounting Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements, and revenues and expenses recognized during the reporting period. Estimates made in the preparation of the consolidated financial statements include the net realizable value of contributions receivable and functional expense allocations. Actual results could differ from those estimates.

(c) Allocation of Functional Expenses

The cost of providing charity: water programs, management and general, and development services has been summarized on a functional basis in the accompanying consolidated statement of activities.

Directly identifiable expenses are charged to their applicable functional category. Expenses attributable to more than one program or supporting function are allocated in reasonable ratios determined by management. Salaries, employee benefits, and taxes are allocated based on estimates of time and effort whereas indirect costs such as depreciation, rent, utilities, and cleaning are allocated based on headcount.

Expenses charged to programs, management and general, and development, other than those due to established partner organizations, exclude all funds raised publicly for water projects.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and all highly liquid investments with original maturities of three months or less when purchased, except for those amounts held by charity: water's investment managers as part of a long-term strategy.

(e) Investments

Investments are stated at fair value based on quoted or published market prices. Investments consists of certificates of deposit, fixed income, and equities. Interest, dividends, fees, and gains and losses on investments are reflected on the statement of activities as net investment return.

(f) Contributions Receivable

Contributions are recorded as revenue upon receipt of cash or unconditional promise to give (pledge) in which there is no right of return of assets contributed and an indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Unconditional promises to give (pledges), which are expected to be collected within one year, are recorded at their net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-adjusted interest rate applicable to the year in which the promise is made.

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Management evaluates contributions receivable for the purpose of establishing an allowance for doubtful accounts. Management applies an estimate based on known economic conditions, historical trends, and knowledge of the specific donors promising to give. It is charity: water's policy to write-off contributions receivable as soon as pledges are deemed to be uncollectible.

(g) Fixed Assets

Fixed assets consist of furniture, fixtures, software, equipment and leasehold improvements. Fixed assets, excluding leasehold improvements, are stated at cost less accumulated depreciation and are depreciated over their estimated useful lives ranging from 3 to 5 years using the straight-line method. Leasehold improvements are depreciated on the straight-line basis over the lesser of the terms of the related leases or estimated useful lives of the improvements.

(h) Water Project Funding

Charity: water invests 100% of publicly raised funds in water projects through established partner organizations experienced in providing various water solutions. All partner organizations are researched by management, and all funding is carefully considered and approved by the board of directors.

Expense is recognized when approved by the board of directors and communicated to the respective partner. Liabilities are reported at net realizable value at the time the promise is made. All commitments are expected to be paid within 18 months.

It is the policy of management to assign all foreign currency exposure to partner organizations, as the U.S. dollar is charity: water's functional currency for investments in water projects.

(i) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date;
- Level 2 inputs are inputs other than quoted or published prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(j) Donated Services

Donated services are recognized if the services create or enhance nonfinancial assets or require specialized skills, are performed by individuals who possess those skills, and would otherwise need to be purchased by the organization.

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

(k) Income Taxes

Charity: water recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to charity: water's exempt purpose is subject to tax under Internal Revenue Code Section 511. Charity: water did not recognize any unrelated business income tax liability for the years ended December 31, 2020 and 2019.

(l) Retirement Plan

Charity: water offers a defined contribution IRC Section (401(k)) retirement plan. The plan is available to all personnel after six months of service to the organization. Up until April 30, 2020 charity: water made contributions based on a prescribed matching schedule of employee contributions. Basic employee contributions up to 5% of compensation were eligible for a matching contribution by charity: water. Matching contributions were deposited in the plan each payroll period based on the following formula:

- 100% of the basic employee contribution up to the first 3% of compensation
- 50% of the basic employee contribution up to the next 2% of compensation

Retirement plan expense related to matching contributions for 2020 and 2019 was \$86,539 and \$212,041, respectively.

(m) Comparative Financial Information

The consolidated statements of financial position, activities, and functional expenses are presented with prior year financial information in total, which does not include net asset class detail. In addition, the consolidated statement of functional expenses is presented with prior year financial information in total, which does not include functional expense detail. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with charity: water's 2019 consolidated financial statements, from which the summarized information was derived.

(n) Upcoming Accounting Standards

In February 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update ("ASU") ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02), which supersedes FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and requires lessees to recognize most leases on balance sheet via a right-of-use asset and a lease liability and additional qualitative and quantitative disclosures. Leases will be classified as either finance or operating leases, which will impact expense recognition of such leases over the lease term. The ASU also modifies the lease classification criteria for lessors and eliminates some of the real estate leasing guidance previously applied for certain leasing transactions. charity: water is currently evaluating the impact of

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ASU 2016-02 on its consolidated financial statements and will adopt the standard in the upcoming years in accordance with the required effective date.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)* (ASU 2020-07). This guidance is an amendment to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit entities, as well as the amount of those contributions used in a not-for-profit entity's program and other activities. charity: water is currently evaluating the impact of ASU 2020-07 on its consolidated financial statements and will adopt the standard in the upcoming years in accordance with the required effective date.

(3) Investments

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2020:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 2,154,772	2,154,772	—
Fixed income:			
Corporate	15,120,498	—	15,120,498
Exchange traded funds	217,121	—	217,121
Government securities	7,303,768	—	7,303,768
Mutual funds	5,018,592	—	5,018,592
Equities:			
Domestic	—	—	—
International	—	—	—
Total	<u>\$ 29,814,751</u>	<u>2,154,772</u>	<u>27,659,979</u>

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2019:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 3,902,749	3,902,749	—
Fixed income:			
Corporate	9,943,176	—	9,943,176
Government securities	8,762,046	—	8,762,046
Mutual funds	2,849,781	—	2,849,781
Equities:			
Domestic	7,331,390	7,331,390	—
International	3,049,054	3,049,054	—
Total	<u>\$ 35,838,196</u>	<u>14,283,193</u>	<u>21,555,003</u>

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(4) Contributions Receivable

Contributions receivable at December 31 are expected to be received as follows:

	<u>2020</u>	<u>2019</u>
In less than one year	\$ 17,954,258	22,750,471
Beyond one year	<u>25,185,874</u>	<u>16,736,124</u>
	43,140,132	39,486,595
Less:		
Discount to net present value at rates ranging from (0.1)%-0.9% and 0.5%-1.9% in 2020 and 2019, respectively	(324,527)	(843,366)
Allowance for uncollectible pledges	<u>(890,676)</u>	<u>(459,832)</u>
	<u>\$ 41,924,929</u>	<u>38,183,397</u>

Approximately \$35 million and \$27 million of net contributions receivable at December 31, 2020 and 2019, respectively, are unconditional promises to give operations support through a private membership program called The Well. The Well is generally a three-year commitment to fund charity: water's operating costs. Two of The Well pledges receivable constituted 43% and 51% of the outstanding balance at December 31, 2020 and 2019, respectively.

(5) Fixed Assets

At December 31, fixed assets consist of:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures, software, and equipment	\$ 2,117,237	2,856,332
Leasehold improvements	5,942	1,412,865
Less accumulated depreciation	<u>(1,945,447)</u>	<u>(3,765,697)</u>
	<u>\$ 177,732</u>	<u>503,500</u>

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(6) Committed to Water Projects and Water Project Sustainability

Funding authorized but unpaid at year-end is reported as a liability. At December 31, funding authorized but unpaid was as follows:

	<u>2020</u>	<u>2019</u>
In less than one year	\$ 39,006,521	48,917,322
Beyond one year	5,645,475	4,188,542
	<u>\$ 44,651,996</u>	<u>53,105,864</u>

(7) Contributions

charity: water's operating costs are underwritten by private donors, companies, and foundations that support the organization through donations without donor restrictions and contributed goods and services.

(a) Water Projects

100% of the money raised through charity: water's public fundraising campaigns is restricted to directly fund water projects in developing countries. In 2020, charity: water invested \$42,914,224 (\$56,095,457 in 2019) in water projects, water project and water project sustainability in 20 countries – Bangladesh, Burkina Faso, Cambodia, Central African Republic, Cote d'Ivoire, Ethiopia, India, Kenya, Laos, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Sierra Leone, Tanzania, Uganda, and Zimbabwe. When completed, these projects can serve over 1.1 million people with clean, safe drinking water.

In 2020, charity: water hosted a virtual event for members of The Well raising \$4,328,679, which was invested in water projects. In 2019, charity: water hosted a gala raising \$7,516,039, inclusive of ticket sales, where \$6,066,007 was invested in water projects and \$1,450,032 funded operations.

(b) Donated Securities

charity: water received \$5,280,178 and \$2,424,088 in donated securities in 2020 and 2019, respectively. charity: water's policy is to sell donated securities upon receipt; therefore, such donations are immediately converted to cash and recorded as public support in the accompanying consolidated financial statements.

(c) Donated Virtual Currency

charity: water received \$1,196,288 in donated virtual currency in 2019. No such payments were received in 2020. charity: water's policy is to sell donated virtual currency upon receipt; therefore, such donations are immediately converted to cash and recorded as public support in the accompanying consolidated financial statements.

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(8) Contributed Goods and Services

Contributed goods and services are recorded as contributions at fair value at the date of the donation. For the year ended December 31, 2020 and 2019 the following contributed goods and services were received:

	<u>2020</u>	<u>2019</u>
Branding, education, and promotion	\$ 135,477	193,838
Communication, printing, and postage	—	11,683
Event costs	2,100	211,695
Office equipment and supplies, website and hosted services	142,297	117,802
Professional fees	<u>636,355</u>	<u>358,817</u>
Total	<u>\$ 916,229</u>	<u>893,835</u>

(9) Lease Commitments

charity: water entered into a thirteen month lease agreement in October 2020 and moved into the space in December 2020. charity: water's deferred rent obligation is amortized on a straight-line basis over the term of the lease. The deferred rent obligation was \$0 and \$121,407 as of December 31, 2020 and 2019, respectively.

Rent expense for office space amounted to \$442,396 and \$556,085 for the years ended December 31, 2020 and 2019, respectively.

The following is the minimum future rent payments:

Year ending December 31:	
2021	\$ <u>121,000</u>
Total minimum future payments	\$ <u><u>121,000</u></u>

CHARITY GLOBAL, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020
(With summarized comparative financial information
for the year ended December 31, 2019)

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Water projects:		
General	\$ 27,498,199	9,767,423
Cambodia	3,365	—
Ethiopia	337,520	4,531,536
India	1,000	—
Kenya	20,000	—
Uganda	100	—
Water project sustainability	<u>1,537,225</u>	<u>2,535,793</u>
Total water projects	29,397,409	16,834,752
Operations	<u>35,060,881</u>	<u>29,478,390</u>
	<u>\$ 64,458,290</u>	<u>46,313,142</u>

(11) Cash and Other Financial Assets and Liquidity

charity: water regularly monitors liquidity required to meet its operating needs and other contractual commitments.

Cash and other financial assets available within one year at December 31, 2020:

	<u>Water projects</u>	<u>Operations</u>	<u>Total</u>
At December 31, financial assets consist of:			
Cash and cash equivalents	\$ 45,931,874	18,504,845	64,436,719
Investments	22,493,494	7,321,257	29,814,751
Contributions receivable, net	<u>5,354,453</u>	<u>36,570,476</u>	<u>41,924,929</u>
Total	73,779,821	62,396,578	136,176,399
Less commitments beyond one year:			
Contributions receivables, net	<u>(716,764)</u>	<u>(23,253,907)</u>	<u>(23,970,671)</u>
Total available within one year	<u>\$ 73,063,057</u>	<u>39,142,671</u>	<u>112,205,728</u>

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(12) Payroll Protection Program Loan Payable

charity: water applied for and received a Payroll Protection Program Loan in April 2020 in the amount of \$1,619,750. charity: water applied for forgiveness in November 2020 in accordance with the provisions for loan forgiveness. During December 2020, the application for forgiveness was approved with the exception of \$16,487. As of December 31, 2020, the balance is recorded in the consolidated statement of financial position in Payroll Protection Program loan payable. charity: water made a one-time payment to pay off the remaining balance during February 2021.

(13) COVID-19 Impact

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The spread of the coronavirus around the world during 2020 has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, charity: water is unable to determine if it will have a material impact on future operations.

(14) Subsequent Events

Charity: water evaluated subsequent events from December 31, 2020 through April 30, 2021, the date on which the consolidated financial statements were available to be issued.

Beginning in late 2020 political tensions between the Tigray regional government and federal government of Ethiopia have resulted in armed clashes between Tigrayan and government forces. The situation is complicated and fluid. charity: water is monitoring the situation closely and has paused fundraising and disbursements to one Partner in this region that was impacted most closely by these events. As of December 31, 2020, charity: water has more than \$3M of committed Water funds with this Partner in the form of outstanding grants which will be continuously monitored as the conflict unfolds.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated 100% Model

Year ended December 31, 2020
 (With comparative financial information
 for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Beginning net assets reserved for water projects	\$ 16,834,752	13,141,670
Public donations to water projects	55,465,407	56,572,460
Net investment return and other income	11,474	3,216,079
Investments in water projects and water project sustainability	<u>(42,914,224)</u>	<u>(56,095,457)</u>
Increase in net assets reserved for water projects	<u>12,562,657</u>	<u>3,693,082</u>
Ending net assets reserved for water projects (note 10)	<u>\$ 29,397,409</u>	<u>16,834,752</u>
Beginning net assets reserved for operations	\$ 45,327,718	30,602,739
Private donations to operations ¹	33,063,437	32,371,778
Gain on Forgiveness of Payroll Protection Program loan	1,603,263	—
Net investment return and other income	382,663	497,674
Operating expenses ¹	(18,611,953)	(17,371,940)
Depreciation	<u>(321,311)</u>	<u>(772,533)</u>
Increase in net assets reserved for operations	<u>16,116,099</u>	<u>14,724,979</u>
Ending net assets reserved for operations	<u>\$ 61,443,817</u>	<u>45,327,718</u>

Notes:

- Both "private donations to operations" and "operating expenses" exclude contributed goods and services of \$916,229 and \$893,835 in 2020 and 2019, respectively.

See accompanying independent auditors' report.