



CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Financial Statements

December 31, 2019

(With comparative financial information
as of and for the year ended December 31, 2018)

(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, 2019, 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 entity'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 entity'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, 2019, 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.



Emphasis of Matter

As discussed in note 2(n) to the consolidated financial statements, during the year ended December 31, 2019, Charity Global, Inc. and Affiliate adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958): Not for Profit Entities*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited Charity Global, Inc. and Affiliate's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the 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 consolidated financial statements. 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.

KPMG LLP

April 30, 2020

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Financial Position

December 31, 2019

(With summarized comparative financial information
as of December 31, 2018)

	Without donor restrictions	With donor restrictions (note 2)			
Assets	Operations	Operations	Water projects	2019 Totals	2018 Totals
Cash and cash equivalents	\$ 12,438,860	—	28,902,642	41,341,502	26,292,246
Prepays and other current assets	301,273	—	84,677	385,950	843,620
Investments (note 3)	2,635,242	—	33,202,954	35,838,196	39,403,570
Contributions receivable, net (note 4)	729,032	29,478,390	7,975,975	38,183,397	19,756,927
Fixed assets, net (note 5)	503,500	—	—	503,500	1,198,812
Other assets	89,935	—	—	89,935	123,786
Total assets	\$ 16,697,842	29,478,390	70,166,248	116,342,480	87,618,961
Liabilities and Net Assets					
Liabilities:					
Committed to water projects and water project sustainability, net (note 6)	\$ —	—	53,105,864	53,105,864	42,799,544
Accounts payable and accrued expenses	727,107	—	225,632	952,739	722,092
Deferred rent obligation (note 9)	121,407	—	—	121,407	352,916
Total liabilities	848,514	—	53,331,496	54,180,010	43,874,552
Net assets:					
Without donor restrictions	15,849,328	—	—	15,849,328	15,505,607
With donor restrictions (note 10)	—	29,478,390	16,834,752	46,313,142	28,238,802
Total net assets	15,849,328	29,478,390	16,834,752	62,162,470	43,744,409
Total liabilities and net assets	\$ 16,697,842	29,478,390	70,166,248	116,342,480	87,618,961

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Activities

Year ended December 31, 2019

(With summarized comparative financial information
for the year ended December 31, 2018)

	<u>Without donor restrictions</u>			<u>With donor restrictions</u>			<u>2019 Totals</u>	<u>2018 Totals</u>
	<u>Operations</u>	<u>Water projects</u>	<u>Total</u>	<u>Operations</u>	<u>Water projects</u>	<u>Total</u>		
Revenue and other support (note 7):								
Public support:								
Individuals	\$ 2,422,061	—	2,422,061	19,093,727	27,323,058	46,416,785	48,838,846	36,898,343
Corporations	184,767	—	184,767	1,450,155	14,585,900	16,036,055	16,220,822	11,474,586
Foundations and other organizations	2,482,934	—	2,482,934	5,288,102	8,597,495	13,885,597	16,368,531	14,043,701
Special event revenue:								
Contributions	1,450,032	—	1,450,032	—	5,243,266	5,243,266	6,693,298	5,976,511
Ticket sales	—	—	—	—	822,741	822,741	822,741	906,831
Net investment return	460,591	—	460,591	—	3,094,910	3,094,910	3,555,501	(273,241)
Other income	24,869	—	24,869	12,214	121,169	133,383	158,252	725,564
Contributed goods and services (note 8)	893,835	—	893,835	—	—	—	893,835	550,006
Net assets released due to satisfaction of restrictions and reclassifications	11,462,940	56,095,457	67,558,397	(11,462,940)	(56,095,457)	(67,558,397)	—	—
Total revenue and other support	<u>19,382,029</u>	<u>56,095,457</u>	<u>75,477,486</u>	<u>14,381,258</u>	<u>3,693,082</u>	<u>18,074,340</u>	<u>93,551,826</u>	<u>70,302,301</u>
Expenses (note 8):								
Program services	3,061,822	56,095,457	59,157,279	—	—	—	59,157,279	46,244,807
Management and general	6,101,932	—	6,101,932	—	—	—	6,101,932	4,492,340
Development	9,874,554	—	9,874,554	—	—	—	9,874,554	9,220,502
Total expenses	<u>19,038,308</u>	<u>56,095,457</u>	<u>75,133,765</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>75,133,765</u>	<u>59,957,649</u>
Change in net assets	343,721	—	343,721	14,381,258	3,693,082	18,074,340	18,418,061	10,344,652
Net assets at beginning of year	<u>15,505,607</u>	<u>—</u>	<u>15,505,607</u>	<u>15,097,132</u>	<u>13,141,670</u>	<u>28,238,802</u>	<u>43,744,409</u>	<u>33,399,757</u>
Net assets at end of year	<u>\$ 15,849,328</u>	<u>—</u>	<u>15,849,328</u>	<u>29,478,390</u>	<u>16,834,752</u>	<u>46,313,142</u>	<u>62,162,470</u>	<u>43,744,409</u>

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

Year ended December 31, 2019

(With summarized comparative financial information
for the year ended December 31, 2018)

	Program services	Supporting services		2019 Totals	2018 Totals
		Management and general	Development		
Water project funding	\$ 52,857,985	—	—	52,857,985	41,945,582
Water project sustainability funding	3,237,472	—	—	3,237,472	2,015,611
Salaries, employee benefits, and taxes	2,034,835	3,420,453	4,883,309	10,338,597	8,460,608
Professional fees	289,209	919,269	432,363	1,640,841	1,226,579
Travel, meals, and meetings	204,304	247,221	219,973	671,498	523,087
Rent, utilities, and cleaning	131,618	221,244	315,865	668,727	644,501
Event costs	—	—	1,431,475	1,431,475	1,366,990
Communication, printing, and postage	30,276	50,893	72,659	153,828	121,570
Bank charges, merchant and credit card fees	—	618,244	—	618,244	473,988
Branding, education, and promotion	—	—	1,627,170	1,627,170	1,414,325
Office equipment and supplies	219,531	369,021	526,843	1,115,395	922,027
Total expenses before the effect of other noncash items	59,005,230	5,846,345	9,509,657	74,361,232	59,114,868
Depreciation	152,049	255,587	364,897	772,533	842,781
Total expenses	\$ 59,157,279	6,101,932	9,874,554	75,133,765	59,957,649

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Cash Flows

Year ended December 31, 2019
(With comparative financial information
for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 18,418,061	10,344,652
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	772,533	842,781
Net (appreciation)/depreciation in fair value of investments	(2,344,613)	1,138,638
Changes in assets and liabilities:		
Contributions receivable, net	(18,426,470)	(6,233,779)
Prepays and other current assets	457,670	(413,263)
Committed to water projects and water project sustainability, net	10,306,320	8,861,471
Accounts payable and accrued expenses	230,647	309,799
Deferred rent obligation	(231,509)	(209,228)
Other assets	33,851	3,108
Net cash provided by operating activities	<u>9,216,490</u>	<u>14,644,179</u>
Cash flows from investing activities:		
Purchase of investments	(16,210,967)	(25,295,897)
Proceeds from sale of investments	22,120,954	13,027,334
Purchase of fixed assets	<u>(77,221)</u>	<u>(190,425)</u>
Net cash provided by/(used in) investing activities	<u>5,832,766</u>	<u>(12,458,988)</u>
Net increase in cash and cash equivalents	15,049,256	2,185,191
Cash and cash equivalents at beginning of year	<u>26,292,246</u>	<u>24,107,055</u>
Cash and cash equivalents at end of year	<u>\$ 41,341,502</u>	<u>26,292,246</u>

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2019

(With summarized comparative financial information
for the year ended December 31, 2018)

(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 51,000 water projects in 28 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 10.7 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 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.

CHARITY GLOBAL, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2019
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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. Significant 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.

CHARITY GLOBAL, INC. AND AFFILIATE

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for the year ended December 31, 2018)

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.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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(With summarized comparative financial information
for the year ended December 31, 2018)

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, 2019 and 2018.

(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. charity: water makes contributions based on a prescribed matching schedule of employee contributions. Basic employee contributions up to 5% of compensation are eligible for a matching contribution by charity: water. Matching contributions are 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 2019 and 2018 was \$212,041 and \$178,375, 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 2018 consolidated financial statements, from which the summarized information was derived.

(n) Recent Accounting Pronouncements

During 2019, charity: water adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which includes criteria on how entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management has determined that this ASU did not significantly impact charity: water's consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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(With summarized comparative financial information
for the year ended December 31, 2018)

During 2019, charity: water adopted FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, *Not for Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management has determined that this ASU did not significantly impact charity: water's consolidated financial statements.

(o) Upcoming Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes FASB 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 ASU 2016-02 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, 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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The following table presents charity: water's fair value hierarchy for investments as of December 31, 2018:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 11,059,164	11,059,164	—
Fixed income:			
Corporate	8,287,801	—	8,287,801
Government securities	10,222,527	—	10,222,527
Mutual funds	1,954,922	—	1,954,922
Equities:			
Domestic	5,732,035	5,732,035	—
International	2,147,121	2,147,121	—
Total	<u>\$ 39,403,570</u>	<u>18,938,320</u>	<u>20,465,250</u>

(4) Contributions Receivable

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

		<u>2019</u>	<u>2018</u>
In less than one year	\$	22,750,471	12,852,392
Beyond one year		16,736,124	7,622,516
		39,486,595	20,474,908
Less:			
Discount to net present value at rates ranging from 0.5%-1.9% and 2.5% in 2019 and 2018, respectively		(843,366)	(319,192)
Allowance for uncollectible pledges		(459,832)	(398,789)
	\$	<u>38,183,397</u>	<u>19,756,927</u>

Approximately \$27 million and \$15 million of net contributions receivable at December 31, 2019 and 2018, 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 51% and 33% of the outstanding balance at December 31, 2019 and 2018, respectively.

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(With summarized comparative financial information
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(5) Fixed Assets

At December 31, fixed assets consist of:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures, software, and equipment	\$ 2,856,332	2,974,109
Leasehold improvements	1,412,865	1,412,865
Less accumulated depreciation	<u>(3,765,697)</u>	<u>(3,188,162)</u>
	<u>\$ 503,500</u>	<u>1,198,812</u>

(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>2019</u>	<u>2018</u>
In less than one year	\$ 48,917,322	38,685,468
Beyond one year	<u>4,188,542</u>	<u>4,114,076</u>
	<u>\$ 53,105,864</u>	<u>42,799,544</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 2019, charity: water invested \$56,095,457 (\$43,961,193 in 2018) 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, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Uganda, Zambia, and Zimbabwe. When completed, these projects can serve over 1.5 million people with clean, safe drinking water.

charity: water hosted a gala raising \$7,516,039 and \$6,883,342, inclusive of ticket sales, in 2019 and 2018, respectively. In 2019, \$6,066,007 was invested in water projects and \$1,450,032 funded operations, whereas in 2018, 100% of the money raised at the annual gala benefited water projects.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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(With summarized comparative financial information
for the year ended December 31, 2018)

(b) Donated Securities

charity: water received \$2,424,088 and \$1,501,293 in donated securities in 2019 and 2018, 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 and \$2,158,999 in donated virtual currency in 2019 and 2018, respectively. 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.

(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, 2019 and 2018 the following contributed goods and services were received:

	<u>2019</u>	<u>2018</u>
Branding, education, and promotion	\$ 193,838	232,284
Communication, printing, and postage	11,683	—
Event costs	211,695	50,000
Office equipment and supplies, website and hosted services	117,802	229,486
Professional fees	<u>358,817</u>	<u>38,236</u>
Total	<u>\$ 893,835</u>	<u>550,006</u>

(9) Lease Commitments

charity: water entered into a new five-year lease agreement in December 2014 and moved into the space in June 2015. charity: water's deferred rent obligation is amortized on a straight-line basis over the term of the lease. The deferred rent obligation was \$121,407 and \$352,916 as of December 31, 2019 and 2018, respectively.

Rent expense for office space amounted to \$556,085 and \$549,241 for the years ended December 31, 2019 and 2018, respectively.

The following is the minimum future rent payments:

Year ending December 31:	
2020	\$ <u>388,000</u>
Total minimum future payments	\$ <u>388,000</u>

CHARITY GLOBAL, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2019
(With summarized comparative financial information
for the year ended December 31, 2018)

(10) Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Water projects		
General	\$ 9,767,423	7,047,578
Ethiopia	4,531,536	5,803,536
India	—	1,804
Water project sustainability	<u>2,535,793</u>	<u>288,752</u>
Total water projects	16,834,752	13,141,670
Operations	<u>29,478,390</u>	<u>15,097,132</u>
	<u>\$ 46,313,142</u>	<u>28,238,802</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, 2019:

	<u>Water projects</u>	<u>Operations</u>	<u>Total</u>
At December 31, financial assets consist of:			
Cash and cash equivalents	\$ 28,902,642	12,438,860	41,341,502
Investments	33,202,954	2,635,242	35,838,196
Contributions receivable, net	<u>7,975,975</u>	<u>30,207,422</u>	<u>38,183,397</u>
Total	70,081,571	45,281,524	115,363,095
Less commitments beyond one year:			
Contributions receivables, net	<u>(14,744,441)</u>	<u>(688,485)</u>	<u>(15,432,926)</u>
Total available within one year	<u>\$ 55,337,130</u>	<u>44,593,039</u>	<u>99,930,169</u>

(12) Subsequent Events

charity: water evaluated subsequent events from December 31, 2019 through April 30, 2020, the date on which the consolidated financial statements were available to be issued. The spread of coronavirus (COVID-19) around the world in the first quarter of 2020 has caused significant volatility in 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 to its operations.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated 100% Model

Year ended December 31, 2019
 (With comparative financial information
 for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Beginning net assets reserved for water projects	\$ 13,141,670	8,195,400
Public donations to water projects	56,572,460	49,132,291
Net investment return and other income	3,216,079	(224,828)
Investments in water projects and water project sustainability	<u>(56,095,457)</u>	<u>(43,961,193)</u>
Increase in net assets reserved for water projects	<u>3,693,082</u>	<u>4,946,270</u>
Ending net assets reserved for water projects (note 10)	<u>\$ 16,834,752</u>	<u>13,141,670</u>
Beginning net assets reserved for operations	\$ 30,602,739	25,204,357
Private donations to operations ¹	32,371,778	20,167,681
Net investment return and other income	497,674	677,151
Operating expenses ¹	(17,371,940)	(14,603,669)
Depreciation	<u>(772,533)</u>	<u>(842,781)</u>
Increase in net assets reserved for operations	<u>14,724,979</u>	<u>5,398,382</u>
Ending net assets reserved for operations	<u>\$ 45,327,718</u>	<u>30,602,739</u>

Notes:

- Both "private donations to operations" and "operating expenses" exclude contributed goods and services of \$893,835 and \$550,006 in 2019 and 2018, respectively.

See accompanying independent auditors' report.