



CHARITY GLOBAL, INC.

Financial Statements

December 31, 2016

(with comparative financial information
as of and for the year ended December 31, 2015)

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Directors
Charity Global, Inc.:

We have audited the accompanying financial statements of Charity Global, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Charity Global, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Charity Global, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedule 1, charity: water 100% Model, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

KPMG LLP

June 9, 2017

CHARITY GLOBAL, INC.

Statement of Financial Position

December 31, 2016

(with summarized comparative financial information
as of December 31, 2015)

Assets	Unrestricted	Temporarily restricted (note 2)			2016 Totals	2015 Totals
	Operations	Three-year promises to give (operations)	Water projects	Special award remote monitoring water projects		
Cash and cash equivalents	\$ 4,044,990	—	10,732,341	62,639	83,371	14,923,341
Short-term investments (note 3)	779,064	—	1,760,796	479,866	—	3,019,726
Prepays and other current assets	380,456	—	132,618	—	—	513,074
Long-term investments (note 3)	5,908,208	—	16,416,034	—	—	22,324,242
Contributions receivable, net (note 4)	4,000	9,000,627	910,068	—	—	9,914,695
Fixed assets, net (note 5)	2,524,879	—	—	—	—	2,524,879
Other assets	92,894	—	—	—	—	92,894
Total assets	\$ 13,734,491	9,000,627	29,951,857	542,505	83,371	53,312,851
Liabilities and Net Assets						
Liabilities:						
Committed to water projects, monitoring, and disaster relief (note 6)	\$ —	—	22,566,769	67,038	83,371	22,717,178
Accounts payable and accrued expenses	266,663	—	551	—	—	267,214
Deferred rent obligation (note 9)	749,740	—	—	—	—	749,740
Total liabilities	1,016,403	—	22,567,320	67,038	83,371	23,734,132
Net assets:						
Unrestricted	12,718,088	—	—	—	—	12,718,088
Temporarily restricted (note 10)	—	9,000,627	7,384,537	475,467	—	16,860,631
Total net assets	12,718,088	9,000,627	7,384,537	475,467	—	29,578,719
Total liabilities and net assets	\$ 13,734,491	9,000,627	29,951,857	542,505	83,371	53,312,851

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Statement of Activities

Year ended December 31, 2016
(with summarized comparative financial information
for the year ended December 31, 2015)

	Unrestricted				Temporarily restricted				2016 Totals	2015 Totals	
	Operations	Water projects	Disaster relief	Total	Three-year promises to give (operations)	Water projects	Special award remote monitoring water projects	Disaster relief			Total
Revenue and other support (note 7):											
Public support:											
Individuals	\$ 245,342	—	—	245,342	5,349,246	12,332,891	—	—	17,682,137	17,927,479	22,143,677
Corporations	130,341	—	—	130,341	—	6,389,755	—	—	6,389,755	6,520,096	7,123,905
Foundations and other organizations	1,183,552	—	—	1,183,552	324,000	7,013,174	—	—	7,337,174	8,520,726	3,399,763
Special event revenue:											
Contributions	—	—	—	—	—	2,637,600	—	—	2,637,600	2,637,600	1,824,410
Ticket sales	—	—	—	—	—	515,000	—	—	515,000	515,000	437,900
Net investment income (note 3)	190,825	—	—	190,825	—	424,600	—	—	424,600	615,425	35,945
Other income	20,911	—	—	20,911	—	35,000	—	—	35,000	55,911	152,225
Net assets released due to satisfaction of restrictions and reclassifications	11,496,668	23,932,982	—	35,429,650	(11,331,520)	(23,534,190)	(563,940)	—	(35,429,650)	—	—
Total public support, revenue, and releases	13,267,639	23,932,982	—	37,200,621	(5,658,274)	5,813,830	(563,940)	—	(408,384)	36,792,237	35,117,825
Expenses:											
Program services	2,447,291	23,932,982	—	26,380,273	—	—	—	—	—	26,380,273	28,656,601
Management and general	4,109,119	—	—	4,109,119	—	—	—	—	—	4,109,119	4,076,338
Development	4,976,056	—	—	4,976,056	—	—	—	—	—	4,976,056	3,375,757
Total expenses	11,532,466	23,932,982	—	35,465,448	—	—	—	—	—	35,465,448	36,108,696
Change in net assets before the effect of in-kind donations and other items	1,735,173	—	—	1,735,173	(5,658,274)	5,813,830	(563,940)	—	(408,384)	1,326,789	(990,871)
Donated goods, services and use of facilities – revenue (note 8)	486,722	—	—	486,722	—	—	—	—	—	486,722	499,001
Donated goods, services and use of facilities – expense (note 8)	(293,113)	—	—	(293,113)	—	—	—	—	—	(293,113)	(396,883)
Change in net assets	1,928,782	—	—	1,928,782	(5,658,274)	5,813,830	(563,940)	—	(408,384)	1,520,398	(888,753)
Net assets at beginning of year	10,789,306	—	—	10,789,306	14,658,901	1,570,707	1,039,407	—	17,269,015	28,058,321	28,947,074
Net assets at end of year	\$ 12,718,088	—	—	12,718,088	9,000,627	7,384,537	475,467	—	16,860,631	29,578,719	28,058,321

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Statement of Functional Expenses

Year ended December 31, 2016
(with summarized comparative financial information
for the year ended December 31, 2015)

	Program services	Supporting services		2016 Totals	2015 Totals
		Management and general	Development		
Water project funding	\$ 22,432,443	—	—	22,432,443	23,159,541
Water project repairs and maintenance	1,101,747	—	—	1,101,747	1,122,025
Remote monitoring	398,792	—	—	398,792	645,203
Disaster relief	—	—	—	—	946,586
Salaries, employee benefits, and taxes	1,479,402	2,609,591	2,848,711	6,937,704	6,303,020
Professional fees	453,342	378,477	354,959	1,186,778	1,083,551
Travel, meals, and meetings	115,995	130,030	86,704	332,729	474,529
Rent, utilities, and cleaning	126,518	223,171	243,620	593,309	407,435
Event costs	—	—	479,371	479,371	482,079
Communication, printing, and postage	20,911	36,887	40,266	98,064	111,828
Bank charges, merchant and credit card fees	—	287,993	—	287,993	301,882
Branding, education, and promotion	—	—	402,075	402,075	38,064
Office equipment and supplies	83,093	146,572	196,792	426,457	526,954
Total expenses before the effect of other noncash items	26,212,243	3,812,721	4,652,498	34,677,462	35,602,697
Depreciation	168,030	296,398	323,558	787,986	505,999
Total expenses	\$ <u>26,380,273</u>	<u>4,109,119</u>	<u>4,976,056</u>	<u>35,465,448</u>	<u>36,108,696</u>

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Statement of Cash Flows

Year ended December 31, 2016
(with comparative financial information
for the year ended December 31, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 1,520,398	(888,753)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	787,986	505,999
Net (appreciation) depreciation in fair value of investments	(83,314)	309,850
Changes in assets and liabilities:		
Contributions receivable, net	5,482,551	642,688
Prepays and other current assets	(130,268)	293,244
Committed to water projects, monitoring, and disaster relief	(996,602)	(2,499,911)
Accounts payable and accrued expenses	(394,395)	225,484
Deferred rent obligation	(165,074)	914,814
Other assets	40,072	—
Net cash provided by (used in) operating activities	6,061,354	(496,585)
Cash flows from investing activities:		
Purchase of investments	(23,991,221)	(23,495,102)
Proceeds from sale of investments	13,166,897	35,166,426
Purchase of fixed assets	(517,404)	(2,236,840)
Net cash (used in) provided by investing activities	(11,341,728)	9,434,484
Net (decrease) increase in cash and cash equivalents	(5,280,374)	8,937,899
Cash and cash equivalents at beginning of year	20,203,715	11,265,816
Cash and cash equivalents at end of year	\$ 14,923,341	20,203,715

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Notes to Financial Statements

December 31, 2016

(with comparative financial information
as of and for the year ended December 31, 2015)

(1) Organization and Purpose

Charity Global, Inc. (hereinafter referred to as charity: water) is a nonprofit organization stimulating greater global awareness about extreme poverty issues, educating the public, and provoking compassionate and intelligent giving. charity: water is exempt from U.S. federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

charity: water provides clean, safe drinking water, hygiene and basic sanitation to people in developing countries. Since 2006, charity: water has funded nearly 23,000 water projects in 24 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 7 million people.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

charity: water's 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:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Management designates funding received for operations as unrestricted (excluding temporarily restricted balances relating to three-year promises to give as discussed below). 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.

Temporarily Restricted – Net assets subject to donor-imposed restrictions that will either be met by actions of charity: water or the passage of time. The four categories of temporarily restricted net assets are as follows:

- Three-year promises to give (operations) – funding for charity: water's operating expenses are classified as temporarily restricted net assets due to a time restriction placed on the receipt of funds by the donor.
- Water projects – restricted in full for water project costs in the field, including repairs and maintenance.
- Special award remote monitoring water projects – restricted for further advancing transparency and sustainability in the water sector by piloting a remote sensor technology and response program.
- Disaster relief – restricted in full to rapid onset, emergency response to major events that adversely affect human health and lives. Funding for activities includes, but is not limited to, water provision, shelter, nonfood items, hygiene and sanitation.

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Contributions are reported as increases in temporarily restricted net assets, water projects, unless the donor explicitly states that the funds should be used for charity: water operations. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as net assets released from restriction in the accompanying statement of activities.

(b) Accounting Estimates

The preparation of the 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 financial statements, and revenues and expenses recognized during the reporting period. Significant estimates made in the preparation of the 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 statement of activities. Directly identifiable expenses are charged to their applicable functional category. Certain costs have been allocated in reasonable ratios as determined by management.

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) Short-Term Investments

Short-term investments consist of certificates of deposit, equities and other fixed income instruments. For financial reporting purposes, charity: water considers all investments that are intended to be used in the next 12 months to be short-term. Short-term investments are stated at fair value.

(f) Long-Term Investments

Long-term investments consist of money market and mutual funds, equities and corporate bonds. For financial reporting purposes, charity: water considers long-term investments to be assets intended to be held beyond one year from the statement of financial position date. Long-term investments are stated at fair value, and it is the goal of management to achieve a total rate of return that exceeds the rate of inflation.

(g) Contributions Receivable

Contributions are recorded as revenue upon receipt of cash or unconditional promise to give (pledge). Contributions received are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of any donor-imposed restrictions.

CHARITY GLOBAL, INC.

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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.

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.

(h) Fixed Assets

Fixed assets consist of furniture, fixtures, software, equipment and leasehold improvements. Fixed assets are stated at cost less accumulated depreciation and are depreciated over their estimated useful life using the straight-line method.

(i) Water Project Funding

Except for funds raised for specific emergency needs, 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.

(j) 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 prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability

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(k) Donated Services and Use of Facilities

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: 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.

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: water recognizes the revenue and related expense for the period it occupies the space.

(l) 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, 2016 and 2015.

(m) Retirement Plan

charity: water offers a 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

401(k) expense related to matching contributions for 2016 and 2015 was \$156,971 and \$141,842, respectively.

(n) Comparative Financial Information

The statement of activities is presented with prior year financial information in total, which does not include net asset class detail. In addition, the 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 2015 financial statements, from which the summarized information was derived.

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(o) Reclassifications

Certain reclassifications of 2015 amounts have been made to conform to the 2016 presentation.

(3) Investments

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2016:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 4,795,252	4,795,252	—
Fixed income – corporate	15,797,876	—	15,797,876
Equities:			
Domestic	4,001,355	4,001,355	—
International	749,485	749,485	—
Total	<u>\$ 25,343,968</u>	<u>9,546,092</u>	<u>15,797,876</u>

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2015:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 3,318,908	3,318,908	—
Fixed income – corporate	8,589,429	—	8,589,429
Equities:			
Domestic	2,061,816	2,061,816	—
International	466,177	466,177	—
Total	<u>\$ 14,436,330</u>	<u>5,846,901</u>	<u>8,589,429</u>

Investment return for the years ended December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Net interest and dividend income	\$ 532,111	345,795
Net appreciation (depreciation) in fair value of investments	83,314	(309,850)
Total return on investments	<u>\$ 615,425</u>	<u>35,945</u>

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(4) Contributions Receivable

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

	<u>2016</u>	<u>2015</u>
In less than one year	\$ 7,304,733	9,958,642
In one to five years	<u>3,509,113</u>	<u>6,384,510</u>
	10,813,846	16,343,152
Less:		
Discount to net present value at 3.75% and 3.50% in 2016 and 2015, respectively	(193,461)	(255,522)
Allowance for uncollectible pledges	<u>(705,690)</u>	<u>(690,384)</u>
	<u>\$ 9,914,695</u>	<u>15,397,246</u>

Approximately \$9 million and \$14.7 million of net contributions receivable at December 31, 2016 and 2015, respectively, are unconditional promises to give unrestricted support through a private membership program called The Well. The Well is a three-year commitment to fund charity: water's operating costs. Two of The Well pledges receivable constituted 31% and 38% of the outstanding balance at December 31, 2016 and 2015, respectively.

(5) Fixed Assets

At December 31, fixed assets consist of:

	<u>2016</u>	<u>2015</u>
Furniture, fixtures, software, and equipment	\$ 2,639,165	2,207,500
Leasehold improvements	1,412,865	1,412,865
Less accumulated depreciation	<u>(1,527,151)</u>	<u>(824,904)</u>
	<u>\$ 2,524,879</u>	<u>2,795,461</u>

CHARITY GLOBAL, INC.

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(6) Committed to Water Projects, Monitoring, and Disaster Relief

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

	<u>2016</u>	<u>2015</u>
Water projects	\$ 22,566,769	23,043,289
Remote monitoring	67,038	484,602
Disaster relief	83,371	185,889
	<u>\$ 22,717,178</u>	<u>23,713,780</u>

(7) Contributions

charity: water's operating costs are underwritten by private donors, companies, and foundations that support the organization through unrestricted donations and gifts-in-kind.

(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 2016, charity: water invested \$23,932,982 in water projects, water project repairs and maintenance and remote monitoring in 11 countries – Cambodia, Central African Republic, Ethiopia, India, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, and Uganda. When completed, these projects can serve over 700,000 people with clean, safe drinking water.

charity: water hosted a gala raising \$3,152,600 and \$2,262,310, inclusive of ticket sales, in 2016 and 2015, respectively. 100% of the money raised at the annual gala benefited water projects.

(b) Remote Monitoring

In 2012, charity: water was a recipient of a Google Global Impact Award® of \$5 million to pilot remote sensors on 4,000 charity: water projects. Using innovative technology, the sensors provide real-time data on water flow at charity: water's water projects, continuing to help charity: water advance transparency and sustainability in the water sector.

In 2012, \$4 million of the award was recorded as temporarily restricted contribution revenue to be used as follows:

- To develop, install, and maintain the remote sensor technology
- Mobilize local mechanics to respond to data
- Water project maintenance and repairs

The amount was recorded as temporarily restricted contribution revenue in the 2012 financial statements and is being released from restrictions when related expenses are incurred. charity: water incurred approximately \$399,000 and \$645,000 of related expenses in 2016 and 2015, respectively.

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The remaining \$1 million was recorded as unrestricted contribution revenue in the 2012 financial statements and designated to finance the operational costs required to implement and manage the remote sensor. charity: water incurred approximately \$338,000 and \$349,000 of related operational expenses in 2016 and 2015, respectively. Additionally, charity: water obtained notice from the Google Foundation® to release \$165,148 and \$368,964 from temporarily restricted net assets to be used to finance operational costs in 2016 and 2015 respectively.

(c) Disaster Relief

In April 2015, Nepal experienced a 7.8 magnitude earthquake. charity: water raised \$946,586 in 2015, 100% of which funded immediate relief efforts in Nepal including water, shelter, sanitation, hygiene, and rebuilding and rehabilitation. Approximately \$83,000 and \$186,000 of funds committed to Disaster Relief remained unpaid, at December 31, 2016 and 2015, respectively.

(d) Donated Securities

charity: water received \$2,980,872 and \$3,258,215 in donated securities in 2016 and 2015, respectively. charity: water's policy is to sell donated securities upon receipt; therefore, such donations are immediately converted to cash and recorded as individual public support in the accompanying financial statements.

(8) Donated Goods, Services, and Functional Expenses

Donated gifts-in-kind are recorded as contributions at fair value at the date of the donation. For the year ended December 31, 2016 with summarized totals for the year ended December 31, 2015, the following functional expenses were included in the statement of activities:

	Expenses (excluding gifts-in-kind)	Gifts-in-kind	Total 2016	Total 2015
Program services	\$ 26,380,273	—	26,380,273	28,677,638
Management and general	4,109,119	113,966	4,223,085	4,315,219
Development	4,976,056	179,147	5,155,203	3,512,722
Total	<u>\$ 35,465,448</u>	<u>293,113</u>	<u>35,758,561</u>	<u>36,505,579</u>

charity: water received donated goods and services of \$293,113 and \$396,883 for the years ended December 31, 2016 and 2015 respectively. Donated goods totaled \$242,963 and \$141,542 respectively while donated services totaled \$50,150 and \$255,341 for the years ended December 31, 2016 and 2015. Donations of such items are recorded as gift in kind support at their estimated fair value at the date of donation. In addition, charity: water capitalized \$193,609 and \$102,118 of donated goods and services, in 2016 and 2015 respectively, as fixed assets in the accompanying financial statements.

CHARITY GLOBAL, INC.

Notes to Financial Statements

December 31, 2016

(with comparative financial information
as of and for the year ended December 31, 2015)

(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 \$749,740 and \$914,814 as of December 31, 2016 and 2015, respectively.

Rent expense for office space amounted to \$535,002 and \$343,419 for the years ended December 31, 2016 and 2015, respectively.

The following is the minimum future rent payments:

Year ending December 31:	
2017	\$ 721,000
2018	743,000
2019	765,000
2020	388,000
Total minimum future payments	\$ <u>2,617,000</u>

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Water projects, monitoring and disaster relief:		
General	\$ 7,325,001	1,561,603
Bangladesh	56,030	—
Nepal	—	9,104
India	3,506	—
Remote monitoring	475,467	1,039,407
Total water projects, monitoring and disaster relief	7,860,004	2,610,114
Three-year promises to give – operations	9,000,627	14,658,901
	\$ <u>16,860,631</u>	<u>17,269,015</u>

(11) Subsequent Events

In connection with the preparation of the financial statements, charity: water evaluated events subsequent to the statement of financial position date of December 31, 2016 through June 9, 2017, the date on which the financial statements were available for issuance, and concluded that no disclosures are required.

CHARITY GLOBAL, INC.

100% Model

Year ended December 31, 2016
(with comparative financial information
for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Beginning net assets reserved for water projects, monitoring and disaster relief	\$ 2,610,114	3,725,664
Public donations to water projects and disaster relief	28,888,420	24,975,920
Net investment income	424,600	36,849
Other income	35,000	114,000
Investments in water projects, monitoring and disaster relief	(23,932,982)	(25,873,355)
Reclassification of restrictions	<u>(165,148)</u>	<u>(368,964)</u>
Increase (decrease) in net assets reserved for water projects, monitoring and disaster relief	5,249,890	(1,115,550)
Ending net assets reserved for water projects, monitoring and disaster relief (Note 10)	<u>\$ 7,860,004</u>	<u>2,610,114</u>
Beginning net assets reserved for operations	\$ 25,448,207	25,221,410
Private donations to operations	7,232,481	9,953,735
Net investment income	190,825	15,267
Other income	20,911	22,054
Operating expenses	(10,744,480)	(9,729,342)
Depreciation	(787,986)	(505,999)
Capitalized In-kind donations (Note 8)	193,609	102,118
Reclassification of restrictions	<u>165,148</u>	<u>368,964</u>
(Decrease) increase in net assets reserved for operations	<u>(3,729,492)</u>	<u>226,797</u>
Ending net assets reserved for operations	<u>\$ 21,718,715</u>	<u>25,448,207</u>

Notes:

1. Net assets reserved for water projects and disaster relief correspond to the change in net assets for water projects, special award remote monitoring water projects and disaster relief in the accompanying Statement of Activities for the years ended December 31, 2016 and 2015.
2. Net assets reserved for operations correspond to the change in net assets (before the effect of in-kind donations and other items) for operations and three-year promises to give (operations) in the accompanying statement of activities for the years ended December 31, 2016 and 2015.
3. Ending net assets reserved for operations include \$9,000,627 and \$14,658,901 reserved for three-year promises to give for the years ended December 31, 2016 and 2015, respectively. (Note 10)

See accompanying independent auditors' report.