



**CHARITY GLOBAL, INC.**

Financial Statements

December 31, 2015

(with comparative financial information  
as of and for the year ended December 31, 2014)

(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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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*

May 24, 2016

CHARITY GLOBAL, INC.

Statement of Financial Position

December 31, 2015

(with summarized comparative financial information  
as of December 31, 2014)

Assets	Unrestricted	Temporarily restricted (note 2)			2015 Totals	2014 Totals	
	Operations	Three-year promises to give operations	Water projects	Special award remote monitoring water projects			Disaster relief
Cash and cash equivalents	\$ 5,357,134	—	14,252,035	408,657	185,889	20,203,715	11,265,816
Short-term investments (note 3)	1,567,683	—	4,866,720	1,115,352	—	7,549,755	23,087,832
Prepays and other current assets	300,399	—	82,407	—	—	382,806	676,050
Long-term investments (note 3)	2,260,748	—	4,625,827	—	—	6,886,575	3,329,672
Contributions receivable, net (note 4)	250	14,658,901	738,095	—	—	15,397,246	16,039,934
Fixed assets, net (note 5)	2,795,461	—	—	—	—	2,795,461	1,064,620
Other assets	82,966	—	50,000	—	—	132,966	132,966
Total assets	\$ 12,364,641	14,658,901	24,615,084	1,524,009	185,889	53,348,524	55,596,890
<b>Liabilities and Net Assets</b>							
Liabilities:							
Committed to water projects, monitoring, and disaster relief (note 6)	\$ —	—	23,043,289	484,602	185,889	23,713,780	26,213,691
Accounts payable and accrued expenses	660,521	—	1,088	—	—	661,609	436,125
Deferred rent obligation (note 9)	914,814	—	—	—	—	914,814	—
Total liabilities	1,575,335	—	23,044,377	484,602	185,889	25,290,203	26,649,816
Net assets:							
Unrestricted	10,789,306	—	—	—	—	10,789,306	11,659,675
Temporarily restricted (note 10)	—	14,658,901	1,570,707	1,039,407	—	17,269,015	17,287,399
Total net assets	10,789,306	14,658,901	1,570,707	1,039,407	—	28,058,321	28,947,074
Total liabilities and net assets	\$ 12,364,641	14,658,901	24,615,084	1,524,009	185,889	53,348,524	55,596,890

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Statement of Activities

Year ended December 31, 2015  
(with summarized comparative financial information  
for the year ended December 31, 2014)

	Unrestricted				Temporarily restricted					2015 Totals	2014 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	\$ 595,377	—	—	595,377	8,763,886	12,046,400	—	738,014	21,548,300	22,143,677	29,259,336
Corporations	122,237	—	—	122,237	—	6,844,177	—	157,491	7,001,668	7,123,905	4,847,853
Foundations and other organizations	12,235	—	—	12,235	460,000	2,876,447	—	51,081	3,387,528	3,399,763	7,699,907
Special event revenue:											
Contributions	—	—	—	—	—	1,824,410	—	—	1,824,410	1,824,410	1,559,957
Ticket sales	—	—	—	—	—	437,900	—	—	437,900	437,900	—
Net investment and other income	37,321	—	—	37,321	—	145,957	4,892	—	150,849	188,170	96,571
Net assets released due to satisfaction of restrictions and reclassifications	8,495,684	24,926,769	946,586	34,369,039	(8,126,720)	(24,281,566)	(1,014,167)	(946,586)	(34,369,039)	—	—
Total public support, revenue, and releases	9,262,854	24,926,769	946,586	35,136,209	1,097,166	(106,275)	(1,009,275)	—	(18,384)	35,117,825	43,463,624
Expenses:											
Program services	2,783,246	24,926,769	946,586	28,656,601	—	—	—	—	28,656,601	32,401,159	
Management and general	4,076,338	—	—	4,076,338	—	—	—	—	4,076,338	3,172,310	
Development	3,375,757	—	—	3,375,757	—	—	—	—	3,375,757	3,877,732	
Total expenses	10,235,341	24,926,769	946,586	36,108,696	—	—	—	—	—	36,108,696	39,451,201
Change in net assets before the effect of in-kind donations and other items	(972,487)	—	—	(972,487)	1,097,166	(106,275)	(1,009,275)	—	(18,384)	(990,871)	4,012,423
Donated goods, services and use of facilities – revenue (note 8)	499,001	—	—	499,001	—	—	—	—	499,001	661,801	
Donated goods, services and use of facilities – expense (note 8)	(396,883)	—	—	(396,883)	—	—	—	—	(396,883)	(655,002)	
Change in net assets	(870,369)	—	—	(870,369)	1,097,166	(106,275)	(1,009,275)	—	(18,384)	(888,753)	4,019,222
Net assets at beginning of year	11,659,675	—	—	11,659,675	13,561,735	1,676,982	2,048,682	—	17,287,399	28,947,074	24,927,852
Net assets at end 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

See accompanying notes to financial statements.

**CHARITY GLOBAL, INC.**

Statement of Functional Expenses

Year ended December 31, 2015  
 (with summarized comparative financial information  
 for the year ended December 31, 2014)

	<b>Program services</b>	<b>Supporting services</b>		<b>2015 Totals</b>	<b>2014 Totals</b>
		<b>Management and general</b>	<b>Development</b>		
Water project funding	\$ 23,159,541	—	—	23,159,541	28,741,175
Water project repairs and maintenance	1,122,025	—	—	1,122,025	697,570
Remote monitoring	645,203	—	—	645,203	1,129,436
Disaster relief	946,586	—	—	946,586	—
Salaries, employee benefits, and taxes	1,725,494	2,728,336	1,849,190	6,303,020	5,825,431
Professional fees	507,214	299,079	277,258	1,083,551	991,343
Travel, meals, and meetings	166,112	128,215	180,202	474,529	567,511
Rent, utilities, and cleaning	105,002	169,026	133,407	407,435	134,498
Event costs	—	—	482,079	482,079	450,825
Communication, printing, and postage	28,820	46,392	36,616	111,828	123,432
Bank charges, merchant and credit card fees	—	301,882	—	301,882	262,532
Branding, education, and promotion	—	—	38,064	38,064	24,000
Office equipment and supplies	120,201	193,492	213,261	526,954	341,933
Total expenses before the effect of other noncash items	28,526,198	3,866,422	3,210,077	35,602,697	39,289,686
Depreciation	130,403	209,916	165,680	505,999	161,515
Total expenses	\$ 28,656,601	4,076,338	3,375,757	36,108,696	39,451,201

See accompanying notes to financial statements.

**CHARITY GLOBAL, INC.**

## Statement of Cash Flows

Year ended December 31, 2015  
(with comparative financial information  
for the year ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (888,753)	4,019,222
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	505,999	161,515
Net depreciation in fair value of investments	309,850	249,735
Changes in assets and liabilities:		
Contributions receivable, net	642,688	(6,846,364)
Prepays and other assets	293,244	(437,243)
Committed to water projects, monitoring, and disaster	(2,499,911)	8,131,426
Accounts payable and accrued expenses	225,484	388,771
Deferred rent obligation	914,814	—
Net cash (used in) provided by operating activities	<u>(496,585)</u>	<u>5,667,062</u>
Cash flows from investing activities:		
Purchase of investments	(23,495,102)	(32,796,550)
Proceeds from sale of investments	35,166,426	15,928,859
Purchase of fixed assets	(2,236,840)	(690,643)
Net cash provided by (used in) investing activities	<u>9,434,484</u>	<u>(17,558,334)</u>
Net increase (decrease) in cash and cash equivalents	8,937,899	(11,891,272)
Cash and cash equivalents at beginning of year	<u>11,265,816</u>	<u>23,157,088</u>
Cash and cash equivalents at end of year	<u>\$ 20,203,715</u>	<u>11,265,816</u>

See accompanying notes to financial statements.

## CHARITY GLOBAL, INC.

### Notes to Financial Statements

December 31, 2015

(with comparative financial information  
as of and for the year ended December 31, 2014)

#### (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 more than 19,000 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 6 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 – 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 – 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.



# CHARITY GLOBAL, INC.

## Notes to Financial Statements

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as of and for the year ended December 31, 2014)

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 twelve 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.

## CHARITY GLOBAL, INC.

### Notes to Financial Statements

December 31, 2015

(with comparative financial information  
as of and for the year ended December 31, 2014)

**(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.

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 eighteen 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 prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.

## CHARITY GLOBAL, INC.

### Notes to Financial Statements

December 31, 2015

(with comparative financial information  
as of and for the year ended December 31, 2014)

- 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.

#### **(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, 2015 and 2014.

#### **(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 2015 and 2014 was \$141,842 and \$124,256, respectively.

**CHARITY GLOBAL, INC.**

Notes to Financial Statements

December 31, 2015

(with comparative financial information  
as of and for the year ended December 31, 2014)

**(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 2014 financial statements, from which the summarized information was derived.

**(o) Reclassifications**

Certain reclassifications of 2014 amounts have been made to conform to the 2015 presentation.

**(3) Investments**

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>

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2014:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 1,296,335	1,296,335	—
Fixed income – corporate	22,599,916	—	22,599,916
Equities:			
Domestic	2,066,682	2,066,682	—
International	454,571	454,571	—
Total	<u>\$ 26,417,504</u>	<u>3,817,588</u>	<u>22,599,916</u>

Investment return for the years ended December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Net interest and dividend income	\$ 345,793	321,262
Net depreciation in fair value of investments	(309,850)	(249,735)
Total return on investments	<u>\$ 35,943</u>	<u>71,527</u>

**CHARITY GLOBAL, INC.**

Notes to Financial Statements

December 31, 2015

(with comparative financial information  
as of and for the year ended December 31, 2014)

**(4) Contributions Receivable**

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

	<b>2015</b>	<b>2014</b>
In less than one year	\$ 9,958,642	9,548,775
In one to five years	6,384,510	8,151,607
	16,343,152	17,700,382
Less:		
Discount to net present value at 3.50% and 3.25% in 2015 and 2014, respectively	(255,522)	(435,099)
Allowance for uncollectible pledges	(690,384)	(1,225,349)
	\$ 15,397,246	16,039,934

Approximately \$14.7 million and \$13.6 million of net contributions receivable at December 31, 2015 and 2014, 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 38% and 39% of the outstanding balance at December 31, 2015 and 2014, respectively.

**(5) Fixed Assets**

At December 31, fixed assets consist of:

	<b>2015</b>	<b>2014</b>
Furniture, fixtures, software, and equipment	\$ 2,207,500	1,483,066
Leasehold improvements	1,412,865	—
Less accumulated depreciation	(824,904)	(418,446)
	\$ 2,795,461	1,064,620

**(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:

	<b>2015</b>	<b>2014</b>
Water projects	\$ 23,043,289	25,480,911
Remote monitoring	484,602	732,780
Disaster relief	185,889	—
	\$ 23,713,780	26,213,691

## CHARITY GLOBAL, INC.

### Notes to Financial Statements

December 31, 2015

(with comparative financial information  
as of and for the year ended December 31, 2014)

#### (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 2015, charity: water invested \$24,926,769 in water projects, water project repairs and maintenance and remote monitoring in 13 countries – Bangladesh, Cambodia, Central African Republic, Ethiopia, India, Kenya, Malawi, Mali, Mozambique, Nepal, Liberia, Rwanda, and Uganda. When completed, these projects can serve over 800,000 people with clean, safe drinking water.

charity: water hosted a gala raising \$2,262,310 and \$1,559,957, inclusive of ticket sales, in 2015 and 2014, 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 over a period of 27 months ended December 2014. charity: water obtained notice from the Google Foundation® that extended the period of performance through June 2016. This award will help charity: water further advance transparency and sustainability in the water sector by using innovative technology to provide data on whether water is flowing at charity: water-funded projects, at any given time, anywhere in the world. The pilot will also include the establishment and training of local mechanic programs to dispatch to communities within their reach when repairs are needed or system breakdowns occur.

Google Foundation® restricted approximately \$4 million to be used as follows:

- 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 \$645,000 of related expenses in 2015. Additionally, charity: water obtained notice from the Google Foundation® to release \$368,964 from temporarily restricted net assets to use to finance the operational costs of the remote sensor pilot.

The remaining \$1 million was recorded as unrestricted contribution revenue in the 2012 financial statements and designated by charity: water to be used to finance the staff and operations required to implement and manage the remote sensor pilot. charity: water incurred approximately \$349,000 of related expenses in 2015.

**CHARITY GLOBAL, INC.**

Notes to Financial Statements

December 31, 2015

(with comparative financial information  
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**(c) Disaster Relief**

In April 2015, Nepal experienced a 7.8 magnitude earthquake. charity: water raised \$946,586, 100% of which funded immediate relief efforts in Nepal including water, shelter, sanitation, hygiene, and rebuilding and rehabilitation.

**(d) Donated Securities**

charity: water received \$3,258,215 in donated securities in 2015. 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, 2015 with summarized totals for the year ended December 31, 2014, the following functional expenses were included in the statement of activities:

	<b>Expenses (excluding gifts-in-kind)</b>	<b>Gifts-in-kind</b>	<b>Total 2015</b>	<b>Total 2014</b>
Program services	\$ 28,656,601	21,037	28,677,638	32,421,325
Management and general	4,076,338	238,881	4,315,219	3,594,169
Development	3,375,757	136,965	3,512,722	4,090,709
Total	\$ 36,108,696	396,883	36,505,579	40,106,203

charity: water received donated goods of \$141,542 and \$289,355 for the years ended December 31, 2015 and 2014, respectively. Donations of such items are recorded as gift-in-kind support at their estimated fair value at the date of donation. Donated goods are recorded as revenue and expense in the accompanying financial statements and were allocated on a functional basis as follows:

	<b>2015</b>	<b>2014</b>
Program services	\$ 21,037	20,166
Management and general	118,765	239,792
Development	1,740	29,397
Total	\$ 141,542	289,355

charity: water also received donated food, drink, entertainment, and event materials and equipment valued at \$3,825 and \$64,685 for the years ended December 31, 2015 and 2014, respectively, in connection with the annual gala. These items are allocated to development and recorded as revenue and expense at estimated fair value in the accompanying financial statements.

**CHARITY GLOBAL, INC.**

Notes to Financial Statements

December 31, 2015

(with comparative financial information  
as of and for the year ended December 31, 2014)

Donated banner advertisement in support of charity: water digital fundraising campaigns totaled \$112,900 and \$100,995 for the years ended December 31, 2015 and 2014, respectively. This amount was allocated to development and recorded as revenue and expense at estimated fair value in the accompanying financial statements.

charity: water received \$18,500 and \$16,700 of donated traditional promotion and advertising for the years ended December 31, 2015 and 2014, respectively. These placements were allocated to development and are recorded as revenue and expense at their estimated fair values in the accompanying financial statements.

charity: water received donated legal, accounting, and other professional services valued at \$105,104 and \$175,054 for the years ended December 31, 2015 and 2014, respectively. This amount was allocated to management and general and recorded as revenue and expense at estimated fair value in the accompanying financial statements.

In 2015, \$102,118 of donated goods was capitalized as fixed assets in the accompanying financial statements.

charity: water uses storage space, without charge, at a local storage facility. The fair value of this space was estimated at \$15,012 for both of the years ended December 31, 2015 and 2014, which was allocated to management and general. Donated use of facilities is recorded as revenue and expense in the accompanying financial statements at its estimated fair rental value.

**(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. As of December 31, 2015, the deferred rent obligation was \$914,814.

Rent expense for office space amounted to \$343,419 and \$70,802 for the years ended December 31, 2015 and 2014, respectively.

The following is the minimum future rent payments:

Year ending December 31:		
2016	\$	702,000
2017		723,000
2018		745,000
2019		767,000
2020		323,000
		<hr/>
Total minimum future payments	\$	<u>3,260,000</u>



**CHARITY GLOBAL, INC.**

Notes to Financial Statements

December 31, 2015

(with comparative financial information  
as of and for the year ended December 31, 2014)

**(10) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Water projects:		
General	\$ 1,561,603	1,653,574
Nepal	9,104	—
Rwanda	—	16,529
India	—	879
Pakistan	—	6,000
Remote monitoring	1,039,407	2,048,682
Three-year promises to give – operations	<u>14,658,901</u>	<u>13,561,735</u>
	<u>\$ 17,269,015</u>	<u>17,287,399</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, 2015 through May 24, 2016, the date on which the financial statements were available for issuance, and concluded that no disclosures are required.

## CHARITY GLOBAL, INC.

charity: water

100% Model

Year ended December 31, 2015  
(with comparative financial information  
for the year ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
Public donations to water projects and disaster relief	\$ 24,975,920	27,912,288
Net investment and other income	150,849	66,575
Investments in water projects and disaster relief	(25,873,355)	(30,568,181)
Change in net assets due to reclassification of restrictions	(368,964)	—
Decrease in net assets reserved for water projects	<u>\$ (1,115,550)</u>	<u>(2,589,318)</u>
Private donations to operations	\$ 9,953,735	15,454,765
Net investment and other income	37,321	29,996
Operating expenses	(10,235,341)	(8,883,020)
Change in net assets due to reclassification of restrictions	368,964	—
Increase in net assets reserved for operations	<u>\$ 124,679</u>	<u>6,601,741</u>

## Notes:

1. In-kind donations are excluded as they represent noncash transfers of goods or services affecting both revenue and expense.
2. 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, 2015 and 2014.
3. 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, 2015 and 2014.

See accompanying independent auditors' report.