



CHARITY GLOBAL, INC.

Financial Statements

December 31, 2012

(with comparative financial information
as of and for the year ended December 31, 2011)

(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, 2012, 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 entity'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 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 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, 2012, 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.

Other Matters

The summarized comparative information of Charity Global, Inc. as of and for the year ended December 31, 2011 was audited by other auditors whose report dated June 1, 2012 expressed an unmodified opinion.



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

April 26, 2013

CHARITY GLOBAL, INC.

Statement of Financial Position

December 31, 2012

(with summarized financial information as of December 31, 2011)

	Unrestricted	Temporarily restricted (note 2)		2012 Totals	2011 Totals	
	Operations	Three year promises to give Operations	Water Projects			Special award remote monitoring Water Projects
Assets						
Cash and cash equivalents	\$ 9,054,028	—	8,012,458	1,484,534	18,551,020	17,784,114
Short-term investments (note 3)	1,494,076	—	4,983,698	—	6,477,774	—
Prepays and other current assets	133,110	—	155,780	—	288,890	125,564
Long-term investments (note 3)	—	—	—	2,495,145	2,495,145	—
Contributions and pledges receivable, net (note 4)	118,649	6,926,599	666,345	—	7,711,593	5,968,903
Fixed assets, net (note 5)	287,707	—	—	—	287,707	228,806
Total assets	\$ 11,087,570	6,926,599	13,818,281	3,979,679	35,812,129	24,107,387
Liabilities and Net Assets						
Liabilities:						
Committed to water projects (note 6)	\$ —	—	12,655,796	—	12,655,796	10,472,362
Accounts payable and accrued expenses	211,788	—	19,218	407	231,413	94,103
Total liabilities	211,788	—	12,675,014	407	12,887,209	10,566,465
Net assets:						
Unrestricted	10,875,782	—	—	—	10,875,782	7,596,922
Temporarily restricted (note 11)	—	6,926,599	1,143,267	3,979,272	12,049,138	5,944,000
Total net assets	10,875,782	6,926,599	1,143,267	3,979,272	22,924,920	13,540,922
Total liabilities and net assets	\$ 11,087,570	6,926,599	13,818,281	3,979,679	35,812,129	24,107,387

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Statement of Activities

Year ended December 31, 2012

(with summarized financial information for the year ended December 31, 2011)

	Unrestricted			Temporarily restricted				2012 Totals	2011 Totals
	Operations	Water Projects	Total	Three year promises to give	Special award remote monitoring				
				Operations	Water Projects	Water Projects	Total		
Revenue and other support (note 7):									
Public support:									
Individuals	\$ 897,403	—	897,403	7,550,105	9,726,724	—	17,276,829	18,174,232	19,901,178
Corporations	447,552	—	447,552	—	2,418,705	—	2,418,705	2,866,257	1,524,321
Foundations and other organizations	1,172,970	—	1,172,970	—	3,550,155	3,974,152	7,524,307	8,697,277	3,524,938
Special event revenue:									
Contributions	674,932	—	674,932	—	2,336,130	—	2,336,130	3,011,062	1,976,618
Ticket sales	133,610	—	133,610	—	—	—	—	133,610	247,360
Net direct benefit to donor	(388,921)	—	(388,921)	—	—	—	—	(388,921)	(304,970)
Net investment and other income	25,259	—	25,259	—	1,832	7,289	9,121	34,380	34,651
Net assets released due to satisfaction of restrictions (note 10)	5,167,835	18,292,119	23,459,954	(5,167,835)	(18,289,950)	(2,169)	(23,459,954)	—	—
Total public support, revenue, and releases	8,130,640	18,292,119	26,422,759	2,382,270	(256,404)	3,979,272	6,105,138	32,527,897	26,904,096
Expenses:									
Program services	1,387,248	18,292,119	19,679,367	—	—	—	—	19,679,367	18,505,476
Management and general	1,643,991	—	1,643,991	—	—	—	—	1,643,991	1,166,703
Development	1,820,541	—	1,820,541	—	—	—	—	1,820,541	1,528,984
Total expenses	4,851,780	18,292,119	23,143,899	—	—	—	—	23,143,899	21,201,163
Change in net assets before the effect of in-kind donations and other items	3,278,860	—	3,278,860	2,382,270	(256,404)	3,979,272	6,105,138	9,383,998	5,702,933
Donated goods, services and use of facilities-revenue (note 8)	1,450,271	—	1,450,271	—	—	—	—	1,450,271	1,624,843
Donated goods, services and use of facilities-expense (note 8)	(1,450,271)	—	(1,450,271)	—	—	—	—	(1,450,271)	(1,624,843)
Loss on disposal of equipment	—	—	—	—	—	—	—	—	(6,725)
Change in net assets	3,278,860	—	3,278,860	2,382,270	(256,404)	3,979,272	6,105,138	9,383,998	5,696,208
Net assets at beginning of year	7,596,922	—	7,596,922	4,544,329	1,399,671	—	5,944,000	13,540,922	7,844,714
Net assets at end of year	\$ 10,875,782	—	10,875,782	6,926,599	1,143,267	3,979,272	12,049,138	22,924,920	13,540,922

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Statement of Functional Expenses

Year ended December 31, 2012

(with summarized financial information for the year ended December 31, 2011)

	Program services	Supporting services		2012 Totals	2011 Totals
		Management and general	Development		
Water project funding	\$ 18,292,119	—	—	18,292,119	17,646,927
Salaries, employee benefits, and taxes	932,215	1,075,384	1,229,590	3,237,189	1,969,405
Professional fees	281,932	234,525	90,644	607,101	488,432
Travel, meals, and meetings	111,145	4,078	211,442	326,665	213,972
Rent, utilities, and cleaning	14,177	62,381	34,026	110,584	108,627
Event costs	—	—	90,201	90,201	22,131
Communication, printing, and postage	15,534	68,351	37,282	121,167	107,503
Bank charges, merchant and credit card fees	—	57,394	—	57,394	260,462
Branding, education, and promotion	—	—	8,920	8,920	16,185
Office equipment and supplies	21,061	92,667	91,594	205,322	216,642
Total expenses before the effect of other non-cash items	19,668,183	1,594,780	1,793,699	23,056,662	21,050,286
Unfulfilled pledges	—	—	—	—	94,000
Depreciation	11,184	49,211	26,842	87,237	56,877
Total expenses	\$ 19,679,367	1,643,991	1,820,541	23,143,899	21,201,163

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Statement of Cash Flows

Year ended December 31, 2012

(with comparative financial information for the year ended December 31, 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 9,383,998	5,696,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	87,237	56,877
Net depreciation in fair value of investments	13,876	—
Loss on disposal of equipment	—	6,725
Changes in assets and liabilities:		
Contributions and pledges receivable, net	(1,742,690)	(2,815,451)
Prepays and other current assets	(163,326)	(15,835)
Committed to water projects	2,183,434	4,937,172
Accounts payable and accrued expenses	137,310	(52,033)
Net cash provided by operating activities	<u>9,899,839</u>	<u>7,813,663</u>
Cash flows from investing activities:		
Purchase of investments	(9,186,795)	—
Proceeds from sale of investments	200,000	—
Purchase of fixed assets	(146,138)	(125,515)
Net cash used in investing activities	<u>(9,132,933)</u>	<u>(125,515)</u>
Net increase in cash and cash equivalents	766,906	7,688,148
Cash and cash equivalents at beginning of year	<u>17,784,114</u>	<u>10,095,966</u>
Cash and cash equivalents at end of year	<u>\$ 18,551,020</u>	<u>17,784,114</u>

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Notes to Financial Statements

December 31, 2012

(with comparative financial information
as of and for the year ended December 31, 2011)

(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 8,000 water projects in 20 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 3 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 three 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.
- Special award remote monitoring – restricted for further advancing transparency and sustainability in the water sector by piloting a remote sensor technology and response program.

Revenues 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 net assets. Expirations of temporary restrictions on net assets are reported as net assets released from restriction in the accompanying statement of activities.

CHARITY GLOBAL, INC.

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(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 and pledges 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 programs, management and general, and development. Certain indirect costs have been allocated in reasonable ratios as determined by management.

The allocation of indirect costs, as well as directly identifiable 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 and other fixed income instruments. For financial reporting purposes, charity: water considers all investments that mature in 4 to 12 months from the statement of financial position date 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, corporate bonds, and equities. 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 by 3%.

CHARITY GLOBAL, INC.

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as of and for the year ended December 31, 2011)

(g) Concentration

charity: water places its cash and investments with high-credit-quality financial institutions. At times, such balances may exceed insured limits. Uninsured cash balances at December 31, 2012 approximated \$7,406,000; however, management believes that charity: water does not face a significant risk of loss on these accounts due to the possible failure of these financial institutions.

(h) Contributions and Pledges 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.

Donated securities and gifts in-kind are recorded as contributions at fair value as of the date of the donation.

Unconditional promises to give (pledges), that 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 and pledges receivable for the purpose of establishing an allowance for doubtful accounts. charity: water provides for potential unfulfilled pledges using the allowance method. 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 and pledges receivable as soon as amounts are deemed to be uncollectible.

(i) Fixed Assets

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

CHARITY GLOBAL, INC.

Notes to Financial Statements

December 31, 2012

(with comparative financial information
as of and for the year ended December 31, 2011)

(j) *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 upon Board approval of the partnership agreement. Liabilities are reported at net realizable value at the time the promise is made. All commitments are expected to be paid in one year.

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.

(k) *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.
- 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.

(l) *Donated Services and Use of Facilities*

Donated services are recognized if the services (a) create or enhance nonfinancial assets or (b) 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.

CHARITY GLOBAL, INC.

Notes to Financial Statements

December 31, 2012

(with comparative financial information
as of and for the year ended December 31, 2011)

(m) *Income Taxes*

charity: water's 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, 2012 and 2011.

(n) *Retirement Plan*

Beginning in 2012, 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 plus
- 50% of the basic employee contribution up to the next 2% of compensation

401(k) expense related to matching contributions for 2012 was \$61,000.

(o) *Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation.

(p) *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 2011 financial statements, from which the summarized information was derived.

CHARITY GLOBAL, INC.

Notes to Financial Statements

December 31, 2012

(with comparative financial information
as of and for the year ended December 31, 2011)

(3) Investments

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2012:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 1,015,341	1,015,341	—	—
Certificates of deposit	4,479,307	4,479,307	—	—
Fixed income- corporate	3,064,583	—	3,064,583	—
Equities:				
Domestic	299,836	299,836	—	—
International	113,852	113,852	—	—
Total	<u>\$ 8,972,919</u>	<u>5,908,336</u>	<u>3,064,583</u>	<u>—</u>

(4) Contributions and Pledges Receivable

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

	<u>2012</u>	<u>2011</u>
In less than one year	\$ 5,023,241	4,191,754
In one to five years	3,016,113	2,030,098
	8,039,354	6,221,852
Less discount to net present value at 3.25%	(259,561)	(158,949)
Less allowance for unfulfilled pledges	(68,200)	(94,000)
	<u>\$ 7,711,593</u>	<u>5,968,903</u>

Approximately \$6.9 million of net amounts receivable at December 31, 2012 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. One of The Well pledges receivable constituted 53% of this outstanding balance. There was no such concentration at December 31, 2011.

(5) Fixed Assets

At December 31, fixed assets consist of:

	<u>2012</u>	<u>2011</u>
Furniture, fixtures, and equipment	\$ 483,266	337,128
Less accumulated depreciation	(195,559)	(108,322)
	<u>\$ 287,707</u>	<u>228,806</u>

CHARITY GLOBAL, INC.

Notes to Financial Statements

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(with comparative financial information
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(6) Committed to Water Projects

Funding authorized but unpaid at year-end is reported as a liability. The entire amount is expected to be paid in the subsequent year. Funding authorized but unpaid totaled \$12,655,796 and \$10,472,362 at December 31, 2012 and 2011, respectively. Amounts are released from restriction on the statement of activities when funding is approved.

(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. charity: water also hosts one gala per year to raise money for operations, charity: ball.

100% of the money raised through charity: water's public fundraising campaigns is restricted to directly fund water projects in developing countries. In 2012, charity: water funded projects in 14 countries – Bangladesh, Cambodia, Democratic Republic of Congo, Ethiopia, India, Kenya, Liberia, Nepal, Malawi, Rwanda, Tanzania, Burkina Faso, Central African Republic, and Cote d'Ivoire. When completed, these projects can serve nearly 712,000 people with clean, safe drinking water.

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. 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

This amount is recorded as temporarily restricted contribution revenue in the accompanying financial statements.

charity: water designated approximately \$1 million of the remaining unrestricted balance from the Google Global Impact Award ®, to be used to finance the staff and operations required to implement and manage the remote sensor pilot. This amount is recorded as unrestricted contribution revenue in the accompanying financial statements.

By December 31, 2013, charity: water expects to be collecting information on 1,000 projects retro-fit for the technology and data transmission.

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charity: water received \$2,961,297 in donated securities in 2012. 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

For the year ended December 31, 2012 (with summarized totals for the year ended December 31, 2011), the following functional expenses were included in the statement of activities:

	Expenses (excluding gifts-in-kind)	Gifts-in-kind	Total 2012	Total 2011
Program services	\$ 19,679,367	231,388	19,910,755	19,574,735
Management and general	1,643,991	651,395	2,295,386	1,371,870
Development	1,820,541	567,488	2,388,029	1,879,401
Total	\$ 23,143,899	1,450,271	24,594,170	22,826,006

charity: water received donated goods of \$234,126 and \$106,274 for the years ended December 31, 2012 and 2011, 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:

	2012	2011
Program services	\$ —	14,878
Management and general	198,583	47,824
Development	35,543	43,572
Total	\$ 234,126	106,274

charity: water also received donated food, drink, entertainment, and event materials and equipment valued at \$58,732 and \$158,040 for the years ended December 31, 2012 and 2011, respectively, in connection with the annual charity: ball. These items are allocated to development on a functional basis and are recognized as follows in the accompanying financial statements:

	2012	2011
Special event contributions and net direct benefit to donor	\$ 45,182	89,737
Revenue and expense	13,550	68,303
Total	\$ 58,732	158,040

charity: water creates video content and other digital media to engage the public and spread awareness about the global water crisis. charity: water received \$231,388 and \$984,835 of donated advertising space

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in connection with the educational piece, Water Changes Everything ® for the years ended December 31, 2012 and 2011, respectively. This amount was allocated on a functional basis to program services, and is recorded as revenue and expense at the estimated fair value in the accompanying financial statements.

Additional donated banner advertisement in support of charity: water digital fundraising campaigns totaled \$502,765 for the year ended December 31, 2012. This amount was allocated on a functional basis to development, and recorded as revenue and expense at estimated fair value in the accompanying financial statements.

charity: water received \$15,630 and \$109,000 of donated traditional promotion and advertising for the years ended December 31, 2012 and 2011, respectively. These placements were allocated on a functional basis 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 \$437,800 and \$341,419 for the years ended December 31, 2012 and 2011, respectively. Donated professional services are recorded as revenue and expense in the accompanying financial statements at their estimated fair values, and were allocated on a functional basis as follows:

	<u>2012</u>	<u>2011</u>
Program services	\$ —	69,546
Management and general	437,800	142,331
Development	—	129,542
Total	<u>\$ 437,800</u>	<u>341,419</u>

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, 2012 and 2011, which was allocated on a functional basis 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 leases office space under a 36-month lease that expired in August 2012. Management is in the process of getting an extension through December 2013. Rent expense for the office space amounted to approximately \$68,000 for the years ended December 31, 2012 and 2011.

(10) Net Assets Released from Restriction

In 2012, charity: water invested \$18,292,119 in water projects in 14 countries – Bangladesh, Cambodia, Democratic Republic of Congo, Ethiopia, India, Kenya, Liberia, Nepal, Malawi, Rwanda, Tanzania, Burkina Faso, Central African Republic, and Cote d'Ivoire. When completed, these projects can serve nearly 712,000 people with clean, safe drinking water.

CHARITY GLOBAL, INC.

Notes to Financial Statements

December 31, 2012

(with comparative financial information
as of and for the year ended December 31, 2011)

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Water projects:		
General	\$ 887,761	1,385,950
Rwanda	221,990	—
Nepal	22,690	—
Haiti	10,826	10,826
C.A.R.	—	2,895
Remote monitoring	3,979,272	—
Three year promises to give – Operations	6,926,599	4,544,329
	<u>\$ 12,049,138</u>	<u>5,944,000</u>

(12) 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, 2012 through April 26, 2013, 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, 2012

Public donations to water projects	\$ 18,031,714
Special award – remote monitoring	3,974,152
Net investment and other income	9,121
Investments in water projects	<u>(18,292,119)</u>
Increase in net assets reserved for water projects	<u>\$ 3,722,868</u>
Private donations to operations	\$ 10,831,390
Interest income and other gains	25,259
Operating expenses	<u>(5,195,519)</u>
Increase in net assets reserved for operations	<u>\$ 5,661,130</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 correspond to the change in net assets for *Water Projects* and Special award remote monitoring *Water Projects* in the accompanying statement of activities for the year ended December 31, 2012.
3. Net assets reserved for operations correspond to the change in net assets for *Operations* and Three year promises to give *Operations* in the accompanying statement of activities for the year ended December 31, 2012.

See accompanying independent auditors' report.