



**CHARITY GLOBAL, INC.**

Financial Statements

December 31, 2013

(with comparative financial information  
as of and for the year ended December 31, 2012)

(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, 2013, 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 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 9, 2014

**CHARITY GLOBAL, INC.**

Statement of Financial Position

December 31, 2013

(with summarized comparative financial information as of December 31, 2012)

	<b>Unrestricted</b>	<b>Temporarily restricted (note 2)</b>		<b>2013 Totals</b>	<b>2012 Totals</b>	
		<b>Three-year promises to give</b>	<b>Special award remote monitoring</b>			
<b>Assets</b>	<i>Operations</i>	<i>Operations</i>	<i>Water Projects</i>	<i>Water Projects</i>		
Cash and cash equivalents	\$ 6,080,710	—	16,191,948	884,430	23,157,088	18,551,020
Short-term investments (note 3)	4,460,237	—	494,108	2,563,391	7,517,736	6,477,774
Prepays and other current assets	229,353	—	11,466	—	240,819	288,890
Long-term investments (note 3)	54,720	—	2,227,092	—	2,281,812	2,495,145
Contributions receivable, net (note 4)	107,316	7,556,608	1,529,646	—	9,193,570	7,711,593
Fixed assets, net (note 5)	535,492	—	—	—	535,492	287,707
Other assets	80,954	—	50,000	—	130,954	—
Total assets	\$ 11,548,782	7,556,608	20,504,260	3,447,821	43,057,471	35,812,129
<b>Liabilities and Net Assets</b>						
Liabilities:						
Committed to water projects (note 6)	\$ —	—	17,349,485	—	17,349,485	12,655,796
Accounts payable and accrued expenses	492,520	—	3,361	284,253	780,134	231,413
Total liabilities	492,520	—	17,352,846	284,253	18,129,619	12,887,209
Net assets:						
Unrestricted	11,056,262	—	—	—	11,056,262	10,875,782
Temporarily restricted (note 11)	—	7,556,608	3,151,414	3,163,568	13,871,590	12,049,138
Total net assets	11,056,262	7,556,608	3,151,414	3,163,568	24,927,852	22,924,920
Total liabilities and net assets	\$ 11,548,782	7,556,608	20,504,260	3,447,821	43,057,471	35,812,129

See accompanying notes to financial statements.

**CHARITY GLOBAL, INC.**

Statement of Activities

Year ended December 31, 2013

(with summarized comparative financial information for the year ended December 31, 2012)

	<u>Unrestricted</u>			<u>Temporarily restricted</u>				<u>2013 Totals</u>	<u>2012 Totals</u>
	<u>Operations</u>	<u>Water Projects</u>	<u>Total</u>	<u>Three-year promises to give</u>	<u>Special award remote monitoring</u>				
				<u>Operations</u>	<u>Water Projects</u>	<u>Water Projects</u>	<u>Total</u>		
Revenue and other support (note 7):									
Public support:									
Individuals	\$ 405,733	—	405,733	6,089,421	12,427,843	—	18,517,264	18,922,997	18,174,232
Corporations	788,798	—	788,798	—	7,630,549	—	7,630,549	8,419,347	2,866,257
Foundations and other organizations	154,609	—	154,609	1,000,000	3,545,204	—	4,545,204	4,699,813	8,697,277
Special event revenue:									
Contributions	1,114,747	—	1,114,747	—	2,871,593	—	2,871,593	3,986,340	3,011,062
Ticket sales	159,975	—	159,975	—	—	—	—	159,975	133,610
Net direct benefit to donor	(649,546)	—	(649,546)	—	—	—	—	(649,546)	(388,921)
Net investment and other income	103,671	—	103,671	—	394,923	68,245	463,168	566,839	34,380
Net assets released due to satisfaction of restrictions (note 10)	5,459,412	26,745,914	32,205,326	(6,459,412)	(24,861,965)	(883,949)	(32,205,326)	—	—
Total public support, revenue, and releases	7,537,399	26,745,914	34,283,313	630,009	2,008,147	(815,704)	1,822,452	36,105,765	32,527,897
Expenses:									
Program services	1,743,401	26,745,914	28,489,315	—	—	—	—	28,489,315	19,679,367
Management and general	2,570,799	—	2,570,799	—	—	—	—	2,570,799	1,643,991
Development	3,098,528	—	3,098,528	—	—	—	—	3,098,528	1,820,541
Total expenses	7,412,728	26,745,914	34,158,642	—	—	—	—	34,158,642	23,143,899
Change in net assets before the effect of in-kind donations and other items	124,671	—	124,671	630,009	2,008,147	(815,704)	1,822,452	1,947,123	9,383,998
Donated goods, services and use of facilities-revenue (note 8)	1,861,492	50,301	1,911,793	—	—	—	—	1,911,793	1,450,271
Donated goods, services and use of facilities-expense (note 8)	(1,805,683)	(50,301)	(1,855,984)	—	—	—	—	(1,855,984)	(1,450,271)
Change in net assets	180,480	—	180,480	630,009	2,008,147	(815,704)	1,822,452	2,002,932	9,383,998
Net assets at beginning 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
Net assets at end of year	\$ 11,056,262	—	11,056,262	7,556,608	3,151,414	3,163,568	13,871,590	24,927,852	22,924,920

See accompanying notes to financial statements.

**CHARITY GLOBAL, INC.**

Statement of Functional Expenses

Year ended December 31, 2013

(with summarized comparative financial information for the year ended December 31, 2012)

	<b>Program services</b>	<b>Supporting services</b>		<b>2013 Totals</b>	<b>2012 Totals</b>
		<b>Management and general</b>	<b>Development</b>		
Water project funding	\$ 25,627,285	—	—	25,627,285	18,292,119
Water project repairs and maintenance	234,680	—	—	234,680	—
Remote monitoring	883,949	—	—	883,949	—
Salaries, employee benefits, and taxes	1,153,591	1,653,336	2,290,058	5,096,985	3,237,189
Professional fees	288,036	359,237	65,030	712,303	607,101
Travel, meals, and meetings	210,668	45,499	208,467	464,634	326,665
Rent, utilities, and cleaning	18,155	42,805	54,798	115,758	110,584
Event costs	—	—	137,080	137,080	90,201
Communication, printing, and postage	22,255	52,473	67,173	141,901	121,167
Bank charges, merchant and credit card fees	—	297,919	—	297,919	57,394
Branding, education, and promotion	—	—	23,667	23,667	8,920
Office equipment and supplies	32,864	77,486	198,433	308,783	205,322
Total expenses before the effect of other noncash items	28,471,483	2,528,755	3,044,706	34,044,944	23,056,662
Depreciation	17,832	42,044	53,822	113,698	87,237
Total expenses	\$ 28,489,315	2,570,799	3,098,528	34,158,642	23,143,899

See accompanying notes to financial statements.

**CHARITY GLOBAL, INC.**

## Statement of Cash Flows

Year ended December 31, 2013

(with comparative financial information for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,002,932	9,383,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	113,698	87,237
Net depreciation in fair value of investments	44,795	13,876
Changes in assets and liabilities:		
Contributions and pledges receivable, net	(1,481,977)	(1,742,690)
Prepays and other assets	(82,883)	(163,326)
Committed to water projects	4,693,689	2,183,434
Accounts payable and accrued expenses	548,721	137,310
Net cash provided by operating activities	<u>5,838,975</u>	<u>9,899,839</u>
Cash flows from investing activities:		
Purchase of investments	(16,963,992)	(9,186,795)
Proceeds from sale of investments	16,092,568	200,000
Purchase of fixed assets	(361,483)	(146,138)
Net cash used in investing activities	<u>(1,232,907)</u>	<u>(9,132,933)</u>
Net increase in cash and cash equivalents	4,606,068	766,906
Cash and cash equivalents at beginning of year	<u>18,551,020</u>	<u>17,784,114</u>
Cash and cash equivalents at end of year	<u>\$ 23,157,088</u>	<u>18,551,020</u>

See accompanying notes to financial statements.

# CHARITY GLOBAL, INC.

## Notes to Financial Statements

December 31, 2013

(with comparative financial information  
as of and for the year ended December 31, 2012)

### (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 11,430 water projects in 22 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 4 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, 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.

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



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### Notes to Financial Statements

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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 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, equities and other fixed income instruments. For financial reporting purposes, charity: water considers all investments that are available 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.

**(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, 2013

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approximated \$1,445,000; 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 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 at 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 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 amounts are deemed to be uncollectible.

#### **(i) Fixed Assets**

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

#### **(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 execution of the partner funding contract. Liabilities are reported at net realizable value at the time the promise is made. All commitments are expected to be paid in 12 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.

#### **(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

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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 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.

**(m) 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, 2013 and 2012.

**(n) Retirement Plan**

charity: water began offering a 401(k) retirement plan in 2012. 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

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401(k) expense related to matching contributions for 2013 and 2012 was \$100,831 and \$61,727, respectively.

**(o) 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 2012 financial statements, from which the summarized information was derived.

**(p) Reclassifications**

Certain reclassifications have been made to the 2012 financial statements in order to conform to the 2013 presentation.

**(3) Investments**

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2013:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income – corporate	\$ 7,769,756	—	7,769,756	—
Equities:				
Domestic	1,607,683	1,607,683	—	—
International	422,109	422,109	—	—
Total	<u>\$ 9,799,548</u>	<u>2,029,792</u>	<u>7,769,756</u>	<u>—</u>

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>

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#### (4) Contributions Receivable

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

	<u>2013</u>	<u>2012</u>
In less than one year	\$ 6,905,557	5,287,148
In one to five years	3,213,910	3,016,113
	10,119,467	8,303,261
Less:		
Discount to net present value at 3.25%	(245,206)	(259,561)
Allowance for unfulfilled pledges	(680,691)	(332,107)
	<u>\$ 9,193,570</u>	<u>7,711,593</u>

Approximately \$7.6 million and \$6.9 million of net contributions receivable at December 31, 2013 and 2012, 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. In 2013, two of The Well pledges receivable constituted 47% of the outstanding balance. In 2012, one of The Well pledges receivable constituted 53% of the outstanding balance.

#### (5) Fixed Assets

At December 31, fixed assets consist of:

	<u>2013</u>	<u>2012</u>
Furniture, fixtures, software, and equipment	\$ 792,423	483,266
Less accumulated depreciation	(256,931)	(195,559)
	<u>\$ 535,492</u>	<u>287,707</u>

#### (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 \$17,349,485 and \$12,655,796 at December 31, 2013 and 2012, 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.

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100% of the money raised through charity: water's public fundraising campaigns is restricted to directly fund water projects in developing countries. In 2013, charity: water funded projects in 11 countries – Central African Republic, Cambodia, Ethiopia, India, Malawi, Mozambique, Nepal, Pakistan, Rwanda, Tanzania, and Uganda. When completed, these projects can serve nearly 1,000,000 people with clean, safe drinking water.

#### ***Remote Monitoring***

In 2012, charity: water was a recipient of a Google Global Impact Award<sup>®</sup> 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<sup>®</sup> 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 \$884,000 of related expenses in 2013.

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 \$235,000 of related expenses in 2013.

#### ***Donated Securities***

charity: water received \$2,861,910 in donated securities in 2013. 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.

**CHARITY GLOBAL, INC.**

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**(8) Donated Goods, Services, and Functional Expenses**

For the year ended December 31, 2013 (with summarized totals for the year ended December 31, 2012), 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 2013</b>	<b>Total 2012</b>
Program services	\$ 28,489,315	385,218	28,874,533	19,910,755
Management and general	2,570,799	388,474	2,959,273	2,295,386
Development	3,098,528	1,082,292	4,180,820	2,388,029
Total	\$ 34,158,642	1,855,984	36,014,626	24,594,170

charity: water received donated goods of \$326,025 and \$234,126 for the years ended December 31, 2013 and 2012, 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>2013</b>	<b>2012</b>
Program services	\$ 78,318	—
Management and general	233,719	198,583
Development	13,988	35,543
Total	\$ 326,025	234,126

charity: water also received donated food, drink, entertainment, and event materials and equipment valued at \$265,110 and \$58,732 for the years ended December 31, 2013 and 2012, 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:

	<b>2013</b>	<b>2012</b>
Special event contributions and net direct benefit to donor	\$ 244,369	45,182
Revenue and expense	20,741	13,550
Total	\$ 265,110	58,732

charity: water creates video content and other digital media to engage the public and spread awareness about the global water crisis. charity: water received \$306,900 and \$231,388 of donated advertising space in connection with the educational piece, Water Changes Everything<sup>®</sup> for the years ended December 31, 2013 and 2012, 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.

## CHARITY GLOBAL, INC.

### Notes to Financial Statements

December 31, 2013

(with comparative financial information  
as of and for the year ended December 31, 2012)

Additional donated banner advertisement in support of charity: water digital fundraising campaigns totaled \$678,923 and \$502,765 for the years ended December 31, 2013 and 2012, respectively. 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 \$368,640 and \$15,630 of donated traditional promotion and advertising for the years ended December 31, 2013 and 2012, 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 \$195,552 and \$437,800 for the years ended December 31, 2013 and 2012, respectively. In 2013, \$55,809 of donated goods was capitalized as other assets in the accompanying financial statements. All other 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 to management and general.

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, 2013 and 2012, 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 leased office space under a 12-month lease that expired in August 2013. Management signed a 19-month extension that will expire in March 2015. Rent expense for the office space amounted to approximately \$66,000 for the years ended December 31, 2013 and 2012.

#### **(10) Net Assets Released from Restriction**

In 2013, charity: water invested \$26,745,914 in water projects and remote monitoring in 11 countries – Central African Republic, Cambodia, Ethiopia, India, Malawi, Mozambique, Nepal, Pakistan, Rwanda, Tanzania and Uganda. When completed, these projects can serve nearly 1,000,000 people with clean, safe drinking water.



**CHARITY GLOBAL, INC.**

Notes to Financial Statements

December 31, 2013

(with comparative financial information  
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**(11) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Water projects:		
General	\$ 3,151,414	887,761
Rwanda	—	221,990
Nepal	—	22,690
Haiti	—	10,826
Remote monitoring	3,163,568	3,979,272
Three year promises to give – Operations	7,556,608	6,926,599
	<u>\$ 13,871,590</u>	<u>12,049,138</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, 2013 through May 9, 2014, 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, 2013

(with comparative financial information for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Public donations to water projects	\$ 26,475,189	18,031,714
Special award – remote monitoring	—	3,974,152
Net investment and other income	463,168	9,121
Investments in water projects	<u>(25,745,914)</u>	<u>(18,292,119)</u>
Increase in net assets reserved for water projects	<u>\$ 1,192,443</u>	<u>3,722,868</u>
Private donations to operations	\$ 9,468,915	10,831,390
Net investment and other income	103,671	25,259
Investments in water projects	(1,000,000)	—
Operating expenses	<u>(7,817,906)</u>	<u>(5,195,519)</u>
Increase in net assets reserved for operations	<u>\$ 754,680</u>	<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 years ended December 31, 2013 and 2012.
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, 2013 and 2012.

See accompanying independent auditors' report.