

Charity Global, Inc. and Affiliate

Consolidated Financial Statements
and
Auditor's Report

Year Ended December 31, 2007

Board of Directors
Charity Global, Inc. and Affiliate
New York, New York

Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of Charity Global, Inc. and Affiliate as of December 31, 2007, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's December 31, 2006 financial statements and, in our report dated November 14, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charity Global, Inc. and Affiliate as of December 31, 2007, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lambrides, Lemos, Moulthrop LLP

September 29, 2008

Charity Global, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2007
With Comparative Figures at December 31, 2006

	2007	2006
Assets:		
Cash and cash equivalents	\$ 1,064,314	\$ 305,740
Contributions receivable	13,841	52,499
Other current assets	13,599	7,797
Fixed assets (net of accumulated depreciation)	<u>30,656</u>	<u>17,184</u>
Total assets	<u>\$ 1,122,410</u>	<u>\$ 383,220</u>
 Liabilities and Net Assets:		
Liabilities:		
Grants payable	\$ 321,254	
Accounts payable and accrued expenses	<u>43,646</u>	<u>\$ 20,064</u>
Total liabilities	<u>364,900</u>	<u>20,064</u>
 Net assets:		
Unrestricted	234,964	130,729
Temporarily restricted	<u>522,546</u>	<u>232,427</u>
Total net assets	<u>757,510</u>	<u>363,156</u>
Total liabilities and net assets	<u>\$ 1,122,410</u>	<u>\$ 383,220</u>

See notes to consolidated financial statements.

Charity Global, Inc. and Affiliate
Consolidated Statement of Activities
For the year ended December 31, 2007
With Summarized Comparative Figures for the Period Ended December 31, 2006

	Unrestricted	Temporarily Restricted	2007 Totals	2006 Totals
Revenue, support and releases:				
Contributions	\$ 501,445	\$ 498,854	\$ 1,000,299	\$ 221,256
Special event income:				
Contributions	\$ 732,040			
Revenue	53,770			
Less: direct expenses	<u>(62,178)</u>			
Net special event revenue		723,632	723,632	317,209
Gifts in kind	123,366		123,366	16,195
Donated services	69,268		69,268	24,722
Interest and dividends	9,469		9,469	81
Foreign currency remeasurement loss	(918)		(918)	
Net assets released from restrictions	<u>932,367</u>	<u>(932,367)</u>	<u> </u>	<u> </u>
 Total revenue, support and releases	 <u>1,634,997</u>	 <u>290,119</u>	 <u>1,925,116</u>	 <u>579,463</u>
Expenses:				
Program services	1,080,567		1,080,567	70,512
Management and general	208,322		208,322	40,561
Development and public relations	<u>241,873</u>	<u> </u>	<u>241,873</u>	<u>105,234</u>
 Total expenses	 <u>1,530,762</u>	 <u> </u>	 <u>1,530,762</u>	 <u>216,307</u>
 Change in net assets	 104,235	 290,119	 394,354	 363,156
 Net assets at beginning of year/period	 <u>130,729</u>	 <u>232,427</u>	 <u>363,156</u>	 <u> </u>
 Net assets at end of year/period	 <u>\$ 234,964</u>	 <u>\$ 522,546</u>	 <u>\$ 757,510</u>	 <u>\$ 363,156</u>

See notes to consolidated financial statements.

Charity Global, Inc. and Affiliate
Consolidated Statement of Cash Flows
For the year ended December 31, 2007
With Comparative Figures for the Period Ended December 31, 2006

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ 394,354	\$ 363,156
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,847	10,899
Stock gifts	(29,336)	
(Increase) decrease in:		
Contributions receivable	38,658	(52,499)
Other current assets	(5,802)	(7,797)
Increase in:		
Grants payable	321,254	
Accounts payable	<u>23,582</u>	<u>20,064</u>
Net cash provided by operating activities	<u>752,557</u>	<u>333,823</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	29,336	
Purchase of property and equipment	<u>(23,319)</u>	<u>(28,083)</u>
Net cash provided (used) by investing activities	<u>6,017</u>	<u>(28,083)</u>
Net increase in cash	758,574	305,740
Cash and cash equivalents at beginning of year/period	<u>305,740</u>	<u> </u>
Cash and cash equivalents at end of year/period	<u>\$ 1,064,314</u>	<u>\$ 305,740</u>

See notes to consolidated financial statements.

Charity Global, Inc. and Affiliate
Consolidated Statement of Functional Expenses
For the year ended December 31, 2007
With Summarized Comparative Figures for the Period Ended December 31, 2006

	Program Services	Supporting Services		2007 Totals	2006 Totals
		Management and General	Development and Public Relations		
Grants to drill wells	\$ 932,367			\$ 932,367	\$ 13,679
Salaries and employee benefits	99,052	\$ 39,458	\$ 107,228	245,738	66,276
Volunteer					625
Occupancy	9,936	3,958	11,056	24,950	
Office supplies	1,155	9,461	49	10,665	2,568
Equipment and equipment rental	271	1,857		2,128	494
Insurance	1,854	7,123	2,007	10,984	5,511
Meetings, hospitality and meals	647	2,211	513	3,371	932
Travel expenses	22,510	11,962	11,993	46,465	16,715
Postage and shipping	475	6,525	6,655	13,655	1,412
Printing	5,717	6,540	1,966	14,223	6,490
Professional fees:					
Accounting		24,748		24,748	15,559
Legal		34,817		34,817	
Other	500	15,525		16,025	
Storage fees	3,476	1,385	3,763	8,624	1,410
Telephone	2,562	1,012	2,755	6,329	271
Licenses and permits			10	10	850
Special events and other indirect development costs			89,996	89,996	68,016
Bank charges		15,210	3,882	19,092	4,483
Write off of uncollectible receivables		12,395		12,395	
Miscellaneous	45	4,288		4,333	117
	<u>1,080,567</u>	<u>198,475</u>	<u>241,873</u>	<u>1,520,915</u>	<u>205,408</u>
Total expenses before depreciation					
Depreciation		<u>9,847</u>		<u>9,847</u>	<u>10,899</u>
Total expenses	<u>\$ 1,080,567</u>	<u>\$ 208,322</u>	<u>\$ 241,873</u>	<u>\$ 1,530,762</u>	<u>\$ 216,307</u>

See notes to consolidated financial statements.

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2007

1. Organization and Purpose:

Charity Global, Inc. is a non-profit organization stimulating greater global awareness about extreme poverty issues, educating the public, and provoking compassionate and intelligent giving.

Its first campaign, **charity: water**, raises awareness and educates the public about the global need for clean drinking water and basic sanitation.

Through the funding of freshwater wells, spring protections, rainwater harvesting schemes, biosand filters and other water solutions, **charity: water** brings clean, safe drinking water and basic sanitation to people in developing nations.

Charity Global, Inc. established Charity Global Limited (“Charity Global Limited UK”) in the United Kingdom, an affiliate organization governed by its own Board of Directors, and financially independent from Charity Global, Inc. Charity Global Limited UK received full charitable status from the UK Charities Commission in September of 2007, and is intended to operate in furtherance of Charity Global, Inc.’s mission in Europe. By virtue of the governing documents of Charity Global Limited UK, Charity Global, Inc. owns all the outstanding shares of, and thereby retains a majority voting interest in, Charity Global Limited UK.

2. Summary of Significant Accounting Policies:

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

a. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Charity Global, Inc. and its London affiliate, Charity Global Limited UK (hereinafter together referred to as “Charity Global”). All significant intercompany balances and transactions, if any, have been eliminated.

b. Accrual Basis Financial Statements

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America in accordance with the principles of not-for-profit accounting.

c. Net Assets

The net assets of Charity Global and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the organization to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the organization which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2007

2. Summary of Significant Accounting Policies: (Continued)

d. Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted cash on hand and in banks. Charity Global also considers all highly liquid unrestricted investments with a maturity of three months or less when purchased to be cash equivalents.

e. Contributions Receivable

It is the policy of Charity Global to record for the year contributions considered to be in transit at the close of the year, that is, those dated in December and received during January, as contributions receivable.

f. Fixed Assets

Fixed assets consist of equipment and are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from three to five years.

g. Contributions

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Donated marketable securities are recorded as contributions at their fair values at the date of donation.

h. Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the organization. These services are valued based on the estimated cost of services that would have otherwise had to have been purchased.

Charity Global also receives a significant amount of donated services from unpaid volunteers who assist in various other program and supporting services. No amounts have been recognized in the statement of activities for these other unpaid volunteers because the criteria for recognition under generally accepted accounting principles have not been satisfied.

i. Allocation of Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Development and public relations and management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2007

2. Summary of Significant Accounting Policies: (Continued)

j. Foreign Currency Translation

The U.S. dollar (“dollars”) is the functional currency for Charity Global’s operations. Transactions in currencies other than dollars are translated into dollars at a weighted average exchange rate for the period in which the transactions occurred. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect as of the balance sheet date.

k. Tax Exempt Status

Charity Global, Inc. is exempt from tax under Section 501(c)(3) of the Internal Revenue Code and from state and local taxes under comparable laws.

l. Reclassification:

Certain amounts previously reported in the financial statements for December 31, 2006 have been reclassified to facilitate comparability with the December 31, 2007 amounts with no effect on the change in net assets as previously reported.

m. Prior Year Summarized Comparative Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Charity Global’s financial statements for the year ended December 31, 2006, from which the summarized information was derived.

n. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Contributions Receivable:

Contributions receivable totaling \$13,841 were received in the following year.

4. Fixed Assets:

At December 31, 2007, fixed assets consisted of:

Equipment	\$35,980
Less: accumulated depreciation	<u>5,324</u>
	<u>\$30,656</u>

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2007

5. Grants Payable:

Grants authorized but unpaid at year end totaled \$321,254 and are reported as liabilities. All grants were paid in the subsequent year.

6. Lease Commitments:

Charity Global sublets office space under a two-year sublease which expires in June of 2009.

Lease payments for the succeeding two years are as follows:

Year Ending December 31,

2008	\$51,000
2009	<u>27,000</u>
Total	<u>\$78,000</u>

The total cost of space rental for the year ended December 31, 2007, was \$24,000.

7. Contributions:

Charity Global's operating, development and administrative costs are underwritten by its board of directors, private donors, and companies that support the organization through unrestricted donations, as well as in-kind gifts. 100% of the money raised through the **charity: water** campaign is restricted to directly fund water projects in developing nations. In 2007, **charity: water** developed and funded 362 water projects in 9 countries – Bangladesh, Central African Republic, Ethiopia, Kenya, Liberia, Malawi, Rwanda, Tanzania and Uganda. Those projects have the combined ability to serve approximately 144,800 people with clean, safe drinking water.

8. Gifts in Kind:

Charity Global received donated goods totaling \$123,366. Donations of such items are recorded as gifts in kind support at their estimated fair value at the date of donation and expensed at the time the items were used or distributed.

9. Donated Services:

Charity Global received donated professional services valued at \$69,268 for decorations and lighting for the annual special event, Charity Ball. Donated services are recorded as contributions and development and public relations expense in the accompanying financial statements, and are valued at their estimated fair value.

Charity Global, Inc. and Affiliate
Notes to the Consolidated Financial Statements
December 31, 2007

10. Net Assets Released from Restriction:

Charity Global used \$931,744 of funds raised through the **charity: water** campaign to contract for the building and rehabilitation of 362 water solutions in 9 countries, in addition to basic sanitation, hygiene and maintenance training. The projects have the combined ability to serve approximately 144,800 people with clean, safe drinking water.

An additional \$623 grant was made to Cure International from the special needs fund to provide hand surgery for Nai, a 7-year-old girl from Kenya.

11. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Building water wells - general	\$295,866
Building water wells - CAR	24,684
Building water wells - Ethiopia	149,193
Building water wells - Liberia	4,835
Building water wells - Rwanda	10,000
Building water wells - Tanzania	3,915
Building water wells - Uganda	5,816
Building water wells - Malawi	5,400
Building water wells - Orissa	20,000
Other	<u>2,837</u>
	<u>\$522,546</u>

All funds related to the construction of water wells were released for their intended purposes during 2008 through contracts with Charity Global's partner organizations.

12. Concentration of Risk

Charity Global's cash accounts are located in multiple institutions. At December 31, 2007, the amount on deposit in one institution exceeded the \$100,000 federal depository insurance limit by \$795,729.