



**CHARITY GLOBAL, INC. AND AFFILIATE**

Consolidated Financial Statements

December 31, 2018

(With comparative financial information  
as of and for the year ended December 31, 2017)

(With Independent Auditors' Report Thereon)



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

## Independent Auditors' Report

To the Board of Directors  
Charity Global, Inc. and Affiliate:

We have audited the accompanying consolidated financial statements of Charity Global, Inc. and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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, 2018, and the changes in their consolidated net assets and their consolidated 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. and Affiliate's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Matters**

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

*KPMG LLP*

April 15, 2019

**CHARITY GLOBAL, INC. AND AFFILIATE**

Consolidated Statement of Financial Position

December 31, 2018

(With summarized comparative financial information  
as of December 31, 2017)

Assets	Without donor restrictions	With donor restrictions (note 2)		2018 Totals	2017 Totals
	Operations	Operations	Water		
			projects		
Cash and cash equivalents	\$ 10,413,182	—	15,879,064	26,292,246	24,107,055
Prepays and other current assets	330,665	—	512,955	843,620	430,357
Investments (note 3)	4,284,955	—	35,118,615	39,403,570	28,273,645
Contributions receivable, net (note 4)	202,340	15,097,132	4,457,455	19,756,927	13,523,148
Fixed assets, net (note 5)	1,198,812	—	—	1,198,812	1,851,168
Other assets	89,786	—	34,000	123,786	126,894
Total assets	\$ 16,519,740	15,097,132	56,002,089	87,618,961	68,312,267
<b>Liabilities and Net Assets</b>					
Liabilities:					
Committed to water projects and water project sustainability, net (note 6)	\$ —	—	42,799,544	42,799,544	33,938,073
Accounts payable and accrued expenses	661,217	—	60,875	722,092	412,293
Deferred rent obligation (note 9)	352,916	—	—	352,916	562,144
Total liabilities	1,014,133	—	42,860,419	43,874,552	34,912,510
Net assets (note 2(n)):					
Without donor restrictions	15,505,607	—	—	15,505,607	13,383,213
With donor restrictions (note 10)	—	15,097,132	13,141,670	28,238,802	20,016,544
Total net assets	15,505,607	15,097,132	13,141,670	43,744,409	33,399,757
Total liabilities and net assets	\$ 16,519,740	15,097,132	56,002,089	87,618,961	68,312,267

See accompanying notes to consolidated financial statements.

**CHARITY GLOBAL, INC. AND AFFILIATE**

Consolidated Statement of Activities

Year ended December 31, 2018

(With summarized comparative financial information  
for the year ended December 31, 2017)

	Without donor restrictions			With donor restrictions			2018 Totals	2017 Totals
	Operations	Water projects	Total	Operations	Water projects	Total		
Revenue and other support (note 7):								
Public support:								
Individuals	\$ 376,221	—	376,221	14,650,837	21,871,285	36,522,122	36,898,343	26,626,914
Corporations	649,761	—	649,761	85,086	10,739,739	10,824,825	11,474,586	9,702,588
Foundations and other organizations	3,287,277	—	3,287,277	1,118,499	9,637,925	10,756,424	14,043,701	9,077,430
Special event revenue:								
Contributions	—	—	—	—	5,976,511	5,976,511	5,976,511	4,047,531
Ticket sales	—	—	—	—	906,831	906,831	906,831	417,500
Net investment return	(11,669)	—	(11,669)	—	(261,572)	(261,572)	(273,241)	1,382,030
Other income	691,941	—	691,941	(3,121)	36,744	33,623	725,564	122,640
Contributed goods and services (note 8)	550,006	—	550,006	—	—	—	550,006	683,696
Net assets released due to satisfaction of restrictions and reclassifications	12,575,313	43,961,193	56,536,506	(12,575,313)	(43,961,193)	(56,536,506)	—	—
Total revenue and other support	<u>18,118,850</u>	<u>43,961,193</u>	<u>62,080,043</u>	<u>3,275,988</u>	<u>4,946,270</u>	<u>8,222,258</u>	<u>70,302,301</u>	<u>52,060,329</u>
Expenses (note 8):								
Program services	2,283,614	43,961,193	46,244,807	—	—	—	46,244,807	37,873,743
Management and general	4,492,340	—	4,492,340	—	—	—	4,492,340	4,569,286
Development	9,220,502	—	9,220,502	—	—	—	9,220,502	5,796,262
Total expenses	<u>15,996,456</u>	<u>43,961,193</u>	<u>59,957,649</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>59,957,649</u>	<u>48,239,291</u>
Change in net assets	2,122,394	—	2,122,394	3,275,988	4,946,270	8,222,258	10,344,652	3,821,038
Net assets at beginning of year (note 2(n))	<u>13,383,213</u>	<u>—</u>	<u>13,383,213</u>	<u>11,821,144</u>	<u>8,195,400</u>	<u>20,016,544</u>	<u>33,399,757</u>	<u>29,578,719</u>
Net assets at end of year	<u>\$ 15,505,607</u>	<u>—</u>	<u>15,505,607</u>	<u>15,097,132</u>	<u>13,141,670</u>	<u>28,238,802</u>	<u>43,744,409</u>	<u>33,399,757</u>

See accompanying notes to consolidated financial statements.

**CHARITY GLOBAL, INC. AND AFFILIATE**

Consolidated Statement of Functional Expenses

Year ended December 31, 2018  
(With summarized comparative financial information  
for the year ended December 31, 2017)

	Program services	Supporting services		2018 Totals	2017 Totals
		Management and general	Development		
Water project funding	\$ 41,945,582	—	—	41,945,582	34,055,326
Water project sustainability funding	2,015,611	—	—	2,015,611	1,339,411
Salaries, employee benefits, and taxes	1,452,938	2,526,129	4,481,541	8,460,608	7,611,297
Professional fees	219,364	574,125	433,090	1,226,579	912,525
Travel, meals, and meetings	179,756	167,780	175,551	523,087	433,006
Rent, utilities, and cleaning	110,680	192,432	341,389	644,501	602,874
Event costs	—	—	1,366,990	1,366,990	619,106
Communication, printing, and postage	20,877	36,298	64,395	121,570	105,684
Bank charges, merchant and credit card fees	—	473,988	—	473,988	327,329
Branding, education, and promotion	—	—	1,414,325	1,414,325	657,763
Office equipment and supplies	155,268	269,954	496,805	922,027	712,468
Total expenses before the effect of other noncash items	46,100,076	4,240,706	8,774,086	59,114,868	47,376,789
Depreciation	144,731	251,634	446,416	842,781	862,502
Total expenses	\$ 46,244,807	4,492,340	9,220,502	59,957,649	48,239,291

See accompanying notes to consolidated financial statements.

**CHARITY GLOBAL, INC. AND AFFILIATE**

Consolidated Statement of Cash Flows

Year ended December 31, 2018  
(With comparative financial information  
for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 10,344,652	3,821,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	842,781	862,502
Net depreciation (appreciation) in fair value of investments	1,138,638	(746,822)
Changes in assets and liabilities:		
Contributions receivable, net	(6,233,779)	(3,608,453)
Prepays and other current assets	(413,263)	82,717
Committed to water projects and water project sustainability, net	8,861,471	11,220,895
Accounts payable and accrued expenses	309,799	145,079
Deferred rent obligation	(209,228)	(187,596)
Other assets	3,108	(34,000)
Net cash provided by operating activities	<u>14,644,179</u>	<u>11,555,360</u>
Cash flows from investing activities:		
Purchase of investments	(25,295,897)	(23,321,645)
Proceeds from sale of investments	13,027,334	21,138,790
Purchase of fixed assets	(190,425)	(188,791)
Net cash used in investing activities	<u>(12,458,988)</u>	<u>(2,371,646)</u>
Net increase in cash and cash equivalents	2,185,191	9,183,714
Cash and cash equivalents at beginning of year	<u>24,107,055</u>	<u>14,923,341</u>
Cash and cash equivalents at end of year	\$ <u><u>26,292,246</u></u>	<u><u>24,107,055</u></u>

See accompanying notes to consolidated financial statements.

## CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2018

(With summarized comparative financial information  
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### (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 over 35,000 water projects in 27 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 9.5 million people.

In 2016, charity: water established Charity Global (UK) Limited in the United Kingdom. Charity Global (UK) Limited is an affiliate organization governed by its own Board of Directors. Charity Global (UK) Limited received full charitable status from the UK Charities Commission in September 2016 and is intended to operate in furtherance of charity: water's mission. By virtue of the governing documents of Charity Global (UK) Limited, charity: water owns all the outstanding shares of, and thereby retains the entire voting interest in Charity Global (UK) Limited.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

charity: water's consolidated 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:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

Management designates funding received for operations as without donor restrictions (excluding time or purpose restricted balances). 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.

With donor restrictions – Net assets subject to donor imposed restrictions that will be met either by actions of charity: water or the passage of time. The two categories of net assets with donor restrictions are as follows:

- Operations – Restricted due to time or purpose.
- Water projects – Restricted in full for water projects and water project sustainability costs in the field.

Contributions are reported as increases in net assets with donor restrictions, 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 without donor restrictions. Expiration of donor-imposed restrictions



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on net assets are reported as net assets released from restriction in the accompanying consolidated statement of activities.

**(b) Accounting Estimates**

The preparation of the consolidated 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 consolidated financial statements, and revenues and expenses recognized during the reporting period. Significant estimates made in the preparation of the consolidated 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 consolidated statement of activities.

Directly identifiable expenses are charged to their applicable functional category. Expenses attributable to more than one program or supporting function are allocated in reasonable ratios determined by management. Salaries, employee benefits, and taxes are allocated based on estimates of time and effort whereas indirect costs such as depreciation, rent, utilities, and cleaning are allocated based on headcount.

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) Investments**

Investments are stated at fair value based on quoted or published market prices. Investments consists of certificates of deposit, fixed income, and equities. Interest, dividends, fees, and gains and losses on investments are reflected on the statement of activities as net investment return.

**(f) Contributions Receivable**

Contributions are recorded as revenue upon receipt of cash or unconditional promise to give (pledge). Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

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Unconditional promises to give (pledges), which are expected to be collected within one year, are recorded at their net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-adjusted interest rate applicable to the year in which the promise is made.

Management evaluates contributions receivable for the purpose of establishing an allowance for doubtful accounts. Management applies an estimate based on known economic conditions, historical trends, and knowledge of the specific donors promising to give. It is charity: water's policy to write-off contributions receivable as soon as pledges are deemed to be uncollectible.

**(g) 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 lives ranging from 3 to 5 years using the straight-line method. Leasehold improvements are depreciated on the straight-line basis over the lesser of the terms of the related leases or estimated useful lives of the improvements.

**(h) 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 when approved by the board of directors and communicated to the respective partner. Liabilities are reported at net realizable value at the time the promise is made. All commitments are expected to be paid within 18 months.

It is the policy of management to assign all foreign currency exposure to partner organizations, as the U.S. dollar is charity: water's functional currency for investments in water projects.

**(i) Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date;
- Level 2 inputs are inputs other than quoted or published prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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**(j) Donated Services**

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.

**(k) 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, 2018 and 2017.

**(l) 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 2018 and 2017 was \$178,375 and \$162,434, respectively.

**(m) Comparative Financial Information**

The consolidated statement of financial position and statement of activities are presented with prior year financial information in total, which does not include net asset class detail. In addition, the consolidated 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 2017 financial statements, from which the summarized information was derived.

**CHARITY GLOBAL, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements

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**(n) Recent Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, “*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.*” ASU 2016-14 reduces the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. The guidance also expands the quantitative and qualitative disclosures regarding liquidity and the availability of resources and requires expenses to be reported by both their natural and functional classification in one location. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. charity: water adopted the new standard effective for the 2018 financial statements and applied the changes retrospectively as follows:

	<b>ASU 2016-14 Classifications</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total Net Assets</b>
As previously presented at December 31, 2017:			
Unrestricted	\$ 13,383,213	—	13,383,213
Temporarily Restricted	—	20,016,544	20,016,544
Total	<u>\$ 13,383,213</u>	<u>20,016,544</u>	<u>33,399,757</u>

**(o) Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

**(3) Investments**

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2018:

	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>
Certificates of deposit	\$ 11,059,164	11,059,164	—
Fixed income:			
Corporate	8,287,801	—	8,287,801
Government securities	10,222,527	—	10,222,527
Mutual funds	1,954,922	—	1,954,922
Equities:			
Domestic	5,732,035	5,732,035	—
International	2,147,121	2,147,121	—
Total	<u>\$ 39,403,570</u>	<u>18,938,320</u>	<u>20,465,250</u>

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The following table presents charity: water's fair value hierarchy for investments as of December 31, 2017:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 8,173,321	8,173,321	—
Fixed income:			
Corporate	9,851,325	—	9,851,325
Government securities	3,605,941	—	3,605,941
Mutual fund	1,165,021	—	1,165,021
Equities:			
Domestic	4,403,474	4,403,474	—
International	1,074,563	1,074,563	—
Total	<u>\$ 28,273,645</u>	<u>13,651,358</u>	<u>14,622,287</u>

**(4) Contributions Receivable**

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

	<u>2018</u>	<u>2017</u>
In less than one year	\$ 12,852,392	8,894,452
In one to five years	<u>7,622,516</u>	<u>5,912,170</u>
	20,474,908	14,806,622
Less:		
Discount to net present value at a rate of 2.5% and 4.5% in 2018 and 2017, respectively	(319,192)	(400,201)
Allowance for uncollectible pledges	<u>(398,789)</u>	<u>(883,273)</u>
	<u>\$ 19,756,927</u>	<u>13,523,148</u>

Approximately \$15 million and \$11 million of net contributions receivable at December 31, 2018 and 2017, respectively, are unconditional promises to give operations 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 33% and 18% of the outstanding balance at December 31, 2018 and 2017, respectively.

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**(5) Fixed Assets**

At December 31, fixed assets consist of:

	<u>2018</u>	<u>2017</u>
Furniture, fixtures, software, and equipment	\$ 2,974,109	2,821,686
Leasehold improvements	1,412,865	1,412,865
Less accumulated depreciation	<u>(3,188,162)</u>	<u>(2,383,383)</u>
	<u>\$ 1,198,812</u>	<u>1,851,168</u>

**(6) Committed to Water Projects and Water Project Sustainability**

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

	<u>2018</u>	<u>2017</u>
In less than one year	\$ 38,685,468	31,612,040
Beyond one year	<u>4,114,076</u>	<u>2,326,033</u>
	<u>\$ 42,799,544</u>	<u>33,938,073</u>

**(7) Contributions**

charity: water's operating costs are underwritten by private donors, companies, and foundations that support the organization through donations without donor restrictions and contributed goods and services.

**(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 2018, charity: water invested \$43,961,193 in water projects, water project and water project sustainability in 19 countries – Bangladesh, Burkina Faso, Cambodia, Central African Republic, Cote d'Ivoire, Ethiopia, India, Kenya, Laos, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Sierra Leone, Uganda, and Zimbabwe. When completed, these projects can serve over 1.2 million people with clean, safe drinking water.

charity: water hosted a gala raising \$6,883,342 and \$4,465,031, inclusive of ticket sales, in 2018 and 2017, respectively. 100% of the money raised at the annual gala benefited water projects.

**(b) Donated Securities**

charity: water received \$1,501,293 and \$4,655,967 in donated securities in 2018 and 2017, respectively. charity: water's policy is to sell donated securities upon receipt; therefore, such donations are immediately converted to cash and recorded as public support in the accompanying consolidated financial statements.

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**(c) Donated Virtual Currency**

charity: water received \$2,158,999 and \$991,588 in donated virtual currency in 2018 and 2017, respectively. charity: water's policy is to sell donated virtual currency upon receipt; therefore, such donations are immediately converted to cash and recorded as public support in the accompanying consolidated financial statements.

**(8) Contributed Goods and Services**

Contributed goods and services are recorded as contributions at fair value at the date of the donation. For the year ended December 31, 2018 and 2017 the following contributed goods and services were received:

	<u>2018</u>	<u>2017</u>
Marketing	\$ 232,284	477,902
Website and hosted services	177,560	142,770
Office equipment and supplies	51,926	23,170
Event costs	50,000	12,225
Legal services	38,236	27,629
Total	<u>\$ 550,006</u>	<u>683,696</u>

**(9) Lease Commitments**

charity: water entered into a new five-year lease agreement in December 2014 and moved into the space in June 2015. charity: water's deferred rent obligation is amortized on a straight-line basis over the term of the lease. The deferred rent obligation was \$352,916 and \$562,144 as of December 31, 2018 and 2017, respectively.

Rent expense for office space amounted to \$549,241 and \$533,483 for the years ended December 31, 2018 and 2017, respectively.

The following is the minimum future rent payments:

Year ending December 31:	
2019	\$ 765,000
2020	<u>388,000</u>
Total minimum future payments	<u>\$ 1,153,000</u>

**CHARITY GLOBAL, INC. AND AFFILIATE**  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With summarized comparative financial information  
for the year ended December 31, 2017)

**(10) Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Water projects		
General	\$ 7,047,578	7,461,478
Ethiopia	5,803,536	38,652
India	1,804	335
Water project sustainability	<u>288,752</u>	<u>694,935</u>
Total water projects	13,141,670	8,195,400
Operations	<u>15,097,132</u>	<u>11,821,144</u>
	<u>\$ 28,238,802</u>	<u>20,016,544</u>

**(11) Cash and Other Financial Assets and Liquidity**

charity: water regularly monitors liquidity required to meet its operating needs and other contractual commitments.

Cash and other financial assets available within one year at December 31, 2018:

	<u>Water projects</u>	<u>Operations</u>	<u>Total</u>
At December 31, financial assets consist of:			
Cash and cash equivalents	\$ 15,879,064	10,413,182	26,292,246
Investments	35,118,615	4,284,955	39,403,570
Contributions receivable, net	<u>4,457,455</u>	<u>15,299,472</u>	<u>19,756,927</u>
Total	55,455,134	29,997,609	85,452,743
Less commitments beyond one year:			
Contributions receivables, net	<u>(1,100,224)</u>	<u>(5,804,311)</u>	<u>(6,904,535)</u>
Total available within one year	<u>\$ 54,354,910</u>	<u>24,193,298</u>	<u>78,548,208</u>

**(12) Subsequent Events**

In connection with the preparation of the consolidated financial statements, charity: water evaluated events subsequent to the statement of financial position date of December 31, 2018 through April 15, 2019, the date on which the consolidated financial statements were available for issuance, and concluded that no disclosures are required.



## CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated 100% Model

Year ended December 31, 2018  
 (With comparative financial information  
 for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Beginning net assets reserved for water projects	\$ 8,195,400	7,860,004
Public donations to water projects	49,132,291	34,676,287
Net investment return and other income	(224,828)	1,130,846
Investments in water projects and water project sustainability	(43,961,193)	(35,394,737)
Reclassification of restrictions	—	(77,000)
Increase in net assets reserved for water projects	<u>4,946,270</u>	<u>335,396</u>
Ending net assets reserved for water projects (note 10)	<u>\$ 13,141,670</u>	<u>8,195,400</u>
Beginning net assets reserved for operations	\$ 25,204,357	21,718,715
Private donations to operations <sup>1</sup>	20,167,681	15,195,676
Net investment return and other income	677,151	373,824
Operating expenses <sup>1</sup>	(14,603,669)	(11,298,356)
Depreciation	(842,781)	(862,502)
Reclassification of restrictions	—	77,000
Increase in net assets reserved for operations	<u>5,398,382</u>	<u>3,485,642</u>
Ending net assets reserved for operations	<u>\$ 30,602,739</u>	<u>25,204,357</u>

## Notes:

- Both "private donations to operations" and "operating expenses" exclude contributed goods and services of \$550,006 and \$683,696 in 2018 and 2017, respectively.

See accompanying independent auditors' report.