



CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Financial Statements

December 31, 2021

(With comparative financial information
as of and for the year ended December 31, 2020)

(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. and Affiliate:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Charity Global, Inc. and Affiliate (the Organization), which comprise the consolidated statement of financial position as of December 31, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Charity Global, Inc. and Affiliate's 2020 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated April 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

New York, New York
May 11, 2022

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Financial Position

December 31, 2021

(With comparative financial information
as of and for the year ended December 31, 2020)

	Without donor restrictions	With donor restrictions (note 2a)			
	Operations	Operations	Water projects	2021 Totals	2020 Totals
Assets					
Cash and cash equivalents	\$ 16,527,796	—	46,983,596	63,511,392	64,436,719
Prepays and other current assets	441,812	—	208,471	650,283	857,232
Investments (note 3)	13,543,256	—	52,680,557	66,223,813	29,814,751
Contributions receivable, net (note 4)	579,471	36,431,471	5,458,055	42,468,997	41,924,929
Fixed assets, net (note 5)	99,193	—	—	99,193	177,732
Other assets	102,343	—	—	102,343	87,797
Total assets	<u>\$ 31,293,871</u>	<u>36,431,471</u>	<u>105,330,679</u>	<u>173,056,021</u>	<u>137,299,160</u>
Liabilities and Net Assets					
Liabilities:					
Committed to water projects and water project sustainability, net (note 6)	\$ —	—	77,485,909	77,485,909	44,651,996
Accounts payable and accrued expenses	1,079,152	—	275,739	1,354,891	1,789,451
Payroll Protection Program loan payable (note 12)	—	—	—	—	16,487
Total liabilities	<u>1,079,152</u>	<u>—</u>	<u>77,761,648</u>	<u>78,840,800</u>	<u>46,457,934</u>
Net assets:					
Without donor restrictions	30,214,719	—	—	30,214,719	26,382,936
With donor restrictions (note 10)	—	36,431,471	27,569,031	64,000,502	64,458,290
Total net assets	<u>30,214,719</u>	<u>36,431,471</u>	<u>27,569,031</u>	<u>94,215,221</u>	<u>90,841,226</u>
Total liabilities and net assets	<u>\$ 31,293,871</u>	<u>36,431,471</u>	<u>105,330,679</u>	<u>173,056,021</u>	<u>137,299,160</u>

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Activities

Year ended December 31, 2021
(With comparative financial information
as of and for the year ended December 31, 2020)

	Without donor restrictions			With donor restrictions			2021 Totals	2020 Totals
	Operations	Water projects	Total	Operations	Water projects	Total		
Revenue and other support (note 7):								
Public support:								
Individuals	\$ 695,310	—	695,310	15,792,123	53,872,084	69,664,207	70,359,517	61,981,262
Corporations	551,448	—	551,448	480,208	10,220,378	10,700,586	11,252,034	9,575,269
Foundations and other organizations	4,403,235	—	4,403,235	1,482,515	8,991,702	10,474,217	14,877,452	12,643,634
Special event revenue:								
Contributions	400,000	—	400,000	—	3,617,576	3,617,576	4,017,576	4,328,679
Gain on forgiveness of Payroll Protection Program loan (note 12)	—	—	—	—	—	—	—	1,603,263
Net investment return	129,870	—	129,870	—	226,320	226,320	356,190	43,434
Other income/(expense)	13,642	—	13,642	(312,268)	52,859	(259,409)	(245,767)	350,703
Contributed goods and services (note 8)	503,188	—	503,188	—	—	—	503,188	916,229
Net assets released due to satisfaction of restrictions and reclassifications	16,071,988	78,809,297	94,881,285	(16,071,988)	(78,809,297)	(94,881,285)	—	—
Total revenue and other support	22,768,681	78,809,297	101,577,978	1,370,590	(1,828,378)	(457,788)	101,120,190	91,442,473
Expenses:								
Program services	2,889,267	78,809,297	81,698,564	—	—	—	81,698,564	46,404,752
Management and general	5,808,533	—	5,808,533	—	—	—	5,808,533	5,537,269
Development	10,239,098	—	10,239,098	—	—	—	10,239,098	10,821,696
Total expenses	18,936,898	78,809,297	97,746,195	—	—	—	97,746,195	62,763,717
Change in net assets	3,831,783	—	3,831,783	1,370,590	(1,828,378)	(457,788)	3,373,995	28,678,756
Net assets at beginning of year	26,382,936	—	26,382,936	35,060,881	29,397,409	64,458,290	90,841,226	62,162,470
Net assets at end of year	\$ 30,214,719	—	30,214,719	36,431,471	27,569,031	64,000,502	94,215,221	90,841,226

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

Year ended December 31, 2021
(With comparative financial information
as of and for the year ended December 31, 2020)

		Supporting services			
	Program services	Management and general	Development	2021 Totals	2020 Totals
Water project funding	\$ 74,881,652	—	—	74,881,652	39,613,408
Water project sustainability funding	3,227,644	—	—	3,227,644	3,300,816
Emergency response funding	700,001	—	—	700,001	—
Salaries, employee benefits, and taxes	1,981,845	3,598,717	5,507,341	11,087,903	10,450,649
Professional fees	565,004	756,373	713,847	2,035,224	2,035,391
Travel, meals, and meetings	60,535	75,215	111,729	247,479	165,362
Rent, utilities, and cleaning	25,771	46,796	71,615	144,182	551,910
Event costs	—	—	203,778	203,778	84,598
Communication, printing, and postage	28,041	50,919	77,924	156,884	147,721
Bank charges, merchant and credit card fees	—	866,372	—	866,372	676,606
Branding, education, and promotion	—	—	2,919,078	2,919,078	4,188,801
Office equipment and supplies	214,033	388,650	594,776	1,197,459	1,227,144
Total expenses before the effect of other noncash items	81,684,526	5,783,042	10,200,088	97,667,656	62,442,406
Depreciation	14,038	25,491	39,010	78,539	321,311
Total expenses	\$ 81,698,564	5,808,533	10,239,098	97,746,195	62,763,717

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Cash Flows

Year ended December 31, 2021
(With comparative financial information
as of and for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,373,995	28,678,756
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	78,539	321,311
Net depreciation in fair value of investments	642,517	752,312
Gain on extinguishment of Payroll Protection Program loan payable	—	(1,603,263)
Changes in assets and liabilities:		
Contributions receivable, net	(544,068)	(3,741,532)
Prepays and other current assets	206,949	(471,282)
Other assets	(14,546)	2,138
Committed to water projects and water project sustainability, net	32,833,913	(8,453,868)
Accounts payable and accrued expenses	(434,560)	836,712
Deferred rent obligation	—	(121,407)
Net cash provided by operating activities	<u>36,142,739</u>	<u>16,199,877</u>
Cash flows from investing activities:		
Purchase of investments	(66,978,398)	(19,473,367)
Proceeds from sale of investments	29,926,819	24,744,500
Sale of fixed assets	—	4,457
Net cash provided by investing activities	<u>(37,051,579)</u>	<u>5,275,590</u>
Cash flows from financing activities:		
(Settlement of)/Proceeds from Payroll Protection Program loan payable	<u>(16,487)</u>	<u>1,619,750</u>
Net cash (used in)/provided by financing activities	<u>(16,487)</u>	<u>1,619,750</u>
Net (decrease)/increase in cash and cash equivalents	(925,327)	23,095,217
Cash and cash equivalents at beginning of year	<u>64,436,719</u>	<u>41,341,502</u>
Cash and cash equivalents at end of year	\$ <u><u>63,511,392</u></u>	<u><u>64,436,719</u></u>

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021

(With comparative financial information
as of and for the year ended December 31, 2020)

(1) Organization and Purpose

Charity Global, Inc. (hereinafter referred to as charity: water) is a nonprofit organization providing clean, safe drinking water, hygiene and basic sanitation to people in developing countries. Since 2006, charity: water has funded over 91,000 water projects in 29 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 14.7 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.

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

CHARITY GLOBAL, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2021
(With comparative financial information
as of and for the year ended December 31, 2020)

(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. 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 based on estimates of time and effort, determined by management.

Expenses charged to programs, management and general, and development, other than those due to established partner organizations, exclude all funds raised publicly for water projects.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and all highly liquid investments with original maturities of three months or less when purchased, except for those amounts held by charity: water's investment managers as part of a long-term strategy.

(e) Investments

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

Investments in digital assets maintained by the Organization are held at a leading reputable custodian. The value of the assets is based on the U.S. dollar denominated market prices on December 31, 2021 as of 4pm Eastern Standard Time, as provided on the custodian's exchange.

(f) Contributions

Contributions are recorded as revenue upon receipt of cash or unconditional promise to give (pledge) in which there is no right of return of assets contributed and an indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. 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.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021

(With comparative financial information
as of and for the year ended December 31, 2020)

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, excluding leasehold improvements, 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. Most 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.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021

(With comparative financial information
as of and for the year ended December 31, 2020)

(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 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, 2021 and 2020.

(l) Retirement Plan

Charity: water offers a defined contribution IRC Section (401(k)) retirement plan. The plan is available to all personnel after six months of service to the organization. Up until April 30, 2020 and beginning again on July 1, 2021 charity: water has made 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

Retirement plan expense related to matching contributions for 2021 and 2020 was \$137,295 and \$86,539, respectively.

(m) Comparative Financial Information

The consolidated statements of financial position, activities, and functional expenses 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 2020 consolidated financial statements, from which the summarized information was derived.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021

(With comparative financial information
as of and for the year ended December 31, 2020)

(n) Upcoming Accounting Standards

In February 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (“ASU”) ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02), which supersedes FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and requires lessees to recognize most leases on balance sheet via a right-of-use asset and a lease liability and additional qualitative and quantitative disclosures. Leases will be classified as either finance or operating leases, which will impact expense recognition of such leases over the lease term. The ASU also modifies the lease classification criteria for lessors and eliminates some of the real estate leasing guidance previously applied for certain leasing transactions. The provisions of the ASU are effective for December 31, 2022 (as amended by ASU 2020-05 *Revenue from contracts with customers (Topic 606)* and *leases (Topic 842): Effective dates for certain entities*). charity: water is currently evaluating the impact of ASU 2016-02 on its consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This guidance is an amendment to address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit entities, as well as the amount of those contributions used in a not-for-profit entity’s program and other activities. The provisions of the ASU are effective for December 31, 2022. charity: water is currently evaluating the impact of ASU 2020-07 on its consolidated financial statements.

(3) Investments

The following table presents charity: water’s fair value hierarchy for investments as of December 31, 2021:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 2,075,784	2,075,784	—
Fixed income:			
Corporate	28,128,482	—	28,128,482
Exchange traded funds	3,593,689	—	3,593,689
Government securities	15,595,551	—	15,595,551
Mutual funds	6,866,578	—	6,866,578
Equities:			
Domestic	4,819,169	4,819,169	—
International	495,326	495,326	—
Digital Assets	4,649,234	4,649,234	—
Total	<u>\$ 66,223,813</u>	<u>12,039,513</u>	<u>54,184,300</u>

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021

(With comparative financial information
as of and for the year ended December 31, 2020)

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2020:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 2,154,772	2,154,772	—
Fixed income:			
Corporate	15,120,498	—	15,120,498
Exchange traded funds	217,121	—	217,121
Government securities	7,303,768	—	7,303,768
Mutual funds	5,018,592	—	5,018,592
Equities:			
Domestic	—	—	—
International	—	—	—
Total	<u>\$ 29,814,751</u>	<u>2,154,772</u>	<u>27,659,979</u>

(4) Contributions Receivable

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

	<u>2021</u>	<u>2020</u>
In less than one year	\$ 20,613,397	17,954,258
Beyond one year	<u>22,908,321</u>	<u>25,185,874</u>
	43,521,718	43,140,132
Less:		
Discount to net present value at rates ranging from 0.7%-1.5% and (0.1)%-0.9% in 2021 and 2020, respectively	(576,000)	(324,527)
Allowance for uncollectible pledges	<u>(476,721)</u>	<u>(890,676)</u>
	<u>\$ 42,468,997</u>	<u>41,924,929</u>

Approximately \$36 million and \$35 million of net contributions receivable at December 31, 2021 and 2020, respectively, are unconditional promises to give operations support through a private membership program called The Well. The Well is generally a three-year commitment to fund charity: water's operating costs. Two of The Well pledges receivable constituted 35% and 43% of the outstanding balance at December 31, 2021 and 2020, respectively.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021

(With comparative financial information
as of and for the year ended December 31, 2020)**(5) Fixed Assets**

At December 31, fixed assets consist of:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures, software, and equipment	\$ 1,821,755	2,117,237
Leasehold improvements	5,942	5,942
Less accumulated depreciation	<u>(1,728,504)</u>	<u>(1,945,447)</u>
	<u>\$ 99,193</u>	<u>177,732</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>2021</u>	<u>2020</u>
In less than one year	\$ 59,250,558	39,006,521
Beyond one year	<u>18,235,351</u>	<u>5,645,475</u>
	<u>\$ 77,485,909</u>	<u>44,651,996</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 2021, charity: water invested \$78,809,297 (\$42,914,224 in 2020) in water projects and water project sustainability in 21 countries – Bangladesh, Burkina Faso, Cambodia, Central African Republic, Cote d'Ivoire, Ethiopia, India, Kenya, Laos, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Tanzania, Uganda, and Zimbabwe. When completed, these projects can serve nearly 2 million people with clean, safe drinking water. Included in this amount is \$700,001 of emergency response funding invested to provide essential aid for the crisis in Ethiopia

In 2021, charity: water hosted a virtual event for members of The Well raising \$4,017,576, where \$3,617,576 was invested in water projects and \$400,000 funded operations. In 2020, charity: water hosted a similar virtual event, raising \$4,328,679 which was invested in water projects.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021

(With comparative financial information
as of and for the year ended December 31, 2020)

(b) Donated Securities

Charity: water received \$8,715,824 and \$5,280,178 in donated securities in 2021 and 2020, respectively, as contributions and payments on prior pledges. 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.

(c) Donated Virtual Currency

Charity: water received \$5,413,833 in donated virtual currency in 2021 as contributions and payments on prior pledges. No such payments were received in 2020. In 2021, charity: water launched the Bitcoin Water Trust with the intent to hold any bitcoin donated directly to the fund until at least January 1, 2025. For all donations not specified for the Bitcoin Water Trust, charity: water's policy is to sell virtual currency upon receipt. Of the virtual currency donated in 2021, \$4,674,282 was restricted to the Bitcoin Water Trust, and is recorded at fair value in the consolidated statement of financial position in investments. The remaining virtual currency donations of \$739,551 were immediately converted to cash. All virtual currency donations were 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, 2021 and 2020 the following contributed goods and services were received:

	2021	2020
Branding, education, and promotion	\$ 165,103	135,477
Event costs	—	2,100
Office equipment and supplies, website and hosted services	136,463	142,297
Professional fees	201,622	636,355
Total	<u>\$ 503,188</u>	<u>916,229</u>

(9) Lease Commitments

Charity: water terminated its lease agreement effective March 31, 2022 to become a remote-first organization.

Rent expense for office space amounted to \$120,750 and \$442,396 for the years ended December 31, 2021 and 2020, respectively.

CHARITY GLOBAL, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2021
(With comparative financial information
as of and for the year ended December 31, 2020)

(10) Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Water projects:		
General	\$ 21,328,131	27,498,199
Bitcoin Water Trust	4,649,233	—
Cambodia	—	3,365
Ethiopia	—	337,520
India	15,000	1,000
Kenya	30,000	20,000
Uganda	—	100
Water project sustainability	1,546,667	1,537,225
Total water projects	27,569,031	29,397,409
Operations	36,431,471	35,060,881
	<u>\$ 64,000,502</u>	<u>64,458,290</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, 2021:

	<u>Water projects</u>	<u>Operations</u>	<u>Total</u>
At December 31, financial assets consist of:			
Cash and cash equivalents	\$ 46,983,596	16,527,796	63,511,392
Investments	52,680,557	13,543,256	66,223,813
Contributions receivable, net	5,458,055	37,010,942	42,468,997
Total	105,122,208	67,081,994	172,204,202
Less commitments beyond one year:			
Contributions receivables, net	—	(21,855,600)	(21,855,600)
Total available within one year	<u>\$ 105,122,208</u>	<u>45,226,394</u>	<u>150,348,602</u>

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021

**(With comparative financial information
as of and for the year ended December 31, 2020)**

(12) Payroll Protection Program Loan Payable

Charity: water applied for and received a Payroll Protection Program Loan in April 2020 in the amount of \$1,619,750. charity: water applied for forgiveness in November 2020 in accordance with the provisions for loan forgiveness. During December 2020, the application for forgiveness was approved with the exception of \$16,487. charity: water made a one-time payment to pay off the remaining balance during February 2021. The Payroll Protection Program loan payable was \$0 and \$16,487 as of December 31, 2021 and 2020, respectively.

(13) Subsequent Events

Charity: water evaluated subsequent events from December 31, 2021 through May 11, 2022, the date on which the consolidated financial statements were available to be issued.

In 2021, civil conflict in the northern region of Ethiopia continued to have an impact on charity: water's ability to fund clean water programs in that country. The situation remains complicated and fluid. charity: water is monitoring the situation closely and takes appropriate actions as new information becomes available. As of December 31, 2021, work in northern Ethiopia has paused until the security situation stabilizes. The current work cycle in central Ethiopia is in the final stages and charity: water has delayed launching new projects until the situation stabilizes. In Southern Ethiopia, the conflict is not affecting the ability to complete water projects. charity: water has more than \$2.3 million of committed Water funds in the form of outstanding grants in the northern and central regions of Ethiopia which will be continuously monitored as the conflict unfolds.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated 100% Model

Year ended December 31, 2021

(With comparative financial information
as of and for the year ended December 31, 2020)

	2021	2020
Beginning net assets reserved for water projects	\$ 29,397,409	16,834,752
Public donations to water projects	76,701,740	55,465,407
Net investment return and other income	279,179	11,474
Investments in water projects, water project sustainability, and emergency response funding	(78,809,297)	(42,914,224)
(Decease) increase in net assets reserved for water projects	(1,828,378)	12,562,657
Ending net assets reserved for water projects (note 10)	\$ 27,569,031	29,397,409
Beginning net assets reserved for operations	\$ 61,443,817	45,327,718
Private donations to operations ¹	23,804,839	33,063,437
Gain on forgiveness of Payroll Protection Program loan	—	1,603,263
Net investment return and other income	(168,756)	382,663
Operating expenses ¹	(18,355,171)	(18,611,953)
Depreciation	(78,539)	(321,311)
Increase in net assets reserved for operations	5,202,373	16,116,099
Ending net assets reserved for operations	\$ 66,646,190	61,443,817

Notes:

- Both "private donations to operations" and "operating expenses" exclude contributed goods and services of \$503,188 and \$916,229 in 2021 and 2020, respectively.

See accompanying independent auditors' report.