



CHARITY GLOBAL, INC.

Financial Statements

December 31, 2014

(with comparative financial information
as of and for the year ended December 31, 2013)

(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, 2014, 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 organization'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 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 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 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 13, 2015

CHARITY GLOBAL, INC.

Statement of Financial Position

December 31, 2014

(with summarized comparative financial information as of December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily restricted (note 2)</u>				
				Special award remote monitoring water projects		
Assets	<u>Operations</u>	<u>Three-year promises to give operations</u>	<u>Water projects</u>		<u>2014 Totals</u>	<u>2013 Totals</u>
Cash and cash equivalents	\$ 2,481,503	—	8,580,792	203,521	11,265,816	23,157,088
Short-term investments (note 3)	7,708,967	—	12,800,924	2,577,941	23,087,832	7,517,736
Prepays and other current assets	426,375	—	249,675	—	676,050	240,819
Long-term investments (note 3)	323,619	—	3,006,053	—	3,329,672	2,281,812
Contributions receivable, net (note 4)	5,000	13,561,735	2,473,199	—	16,039,934	9,193,570
Fixed assets, net (note 5)	1,064,620	—	—	—	1,064,620	535,492
Other assets	82,966	—	50,000	—	132,966	130,954
Total assets	<u>\$ 12,093,050</u>	<u>13,561,735</u>	<u>27,160,643</u>	<u>2,781,462</u>	<u>55,596,890</u>	<u>43,057,471</u>
Liabilities and Net Assets						
Liabilities:						
Committed to water projects (note 6)	\$ —	—	25,480,911	—	25,480,911	17,349,485
Accounts payable and accrued expenses	433,375	—	2,750	732,780	1,168,905	780,134
Total liabilities	<u>433,375</u>	<u>—</u>	<u>25,483,661</u>	<u>732,780</u>	<u>26,649,816</u>	<u>18,129,619</u>
Net assets:						
Unrestricted	11,659,675	—	—	—	11,659,675	11,056,262
Temporarily restricted (note 10)	<u>—</u>	<u>13,561,735</u>	<u>1,676,982</u>	<u>2,048,682</u>	<u>17,287,399</u>	<u>13,871,590</u>
Total net assets	<u>11,659,675</u>	<u>13,561,735</u>	<u>1,676,982</u>	<u>2,048,682</u>	<u>28,947,074</u>	<u>24,927,852</u>
Total liabilities and net assets	<u>\$ 12,093,050</u>	<u>13,561,735</u>	<u>27,160,643</u>	<u>2,781,462</u>	<u>55,596,890</u>	<u>43,057,471</u>

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Statement of Activities

Year ended December 31, 2014

(with summarized comparative financial information for the year ended December 31, 2013)

	Unrestricted			Temporarily restricted			2014 Totals	2013 Totals
	Operations	Water projects	Total	Three-year promises to give operations	Water projects	Special award remote monitoring water projects		
Revenue and other support (note 7):								
Public support:								
Individuals	\$ 1,347,088	—	1,347,088	13,453,335	14,458,913	—	29,259,336	18,922,997
Corporations	150,992	—	150,992	—	4,696,861	—	4,847,853	8,419,347
Foundations and other organizations	503,350	—	503,350	—	7,196,557	—	7,699,907	4,699,813
Special event revenue:								
Contributions	—	—	—	—	1,559,957	—	1,559,957	3,986,340
Ticket sales	—	—	—	—	—	—	—	159,975
Net direct benefit to donor	—	—	—	—	—	—	—	(649,546)
Net investment and other income	29,996	—	29,996	—	52,025	14,550	96,571	566,839
Net assets released due to satisfaction of restrictions	7,448,208	30,568,181	38,016,389	(7,448,208)	(29,438,745)	(1,129,436)	—	—
Total public support, revenue, and releases	9,479,634	30,568,181	40,047,815	6,005,127	(1,474,432)	(1,114,886)	43,463,624	36,105,765
Expenses:								
Program services	1,832,978	30,568,181	32,401,159	—	—	—	32,401,159	28,489,315
Management and general	3,172,310	—	3,172,310	—	—	—	3,172,310	2,570,799
Development	3,877,732	—	3,877,732	—	—	—	3,877,732	3,098,528
Total expenses	8,883,020	30,568,181	39,451,201	—	—	—	39,451,201	34,158,642
Change in net assets before the effect of in-kind donations and other items	596,614	—	596,614	6,005,127	(1,474,432)	(1,114,886)	4,012,423	1,947,123
Donated goods, services and use of facilities – revenue (note 8)	641,635	20,166	661,801	—	—	—	661,801	1,911,793
Donated goods, services and use of facilities – expense (note 8)	(634,836)	(20,166)	(655,002)	—	—	—	(655,002)	(1,855,984)
Change in net assets	603,413	—	603,413	6,005,127	(1,474,432)	(1,114,886)	4,019,222	2,002,932
Net assets at beginning of year	11,056,262	—	11,056,262	7,556,608	3,151,414	3,163,568	24,927,852	22,924,920
Net assets at end of year	\$ 11,659,675	—	11,659,675	13,561,735	1,676,982	2,048,682	28,947,074	24,927,852

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Statement of Functional Expenses

Year ended December 31, 2014

(with summarized comparative financial information for the year ended December 31, 2013)

		Supporting services			
	Program services	Management and general	Development	2014 Totals	2013 Totals
Water project funding	\$ 28,741,175	—	—	28,741,175	25,627,285
Water project repairs and maintenance	697,570	—	—	697,570	234,680
Remote monitoring	1,129,436	—	—	1,129,436	883,949
Salaries, employee benefits, and taxes	1,032,964	2,054,775	2,737,692	5,825,431	5,096,985
Professional fees	441,514	451,229	98,600	991,343	712,303
Travel, meals, and meetings	218,627	185,441	163,443	567,511	464,634
Rent, utilities, and cleaning	26,788	41,815	65,895	134,498	115,758
Event costs	—	—	450,825	450,825	137,080
Communication, printing, and postage	24,584	38,374	60,474	123,432	141,901
Bank charges, merchant and credit card fees	—	262,532	—	262,532	297,919
Branding, education, and promotion	—	—	24,000	24,000	23,667
Office equipment and supplies	56,332	87,930	197,671	341,933	308,783
Total expenses before the effect of other noncash items	32,368,990	3,122,096	3,798,600	39,289,686	34,044,944
Depreciation	32,169	50,214	79,132	161,515	113,698
Total expenses	\$ 32,401,159	3,172,310	3,877,732	39,451,201	34,158,642

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Statement of Cash Flows

Year ended December 31, 2014

(with comparative financial information for the year ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,019,222	2,002,932
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	161,515	113,698
Net depreciation in fair value of investments	249,735	44,795
Changes in assets and liabilities:		
Contributions receivable, net	(6,846,364)	(1,481,977)
Prepays and other assets	(437,243)	(82,883)
Committed to water projects	8,131,426	4,693,689
Accounts payable and accrued expenses	388,771	548,721
Net cash provided by operating activities	<u>5,667,062</u>	<u>5,838,975</u>
Cash flows from investing activities:		
Purchase of investments	(32,796,550)	(16,963,992)
Proceeds from sale of investments	15,928,859	16,092,568
Purchase of fixed assets	(690,643)	(361,483)
Net cash used in investing activities	<u>(17,558,334)</u>	<u>(1,232,907)</u>
Net (decrease) increase in cash and cash equivalents	(11,891,272)	4,606,068
Cash and cash equivalents at beginning of year	<u>23,157,088</u>	<u>18,551,020</u>
Cash and cash equivalents at end of year	<u>\$ 11,265,816</u>	<u>23,157,088</u>

See accompanying notes to financial statements.

CHARITY GLOBAL, INC.

Notes to Financial Statements

December 31, 2014

(with comparative financial information
as of and for the year ended December 31, 2013)

(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 16,000 water projects in 24 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 5 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 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.

CHARITY GLOBAL, INC.

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(with comparative financial information
as of and for the year ended December 31, 2013)

(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 costs have been allocated in reasonable ratios as 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) *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 intended 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, 2014 approximated \$663,000; 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.

CHARITY GLOBAL, INC.

Notes to Financial Statements

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as of and for the year ended December 31, 2013)

(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), 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 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.

CHARITY GLOBAL, INC.

Notes to Financial Statements

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as of and for the year ended December 31, 2013)

(k) Fair Value Measurements

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

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

(l) Donated Services and Use of Facilities

Donated services are recognized if the services 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, 2014 and 2013.

(n) 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

CHARITY GLOBAL, INC.

Notes to Financial Statements

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as of and for the year ended December 31, 2013)

- 50% of the basic employee contribution up to the next 2% of compensation

401(k) expense related to matching contributions for 2014 and 2013 was \$124,256 and \$100,831, 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 2013 financial statements, from which the summarized information was derived.

(3) Investments

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2014:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 1,296,335	1,296,335	—
Fixed income – corporate	22,599,916	—	22,599,916
Equities:			
Domestic	2,066,682	2,066,682	—
International	454,571	454,571	—
Total	<u>\$ 26,417,504</u>	<u>3,817,588</u>	<u>22,599,916</u>

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>
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>

CHARITY GLOBAL, INC.

Notes to Financial Statements

December 31, 2014

(with comparative financial information
as of and for the year ended December 31, 2013)**(4) Contributions Receivable**

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

	2014	2013
In less than one year	\$ 9,548,775	6,905,557
In one to five years	8,151,607	3,213,910
	<u>17,700,382</u>	<u>10,119,467</u>
Less:		
Discount to net present value at 3.25%	(435,099)	(245,206)
Allowance for unfulfilled pledges	<u>(1,225,349)</u>	<u>(680,691)</u>
	<u>\$ 16,039,934</u>	<u>9,193,570</u>

Approximately \$13.6 million and \$7.6 million of net contributions receivable at December 31, 2014 and 2013, 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. Two of The Well pledges receivable constituted 39% and 47% of the outstanding balance at December 31, 2014 and 2013, respectively.

(5) Fixed Assets

At December 31, fixed assets consist of:

	2014	2013
Furniture, fixtures, software, and equipment	\$ 1,483,066	792,423
Less accumulated depreciation	<u>(418,446)</u>	<u>(256,931)</u>
	<u>\$ 1,064,620</u>	<u>535,492</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 \$25,480,911 and \$17,349,485 at December 31, 2014 and 2013, respectively. Amounts are released from restriction on the statement of activities when funding is approved.

CHARITY GLOBAL, INC.

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(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. In 2013, charity: water hosted a gala that raised money for water projects and operations, whereas the 2014 gala only raised money for 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 2014, charity: water invested \$30,568,181 in water projects, water project repairs and maintenance and remote monitoring in 13 countries – Bangladesh, Cambodia, Central African Republic, Ethiopia, India, Kenya, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, and Uganda. When completed, these projects can serve over 1,000,000 people with clean, safe drinking water.

Remote Monitoring

In 2012, charity: water was a recipient of a Google Global Impact Award® of \$5 million to pilot remote sensors on 4,000 charity: water projects over a period of 27 months ending December 2014. charity: water obtained notice from the donor that extended the period of performance through December 2015. This award will help charity: water further advance transparency and sustainability in the water sector by using innovative technology to provide data on whether water is flowing at charity: water-funded projects, at any given time, anywhere in the world. The pilot will also include the establishment and training of local mechanic programs to dispatch to communities within their reach when repairs are needed or system breakdowns occur.

Google Foundation® restricted approximately \$4 million to be used as follows:

- Develop, install, and maintain the remote sensor technology
- Mobilize local mechanics to respond to data
- Water project maintenance and repairs

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 \$1.1 million of related expenses in 2014.

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 \$302,000 of related expenses in 2014.

Donated Securities

charity: water received \$2,984,776 in donated securities in 2014. 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, 2014 (with summarized totals for the year ended December 31, 2013), the following functional expenses were included in the statement of activities:

	Expenses (excluding gifts-in-kind)	Gifts-in-kind	Total 2014	Total 2013
Program services	\$ 32,401,159	20,166	32,421,325	28,874,533
Management and general	3,172,310	421,859	3,594,169	2,959,273
Development	3,877,732	212,977	4,090,709	4,180,820
Total	<u>\$ 39,451,201</u>	<u>655,002</u>	<u>40,106,203</u>	<u>36,014,626</u>

charity: water received donated goods of \$289,355 and \$326,025 for the years ended December 31, 2014 and 2013, 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:

	2014	2013
Program services	\$ 20,166	78,318
Management and general	239,792	233,719
Development	29,397	13,988
Total	<u>\$ 289,355</u>	<u>326,025</u>

charity: water also received donated food, drink, entertainment, and event materials and equipment valued at \$64,685 and \$265,110 for the years ended December 31, 2014 and 2013, respectively, in connection with the annual gala. These items are allocated to development on a functional basis and are recognized as follows in the accompanying financial statements:

	2014	2013
Special event contributions and net direct benefit to donor	\$ —	244,369
Revenue and expense	64,685	20,741
Total	<u>\$ 64,685</u>	<u>265,110</u>

Donated banner advertisement in support of charity: water digital fundraising campaigns totaled \$100,995 and \$678,923 for the years ended December 31, 2014 and 2013, 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.

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as of and for the year ended December 31, 2013)

charity: water received \$16,700 and \$368,640 of donated traditional promotion and advertising for the years ended December 31, 2014 and 2013, 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 \$175,054 and \$195,552 for the years ended December 31, 2014 and 2013, respectively. In 2014, \$6,799 of donated goods was capitalized as fixed 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. \$173,854 was allocated to management and general and \$1,200 was allocated to development on a functional basis.

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, 2014 and 2013, 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 March 2015. Management has secured an extension through June 2015. Rent expense for the office space amounted to \$70,802 and \$66,150 for the years ended December 31, 2014 and 2013, respectively.

charity: water entered into a new five-year lease agreement in December 2014 and will be moving out of its current New York office to the new location in June 2015.

The following is the minimum future rent payments on charity: water's new office space:

Year ending December 31:	
2015	\$ 345,000
2016	702,000
2017	723,000
2018	745,000
2019	767,000
2020	<u>323,000</u>
Total minimum future payments	<u>\$ 3,605,000</u>

CHARITY GLOBAL, INC.

Notes to Financial Statements

December 31, 2014

(with comparative financial information
as of and for the year ended December 31, 2013)

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Water projects:		
General	\$ 1,653,574	3,151,414
Rwanda	16,529	—
India	879	—
Pakistan	6,000	—
Remote monitoring	2,048,682	3,163,568
Three-year promises to give – Operations	<u>13,561,735</u>	<u>7,556,608</u>
	<u>\$ 17,287,399</u>	<u>13,871,590</u>

(11) 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, 2014 through May 13, 2015, the date on which the financial statements were available for issuance, and concluded that no disclosures are required.

Schedule 1

CHARITY GLOBAL, INC.

Charity: Water

100% Model

Year ended December 31, 2014

(with comparative financial information for the year ended December 31, 2013)

	2014	2013
Public donations to water projects	\$ 27,912,288	26,475,189
Net investment and other income	66,575	463,168
Investments in water projects	(30,568,181)	(25,745,914)
(Decrease) increase in net assets reserved for water projects	<u>\$ (2,589,318)</u>	<u>1,192,443</u>
Private donations to operations	\$ 15,454,765	9,468,915
Net investment and other income	29,996	103,671
Investments in water projects	—	(1,000,000)
Operating expenses	<u>(8,883,020)</u>	<u>(7,817,906)</u>
Increase in net assets reserved for operations	<u>\$ 6,601,741</u>	<u>754,680</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, 2014 and 2013.
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, 2014 and 2013.

See accompanying independent auditors' report.