

**Charity Global, Inc. and Affiliate**

Consolidated Financial Statements  
and  
Auditor's Report

Year Ended December 31, 2009

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

**Independent Auditor's Report**

We have audited the accompanying consolidated statement of financial position of Charity Global, Inc. and Affiliate as of December 31, 2009, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of Charity Global, Inc. and Affiliate. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Charity Global, Inc. and Affiliate's December 31, 2008 consolidated financial statements and, in our report dated July 1, 2009, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Charity Global, Inc. and Affiliate's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charity Global, Inc. and Affiliate as of December 31, 2009, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Lambrides, Lamos, Taylor LLP*

July 30, 2010

**Charity Global, Inc. and Affiliate**  
**Consolidated Statement of Financial Position**  
**December 31, 2009**  
**With Comparative Figures at December 31, 2008**

	<b>2009</b>	<b>2008</b>
<b>Assets:</b>		
Cash and cash equivalents	\$6,297,744	\$3,591,445
Contributions and pledges receivable	1,232,190	209,309
Prepays and other current assets	108,051	43,993
Fixed assets (net of accumulated depreciation)	<u>99,720</u>	<u>149,552</u>
Total assets	<u><u>\$7,737,705</u></u>	<u><u>\$3,994,299</u></u>
 <b>Liabilities and Net Assets:</b>		
Liabilities:		
Grants payable	\$4,277,094	\$2,116,159
Accounts payable	58,967	63,887
Accrued expenses	<u>13,975</u>	<u>21,691</u>
Total liabilities	<u><u>4,350,036</u></u>	<u><u>2,201,737</u></u>
 Net assets:		
Unrestricted	1,902,779	1,455,920
Temporarily restricted	<u>1,484,890</u>	<u>336,642</u>
Total net assets	<u><u>3,387,669</u></u>	<u><u>1,792,562</u></u>
Total liabilities and net assets	<u><u>\$7,737,705</u></u>	<u><u>\$3,994,299</u></u>

See notes to consolidated financial statements.

**Charity Global, Inc. and Affiliate**  
**Consolidated Statement of Activities**  
**For the Year Ended December 31, 2009**  
**With Summarized Comparative Figures for the Year Ended December 31, 2008**

	Unrestricted	Temporarily Restricted	2009 Totals	2008 Totals
<b>Public support and revenue:</b>				
<i>Public support:</i>				
Individuals	\$ 1,387,351	\$ 3,522,242	\$ 4,909,593	\$ 2,835,134
Corporations	198,756	865,317	1,064,073	1,692,479
Foundations and other organizations	190,941	514,369	705,310	991,424
<i>Special event revenue:</i>				
Contributions	\$ 1,839,879			
Ticket sales	58,108			
Less: net direct benefit to donor	<u>(64,226)</u>			
Net special event revenue		1,833,761	1,833,761	706,026
Gifts in-kind	223,716		223,716	203,790
<i>Revenue:</i>				
Interest and other income	25,617		25,617	13,641
Foreign currency remeasurement gain (loss)	1,307	6,550	7,857	(27,219)
Net assets released due to satisfaction of restrictions	<u>5,593,991</u>	<u>(5,593,991)</u>	<u>                    </u>	<u>                    </u>
Total public support and revenue	<u>7,621,679</u>	<u>1,148,248</u>	<u>8,769,927</u>	<u>6,415,275</u>
<b>Expenses:</b>				
Program services	5,851,668		5,851,668	4,467,270
Management and general	404,671		404,671	543,210
Development	<u>875,407</u>		<u>875,407</u>	<u>369,743</u>
Total expenses	<u>7,131,746</u>		<u>7,131,746</u>	<u>5,380,223</u>
<b>Change in net assets before the effect of in-kind donations and other items</b>				
	489,933	1,148,248	1,638,181	1,035,052
Donated services and use of facilities-revenue	155,701		155,701	41,657
Donated services and use of facilities-expense	(155,701)		(155,701)	(41,657)
Loss on disposal of equipment	<u>(43,074)</u>		<u>(43,074)</u>	
<b>Change in net assets</b>	446,859	1,148,248	1,595,107	1,035,052
<b>Net assets at beginning of year</b>	<u>1,455,920</u>	<u>336,642</u>	<u>1,792,562</u>	<u>757,510</u>
<b>Net assets at end of year</b>	<u>\$ 1,902,779</u>	<u>\$ 1,484,890</u>	<u>\$ 3,387,669</u>	<u>\$ 1,792,562</u>

See notes to consolidated financial statements.

**Charity Global, Inc. and Affiliate**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended December 31, 2009**  
**With Summarized Comparative Figures for the Year Ended December 31, 2008**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>2009 Totals</b>	<b>2008 Totals</b>
		<b>Management and General</b>	<b>Development</b>		
Grants to water projects	\$ 5,439,218			\$ 5,439,218	\$ 4,320,222
Salaries, employee benefits and taxes	212,611	\$ 138,765	\$ 529,585	880,961	490,330
Professional fees	48,702	77,028	55,654	181,384	131,609
Travel, meals and meetings	63,437	33,236	30,845	127,518	99,088
Rent, utilities and cleaning	10,693	22,317	35,980	68,990	58,420
Event costs			43,982	43,982	82,583
Communication, printing and postage	11,586	16,679	52,606	80,871	60,754
Bank charges, merchant and credit card fees		62,061		62,061	55,498
Marketing, branding and promotion			33,132	33,132	
Office supplies and miscellaneous	<u>60,262</u>	<u>43,818</u>	<u>76,264</u>	<u>180,344</u>	<u>64,613</u>
 Total expenses before depreciation	 5,846,509	 393,904	 858,048	 7,098,461	 5,363,117
 Depreciation	 <u>5,159</u>	 <u>10,767</u>	 <u>17,359</u>	 <u>33,285</u>	 <u>17,106</u>
 Total expenses	 <u>\$ 5,851,668</u>	 <u>\$ 404,671</u>	 <u>\$ 875,407</u>	 <u>\$ 7,131,746</u>	 <u>\$ 5,380,223</u>

See notes to consolidated financial statements.

**Charity Global, Inc. and Affiliate**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2009**  
**With Comparative Figures for the Year Ended December 31, 2008**

	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,595,107	\$ 1,035,052
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,285	17,106
Loss on disposal of fixed assets	43,074	
Donated securities	(430,158)	(20,744)
Increase in:		
Contributions and pledges receivable	(1,022,881)	(195,468)
Prepays and other current assets	(64,058)	(30,394)
Increase (decrease) in:		
Grants payable	2,160,935	1,794,905
Accounts payable	(4,920)	20,241
Accrued expenses	<u>(7,716)</u>	<u>21,691</u>
Net cash provided by operating activities	<u>2,302,668</u>	<u>2,642,389</u>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	(26,527)	(136,002)
Proceeds from the sale of securities	<u>430,158</u>	<u>20,744</u>
Net cash provided by (used in) investing activities	<u>403,631</u>	<u>(115,258)</u>
Net increase in cash and cash equivalents	2,706,299	2,527,131
<b>Cash and cash equivalents at beginning of year</b>	<u>3,591,445</u>	<u>1,064,314</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 6,297,744</u>	<u>\$ 3,591,445</u>

See notes to consolidated financial statements.

**Charity Global, Inc. and Affiliate**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009**

**1. Organization and Purpose:**

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

Charity Global, Inc. provides clean, safe drinking water, hygiene and basic sanitation to people in developing nations. Through the funding of freshwater wells, spring protections, rainwater harvesting schemes, biosand filters and other water solutions, Charity Global, Inc. has provided over 1 million people with clean, safe drinking water in 16 countries since the inception of its first campaign in September 2006.

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

**2. Summary of Significant Accounting Policies:**

**a. Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Charity Global, Inc. and its London affiliate, Charity Global Limited UK (hereinafter together referred to as “**charity: water**”). For the year ended December 31, 2009 there were no intercompany balances or transactions.

**b. Accrual Basis Financial Statements**

The accompanying consolidated financial statements of charity: water have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

**c. Use of Estimates**

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

**d. Allocation of Functional Expenses**

The cost of providing charity: water programs, management and general, and development services have been summarized on a functional basis in the accompanying consolidated statement of activities. Directly identifiable expenses are charged to programs, management and general, and development services. Certain indirect costs have been allocated in reasonable ratios as determined by management. The allocation of indirect program costs excludes all funds raised publicly for water projects.

**Charity Global, Inc. and Affiliate**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009**

**2. Summary of Significant Accounting Policies:** (Continued)

**e. Cash and Cash Equivalents**

Cash and cash equivalents consists of cash held in checking, savings and temporary investment accounts. For financial reporting purposes, charity: water considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

**f. Concentrations**

charity: water places its cash and investments with high-credit-quality financial institutions. At times, such balances may exceed federally insured limits. Uninsured cash balances at December 31, 2009 approximated \$5,772,908. However, management believes that charity: water does not face a significant risk of loss on these accounts due to possible failure of these financial institutions.

**g. Contributions and Pledges Receivable**

Unconditional promises to give are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in future years are recorded at fair value at the time of the pledge. charity: water measures fair value using the present value of expected future cash flows and discounts on those amounts are computed using interest rates commensurate with the risks involved. Amortization of discounts is included in contribution revenue.

Management provides for probable uncollectible amounts based on its assessment of collection history and donor relationships.

Conditional promises to give are not included as support until the conditions are substantially met.

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

**h. Fixed Assets**

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

**i. Grants and Grants Payable**

charity: water grants 100% of publicly raised funds to water projects through established partner organizations experienced in providing various water solutions. All partner organizations are carefully researched by management, and all grants are taken under consideration and approved by the board of directors. Grant expense is recognized upon board approval of the grant agreement.

Grants payable are reported at net realizable value at the time the promise is made. All grants are expected to be paid in one year or less.



**Charity Global, Inc. and Affiliate**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009**

**2. Summary of Significant Accounting Policies: (Continued)**

**j. Net Assets**

The net assets of charity: water and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions.
- Temporarily restricted net assets carry specific, donor-imposed restrictions as to their use. Temporary restrictions may expire either because certain actions are taken by the organization which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as unrestricted.

**k. Contributions**

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). 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 marketable securities are recorded as contributions at their fair values at the date of donation.

**l. Donated Services and Use of Facilities**

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

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 other unpaid volunteers 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. Foreign Currency Translation**

The U.S. dollar (“dollars”) is the functional currency for charity: water’s operations. Transactions in currencies other than dollars are translated into dollars at a weighted average exchange rate for the period in which the transactions occur. Current assets and liabilities denominated in non-U.S. currencies are translated into dollars at the exchange rate in effect as of the date of the consolidated statement of financial position.

**Charity Global, Inc. and Affiliate**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009**

**2. Summary of Significant Accounting Policies:** (Continued)

**n. Accounting for Uncertainty in Income Taxes**

charity: water's current accounting policy is to disclose liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor is it aware of any exposure to unrelated business income tax.

**o. Reclassification**

Certain amounts previously reported in the consolidated financial statements for December 31, 2008 have been reclassified to facilitate comparability with the December 31, 2009 amounts with no effect on the change in net assets as previously reported.

**p. Prior Year Summarized Comparative Information**

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with charity: water's consolidated financial statements for the year ended December 31, 2008, from which the summarized information was derived.

**3. Contributions and Pledges Receivable:**

Contributions and pledges are expected to be received as follows:

In less than one year	\$ 846,858
In one to five years	<u>385,332</u>
	<u>\$1,232,190</u>

At December 31, 2009, the discount on amounts receivable in future years was not material and, therefore, was not recognized.

**4. Fixed Assets:**

At December 31, 2009, fixed assets consist of:

Furniture, fixtures and equipment	\$143,063
Less: accumulated depreciation	<u>(43,343)</u>
	<u>\$ 99,720</u>

**5. Grants Payable:**

Grants authorized but unpaid at year-end total \$4,277,094 and are reported as liabilities. All grants are expected to be paid in the subsequent year.

As of July 30, 2010, charity: water has entered into multiple grant commitments with various partners, granting approximately \$3 million to fund water projects in 6 countries.

**Charity Global, Inc. and Affiliate**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009**

**6. Contributions:**

charity: water's operating costs are underwritten by its board of directors, private donors, and companies that support the organization through unrestricted donations as well as in-kind gifts. 100% of the money raised through charity: water's fundraising campaigns is restricted to directly fund water projects in developing nations. In 2009, charity: water developed and funded water projects in 11 countries – Bangladesh, Central African Republic, Cote d'Ivoire, Ethiopia, Haiti, Cambodia, Sierra Leone, Kenya, Liberia, Malawi, and Uganda. Those projects have the combined ability to serve approximately 415,000 people with clean, safe drinking water.

charity: water received \$430,158 in donated securities in 2009. 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 consolidated financial statements.

**7. Gifts in-Kind:**

charity: water received donated goods totaling \$223,716. Donations of such items are recorded as gift in-kind support at their estimated fair value at the date of donation.

**8. Donated Services and Use of Facilities:**

charity: water received donated professional services valued at \$110,689. Donated professional services were recorded as revenue and expense in the accompanying consolidated financial statements at their estimated fair values. Donated professional services consisted of: technological, legal, accounting, image processing, and consulting. Donated professional services were allocated on a functional basis as follows: Program Services \$18,994; Management and General \$39,746; Development \$51,949.

charity: water uses storage space, without charge, at a local storage facility. The fair value of this space was estimated at \$45,012 for the year. Donated use of facilities is recorded as revenue and expense in the accompanying consolidated financial statements at its estimated fair rental value.

**9. Lease Commitments:**

charity: water leases office space under a 36-month lease which expires in June of 2012.

Estimated lease payments for the succeeding years are as follows:

**Year Ending December 31,**

2010	\$ 61,750
2011	64,838
2012	<u>27,563</u>
	<u>\$154,151</u>

Rent expense for the office space amounted to approximately \$64,642 in 2009.

**Charity Global, Inc. and Affiliate**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009**

**10. Net Assets Released from Restriction:**

In 2009, charity: water granted \$5,453,791 to water projects in 11 countries, funding a variety of water solutions and serving approximately 415,000 people with clean, safe drinking water.

The remaining \$140,200 was released from a restricted operating grant and used to cover the 2009 salaries of two staff positions: a development associate and a communications director.

**11. Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes:

Water projects - general	\$ 776,292
Water projects - India/Orissa	78,702
Water projects - Tanzania	7,280
Time-restricted pledges	<u>622,616</u>
	<u>\$1,484,890</u>

**12. Fair Value Measurements:**

The following table presents information about charity water's assets and liabilities measured at fair value on a recurring basis at December 31, 2009, and the valuation techniques used by charity water to determine those fair values.

*Level 1 inputs:* In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that charity: water has the ability to access.

*Level 2 inputs:* Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

*Level 3 inputs:* Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. charity: water's assessment of the significance of the particular inputs to these fair value measurements requires judgment and considers factors of each asset or liability.

charity: water had no assets or liabilities at December 31, 2009 that met the criteria for valuation.

**13. Subsequent Events:**

Management of charity: water has evaluated subsequent events through July 30, 2010, which is the date the consolidated financial statements were available to be issued. They discovered no subsequent events that should be disclosed.