



CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Financial Statements

December 31, 2017

(With comparative financial information
as of and for the year ended December 31, 2016)

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Charity Global, Inc. and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charity Global, Inc. as of December 31, 2017, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Charity Global, Inc. and Affiliate's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated



June 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in Schedule 1, charity: water Consolidated 100% Model, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

April 23, 2018

CHARITY GLOBAL, INC. AND AFFILIATE
Consolidated Statement of Financial Position
December 31, 2017
(With summarized comparative financial information
as of December 31, 2016)

Assets	<u>Unrestricted</u>	<u>Temporarily restricted (note 2)</u>			<u>2017 Totals</u>	<u>2016 Totals</u>
	<u>Operations</u>	<u>Operations</u>	<u>Water projects</u>	<u>Special award remote monitoring water projects</u>		
Cash and cash equivalents	\$ 7,524,429	—	16,473,493	109,133	24,107,055	14,923,341
Short-term investments (note 3)	—	—	5,411,105	—	5,411,105	3,019,726
Prepays and other current assets	265,756	—	6,417	158,184	430,357	513,074
Long-term investments (note 3)	4,620,453	—	18,242,087	—	22,862,540	22,324,242
Contributions receivable, net (note 4)	—	11,821,144	1,702,004	—	13,523,148	9,914,695
Fixed assets, net (note 5)	1,851,168	—	—	—	1,851,168	2,524,879
Other assets	92,894	—	—	34,000	126,894	92,894
Total assets	<u>\$ 14,354,700</u>	<u>11,821,144</u>	<u>41,835,106</u>	<u>301,317</u>	<u>68,312,267</u>	<u>53,312,851</u>
Liabilities and Net Assets						
Liabilities:						
Committed to water projects, monitoring, and disaster relief, net (note 6)	\$ —	—	33,921,385	16,688	33,938,073	22,717,178
Accounts payable and accrued expenses	409,343	—	2,950	—	412,293	267,214
Deferred rent obligation (note 9)	562,144	—	—	—	562,144	749,740
Total liabilities	<u>971,487</u>	<u>—</u>	<u>33,924,335</u>	<u>16,688</u>	<u>34,912,510</u>	<u>23,734,132</u>
Net assets:						
Unrestricted	13,383,213	—	—	—	13,383,213	12,718,088
Temporarily restricted (note 10)	—	11,821,144	7,910,771	284,629	20,016,544	16,860,631
Total net assets	<u>13,383,213</u>	<u>11,821,144</u>	<u>7,910,771</u>	<u>284,629</u>	<u>33,399,757</u>	<u>29,578,719</u>
Total liabilities and net assets	<u>\$ 14,354,700</u>	<u>11,821,144</u>	<u>41,835,106</u>	<u>301,317</u>	<u>68,312,267</u>	<u>53,312,851</u>

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Activities

Year ended December 31, 2017
(With summarized comparative financial information
for the year ended December 31, 2016)

	Unrestricted			Temporarily restricted				2017 Totals	2016 Totals
	Operations	Water projects	Total	Operations	Water projects	Special award remote monitoring water projects	Total		
Revenue and other support (note 7):									
Public support:									
Individuals	\$ 570,128	—	570,128	9,779,319	16,277,467	—	26,056,786	26,626,914	17,927,479
Corporations	659,966	—	659,966	1,174,226	7,868,396	—	9,042,622	9,702,588	6,520,096
Foundations and other organizations	1,502,440	—	1,502,440	1,509,597	6,065,393	—	7,574,990	9,077,430	8,520,726
Special event revenue:									
Contributions	—	—	—	—	4,047,531	—	4,047,531	4,047,531	2,637,600
Ticket sales	—	—	—	—	417,500	—	417,500	417,500	515,000
Net investment income (note 3)	326,765	—	326,765	—	1,055,265	—	1,055,265	1,382,030	615,425
Other income	47,059	—	47,059	—	75,581	—	75,581	122,640	55,911
Net assets released due to satisfaction of restrictions and reclassifications	9,719,625	35,394,737	45,114,362	(9,642,625)	(35,280,899)	(190,838)	(45,114,362)	—	—
Total revenue and other support	<u>12,825,983</u>	<u>35,394,737</u>	<u>48,220,720</u>	<u>2,820,517</u>	<u>526,234</u>	<u>(190,838)</u>	<u>3,155,913</u>	<u>51,376,633</u>	<u>36,792,237</u>
Expenses (note 8):									
Program services	2,479,006	35,394,737	37,873,743	—	—	—	—	37,873,743	26,380,273
Management and general	4,387,027	—	4,387,027	—	—	—	—	4,387,027	4,109,119
Development	5,294,825	—	5,294,825	—	—	—	—	5,294,825	4,976,056
Total expenses	<u>12,160,858</u>	<u>35,394,737</u>	<u>47,555,595</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>47,555,595</u>	<u>35,465,448</u>
Change in net assets before the effect of in-kind donations	665,125	—	665,125	2,820,517	526,234	(190,838)	3,155,913	3,821,038	1,326,789
Donated goods, services and use of facilities – revenue (note 8)	683,696	—	683,696	—	—	—	—	683,696	486,722
Donated goods, services and use of facilities – expense (note 8)	(683,696)	—	(683,696)	—	—	—	—	(683,696)	(293,113)
Change in net assets	665,125	—	665,125	2,820,517	526,234	(190,838)	3,155,913	3,821,038	1,520,398
Net assets at beginning of year	12,718,088	—	12,718,088	9,000,627	7,384,537	475,467	16,860,631	29,578,719	28,058,321
Net assets at end of year	<u>\$ 13,383,213</u>	<u>—</u>	<u>13,383,213</u>	<u>11,821,144</u>	<u>7,910,771</u>	<u>284,629</u>	<u>20,016,544</u>	<u>33,399,757</u>	<u>29,578,719</u>

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

Year ended December 31, 2017
(With summarized comparative financial information
for the year ended December 31, 2016)

	Program services	Supporting services		2017 Totals	2016 Totals
		Management and general	Development		
Water project funding	\$ 34,055,326	—	—	34,055,326	22,432,443
Water project repairs and maintenance	1,225,573	—	—	1,225,573	1,101,747
Remote monitoring	113,838	—	—	113,838	398,792
Salaries, employee benefits, and taxes	1,713,423	2,845,110	3,052,764	7,611,297	6,937,704
Professional fees	162,930	275,969	445,997	884,896	1,186,778
Travel, meals, and meetings	133,310	159,282	140,414	433,006	332,729
Rent, utilities, and cleaning	135,716	225,355	241,803	602,874	593,309
Event costs	—	—	606,881	606,881	479,371
Communication, printing, and postage	23,791	39,505	42,388	105,684	98,064
Bank charges, merchant and credit card fees	—	327,329	—	327,329	287,993
Branding, education, and promotion	—	—	179,861	179,861	402,075
Office equipment and supplies	115,673	192,073	238,782	546,528	426,457
Total expenses before the effect of other noncash items	37,679,580	4,064,623	4,948,890	46,693,093	34,677,462
Depreciation	194,163	322,404	345,935	862,502	787,986
Total expenses	\$ 37,873,743	4,387,027	5,294,825	47,555,595	35,465,448

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Consolidated Statement of Cash Flows

Year ended December 31, 2017
(With comparative financial information
for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 3,821,038	1,520,398
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	862,502	787,986
Net appreciation in fair value of investments	(746,822)	(83,314)
Changes in assets and liabilities:		
Contributions receivable, net	(3,608,453)	5,482,551
Prepays and other current assets	82,717	(130,268)
Committed to water projects, monitoring, and disaster relief, net	11,220,895	(996,602)
Accounts payable and accrued expenses	145,079	(394,395)
Deferred rent obligation	(187,596)	(165,074)
Other assets	(34,000)	40,072
Net cash provided by operating activities	<u>11,555,360</u>	<u>6,061,354</u>
Cash flows from investing activities:		
Purchase of investments	(23,321,645)	(23,991,221)
Proceeds from sale of investments	21,138,790	13,166,897
Purchase of fixed assets	(188,791)	(517,404)
Net cash used in investing activities	<u>(2,371,646)</u>	<u>(11,341,728)</u>
Net increase (decrease) in cash and cash equivalents	9,183,714	(5,280,374)
Cash and cash equivalents at beginning of year	<u>14,923,341</u>	<u>20,203,715</u>
Cash and cash equivalents at end of year	<u>\$ 24,107,055</u>	<u>14,923,341</u>

See accompanying notes to consolidated financial statements.

CHARITY GLOBAL, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2017

(With summarized comparative financial information
for the year ended December 31, 2016)

(1) Organization and Purpose

Charity Global, Inc. (hereinafter referred to as charity: water) is a nonprofit organization stimulating greater global awareness about extreme poverty issues, educating the public, and provoking compassionate and intelligent giving. charity: water is exempt from U.S. federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

charity: water provides clean, safe drinking water, hygiene and basic sanitation to people in developing countries. Since 2006, charity: water has funded over 28,000 water projects in 26 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 8 million people.

In 2016, Charity Global, Inc. 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 Global, Inc.'s mission. By virtue of the governing documents of Charity Global (UK) Limited, Charity Global, Inc. owns all the outstanding shares of, and thereby retains the entire voting interest in Charity Global (UK) Limited.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

charity: water's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and the changes therein are classified and reported as follows:

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). 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:

- Operations – 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 water projects – restricted for further advancing transparency and sustainability in the water sector by piloting a remote sensor technology and response program.

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

(b) Accounting Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements, and revenues and expenses recognized during the reporting period. Significant estimates made in the preparation of the consolidated financial statements include the net realizable value of contributions receivable and functional expense allocations. Actual results could differ from those estimates.

(c) Allocation of Functional Expenses

The cost of providing charity: water programs, management and general, and development services has been summarized on a functional basis in the accompanying consolidated statement of activities. Directly identifiable expenses are charged to their applicable functional category. 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 12 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 consolidated 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.

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(g) 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.

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.

(h) Fixed Assets

Fixed assets consist of furniture, fixtures, software, equipment and leasehold improvements. Fixed assets are stated at cost less accumulated depreciation and are depreciated over their estimated useful lives ranging from 3 to 5 years using the straight-line method. Leasehold improvements are depreciated on the straight-line basis over the lesser of the terms of the related leases or estimated useful lives of the improvements.

(i) Water Project Funding

charity: water invests 100% of publicly raised funds in water projects through established partner organizations experienced in providing various water solutions. All partner organizations are researched by management, and all funding is carefully considered and approved by the board of directors.

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

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

(j) 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

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- 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
- Level 3 inputs are unobservable inputs for the asset or liability

(k) Donated Services

Donated services are recognized if the services create or enhance nonfinancial assets or require specialized skills, are performed by individuals who possess those skills, and would otherwise need to be purchased by the organization.

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

(l) 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, 2017 and 2016.

(m) Retirement Plan

charity: water offers a 401(k) retirement plan. The plan is available to all personnel after six months of service to the organization. charity: water makes contributions based on a prescribed matching schedule of employee contributions. Basic employee contributions up to 5% of compensation are eligible for a matching contribution by charity: water. Matching contributions are deposited in the plan each payroll period based on the following formula:

- 100% of the basic employee contribution up to the first 3% of compensation
- 50% of the basic employee contribution up to the next 2% of compensation

401(k) expense related to matching contributions for 2017 and 2016 was \$162,434 and \$156,971, respectively.

(n) Comparative Financial Information

The consolidated statement of financial position and statement of activities are presented with prior year financial information in total, which does not include net asset class detail. In addition, the consolidated statement of functional expenses is presented with prior year financial information in total, which does not include functional expense detail. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with charity: water's 2016 financial statements, from which the summarized information was derived.

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(3) Investments

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

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 8,173,321	8,173,321	—
Fixed income – corporate	14,622,287	—	14,622,287
Equities:			
Domestic	4,403,474	4,403,474	—
International	1,074,563	1,074,563	—
Total	<u>\$ 28,273,645</u>	<u>13,651,358</u>	<u>14,622,287</u>

The following table presents charity: water's fair value hierarchy for investments as of December 31, 2016:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 4,795,252	4,795,252	—
Fixed income – corporate	15,797,876	—	15,797,876
Equities:			
Domestic	4,001,355	4,001,355	—
International	749,485	749,485	—
Total	<u>\$ 25,343,968</u>	<u>9,546,092</u>	<u>15,797,876</u>

Investment return for the years ended December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Net interest and dividend income	\$ 635,208	532,111
Net appreciation in fair value of investments	746,822	83,314
Total return on investments	<u>\$ 1,382,030</u>	<u>615,425</u>

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(4) Contributions Receivable

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

	<u>2017</u>	<u>2016</u>
In less than one year	\$ 8,894,452	7,304,733
In one to five years	<u>5,912,170</u>	<u>3,509,113</u>
	14,806,622	10,813,846
Less:		
Discount to net present value at a rate of 4.50% and 3.75% in 2017 and 2016, respectively	(400,201)	(193,461)
Allowance for uncollectible pledges	<u>(883,273)</u>	<u>(705,690)</u>
	<u>\$ 13,523,148</u>	<u>9,914,695</u>

Approximately \$11 million and \$9 million of net contributions receivable at December 31, 2017 and 2016, 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 18% and 31% of the outstanding balance at December 31, 2017 and 2016, respectively.

(5) Fixed Assets

At December 31, fixed assets consist of:

	<u>2017</u>	<u>2016</u>
Furniture, fixtures, software, and equipment	\$ 2,821,686	2,639,165
Leasehold improvements	1,412,865	1,412,865
Less accumulated depreciation	<u>(2,383,383)</u>	<u>(1,527,151)</u>
	<u>\$ 1,851,168</u>	<u>2,524,879</u>

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(6) Committed to Water Projects, Monitoring, and Disaster Relief

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

	<u>2017</u>	<u>2016</u>
In less than one year:		
Water projects, and repairs and maintenance	\$ 31,595,352	18,838,509
Remote monitoring	16,688	67,038
Disaster relief	—	83,371
Beyond one year:		
Water projects, and repairs and maintenance	<u>2,326,033</u>	<u>3,728,260</u>
	<u>\$ 33,938,073</u>	<u>22,717,178</u>

(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.

(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 2017, charity: water invested \$35,394,737 in water projects, water project repairs and maintenance, and remote monitoring in 16 countries – Bangladesh, Cambodia, Central African Republic, Cote d'Ivoire, Ethiopia, India, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Senegal, Sierra Leone and Uganda. When completed, these projects can serve over one million people with clean, safe drinking water.

charity: water hosted a gala raising \$4,465,031 and \$3,152,600, inclusive of ticket sales, in 2017 and 2016, respectively. 100% of the money raised at the annual gala benefited water projects.

(b) Donated Securities

charity: water received \$4,655,967 and \$2,980,872 in donated securities in 2017 and 2016, respectively. charity: water's policy is to sell donated securities upon receipt; therefore, such donations are immediately converted to cash and recorded as public support in the accompanying consolidated financial statements.

(c) Donated Virtual Currency

charity: water received \$991,588 in donated virtual currency in 2017. There were no donated virtual currencies in 2016. charity: water's policy is to sell donated virtual currency upon receipt; therefore, such donations are immediately converted to cash and recorded as public support in the accompanying consolidated financial statements.

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(With summarized comparative financial information
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(8) Donated Goods, Services, and Functional Expenses

Donated gifts-in-kind are recorded as contributions at fair value at the date of the donation. For the year ended December 31, 2017 with summarized totals for the year ended December 31, 2016, the following functional expenses were included in the consolidated statement of activities:

	Expenses (excluding gifts-in-kind)	Gifts-in-kind	Total 2017	Total 2016
Program services	\$ 37,873,743	—	37,873,743	26,380,273
Management and general	4,387,027	182,259	4,569,286	4,223,085
Development	5,294,825	501,437	5,796,262	5,155,203
Total	\$ <u>47,555,595</u>	<u>683,696</u>	<u>48,239,291</u>	<u>35,758,561</u>

charity: water received donated goods and services of \$683,696 and \$486,722 for the years ended December 31, 2017 and 2016, respectively. Of the \$486,722, charity: water capitalized \$193,609 of donated goods and services in 2016 as fixed assets in the accompanying consolidated financial statements. There were no capitalized donated goods or services in 2017.

Donated goods totaled \$14,790 and \$242,963, for the years ended December 31, 2017 and 2016, respectively. Donated services totaled \$668,906 and \$50,150 for the years ended December 31, 2017 and 2016, respectively. Donations of such items are recorded as gift in kind support at their estimated fair value at the date of donation.

(9) Lease Commitments

charity: water entered into a new five-year lease agreement in December 2014 and moved into the space in June 2015. charity: water's deferred rent obligation is amortized on a straight-line basis over the term of the lease. The deferred rent obligation was \$562,144 and \$749,740 as of December 31, 2017 and 2016, respectively.

Rent expense for office space amounted to \$533,483 and \$535,002 for the years ended December 31, 2017 and 2016, respectively.

The following is the minimum future rent payments:

Year ending December 31:	
2018	\$ 743,000
2019	765,000
2020	<u>388,000</u>
Total minimum future payments	\$ <u>1,896,000</u>

CHARITY GLOBAL, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2017
(With summarized comparative financial information
for the year ended December 31, 2016)

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Water projects, monitoring and disaster relief:		
General	\$ 7,871,784	7,325,001
Bangladesh	—	56,030
Ethiopia	38,652	—
India	335	3,506
Remote monitoring	<u>284,629</u>	<u>475,467</u>
Total water projects, monitoring and disaster relief	8,195,400	7,860,004
Operations	<u>11,821,144</u>	<u>9,000,627</u>
	<u>\$ 20,016,544</u>	<u>16,860,631</u>

(11) Subsequent Events

In connection with the preparation of the consolidated financial statements, charity: water evaluated events subsequent to the statement of financial position date of December 31, 2017 through April 23, 2018, the date on which the consolidated financial statements were available for issuance, and concluded that no disclosures are required.

CHARITY GLOBAL, INC. AND AFFILIATE**Schedule 1**

Consolidated 100% Model

Year ended December 31, 2017
(With comparative financial information
for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Beginning net assets reserved for water projects and monitoring	\$ 7,860,004	2,610,114
Public donations to water projects	34,676,287	28,888,420
Net investment income	1,055,265	424,600
Other income	75,581	35,000
Investments in water projects and monitoring	(35,394,737)	(23,932,982)
Reclassification of restrictions	(77,000)	(165,148)
	<u>335,396</u>	<u>5,249,890</u>
Increase in net assets reserved for water projects, monitoring and disaster relief		
Ending net assets reserved for water projects and monitoring (note 10)	\$ <u>8,195,400</u>	<u>7,860,004</u>
Beginning net assets reserved for operations	\$ 21,718,715	25,448,207
Private donations to operations	15,195,676	7,232,481
Net investment income	326,765	190,825
Other income	47,059	20,911
Operating expenses	(11,298,356)	(10,744,480)
Depreciation	(862,502)	(787,986)
Reclassification of restrictions	77,000	165,148
Capitalized In-kind donations (note 8)	—	193,609
	<u>3,485,642</u>	<u>(3,729,492)</u>
Increase (decrease) in net assets reserved for operations		
Ending net assets reserved for operations	\$ <u>25,204,357</u>	<u>21,718,715</u>

See accompanying independent auditors' report.