

charity: water Finance

charity: water's promise to our over 300,000 supporters worldwide is that *100% of all public donations* "directly fund water projects," or, "go directly to the field."

Since the organization's inception in September of 2006, charity: water management has:

Designated funding received for water projects as restricted. Such funds are set aside in a **water** account to be granted in their entirety.

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Designated funding received for operating costs as unrestricted. Such funds are set aside in an **operations** account to be used solely for charity: water's operating expenses - including ALL payroll, travel, headquarter costs, and banking fees.

These two accounts are managed and reported on to the board of directors separately and in their intended capacities. Funding designations and intended uses (restricted and unrestricted) are also subject to an annual independent audit opinion.

So,

Public Donations* = Water = Restricted = Investments in Water Programs

Private Donations = Operations = Unrestricted = Operating Costs

*charity: water also hosts one public event per year to raise money for operations - the annual *charity: ball*. In addition, certain *merchandise* available to the public on charitywater.org is designated as support for charity: water's operating costs.

Okay, for those of you who are also savvy with the technical aspects of corporate finance: around all of the practices described above is a sophisticated system of internal processes and controls that protects the integrity of the 100% model on a daily basis. This includes a business software suite that automates donations hard-coded to specific accounting codes and monthly reconciliations of all accounts and records to ensure that the system is functioning as designed.

When we say 100%, we mean 100%!

Who we are:

We at charity: water have never seen ourselves as a grant-making agency. Instead, we believe we're here to stimulate awareness by educating the public and provoking compassionate and intelligent giving. Through the use of social media and other technologies, we strive to put you

as close to the problem as we can - by letting you see the impact your generosity can have on those in need. We do this through powerful imagery, storytelling, and other digital tools designed to not only provide funding for the water crisis, but also prove the work your dollars are doing around the world.

How we operate:

We have a dedicated team of water, sanitation & hygiene (WASH) professionals who are responsible for partnering with implementing agencies to deploy funds designated for water projects. This includes endless travel to often remote regions of the world to vet and monitor the quality of the water programs charity: water funds.

charity: water also employs a team of creative designers, web developers, producers, and digital media professionals who maintain the excellence of the charity: water brand through innovation, inspiring content, transparency, special events, and a far-reaching online presence.

Like any non-profit organization, we have a team of key relationship managers that strategically align the charity: water vision with major influencers and supporters, including corporations, foundations, and churches. We also love to travel to the field with these groups to let them see first-hand the water projects they've funded and the impact they're making.

Finally, charity: water maintains robust support functions, including finance and accounting, legal, technology, systems administration, customer service, and facilities maintenance of our offices here in New York City.

charity: water funds 100% of the costs described above through our **operations** account. Those funds are raised separately from a group of private investors, supporters, events, and merchandise so that every penny of publicly-raised funds can be invested in water programs around the world.

Here's what this looks like in practice

Fiscal Year 2010 Example

For the year ended December 31, 2010, charity: water raised **\$5.1M** for operating costs. Over the same period, it cost the organization **\$2.7M** to execute the business model (see ***How we operate***).

Therefore, **\$2.4M** of the \$5.1M raised in 2010 remained in the **operations** account at the end of the year.

It is the policy of charity: water management to maintain liquid assets in the **operations** account at the end of each fiscal year equal to one to two years of operating expenses. This ensures the sustainability of existing staff and resources, guards against accruing debt and other liabilities,

and expands the organization's capacity to invest in new and exciting ways of tackling the water crisis.

For the year ended December 31, 2010, charity: water raised **\$10.7M** publicly through various initiatives and fundraising efforts. Those funds were set aside in a **water** account to be granted in their entirety. We even pay for credit card processing fees out of our **operations** account so that 100% of public donations can be designated for water projects.

Over the same period, charity: water was able to deploy **\$8.6M** of the \$10.7M in water programs in 10 countries, funding a variety of water solutions and serving almost 700,000 people with clean, safe drinking water.

Therefore, **\$2.1M** of the \$10.7M raised in 2010 remained in the **water** account at the end of the year to be invested in 2011.

It is the policy of charity: water management to maintain appropriate balances in the **water** account at the end of each fiscal year. Balances are determined based on factors such as available water project capacity, current economic conditions, giving trends, and first quarter forecasts of the subsequent fiscal year. charity: water's objective is to provide as much capital as possible in any given fiscal year to bring people clean water, but also to remain an ongoing, consistent, and reliable source of funding for our implementing partners.


At the end of each fiscal year, charity: water is required to issue audited financial statements presented in accordance with generally accepted accounting principles (GAAP) as applicable to non-profit entities, as well as file form 990 with the Internal Revenue Service (IRS). These public records primarily provide guidance for existing and potential donors as to the fiscal health of charity: water, as well as how the organization generates and allocates resources to carry out its mission.

In order to present charity: water to the public in a transparent and meaningful way (see *Who we are*), it is the policy of management to report the financial picture of the organization in a manner that combines all resources and activities, and highlights the leverage and economies of scale achieved through supporting a model as unique as ours.

Okay, so finally, let's crunch some numbers. If we go back to the **Fiscal Year 2010 Example**, here's a condensed version of what was independently audited and reported to the IRS:

charity: water 100% model

Fiscal Year 2010

Public donations to water programs	\$10.7M		
Investments in water programs	(\$8.6M)	→	\$8.6M Program Services
Net assets designated for water programs	\$2.1M		
Private donations to operations	\$5.1M		
Operating expenses	(\$2.7M)		\$598K* Program Services \$944K Management & General \$1.2M Development
Net assets designated for operations	\$2.4M		

Total 2010 donations = \$15.8M		<u>Functional Expense Allocation</u>
Total 2010 expenses = (\$11.3M) →		Total program services = \$9.2M 81%
		Total management & general = \$944K 8%
		Total development = \$1.2M 11%
Total 2010 net assets = <u>\$4.5M</u>		Total 2010 expenses = <u>\$11.3M</u>

*Although charity: water funds our WASH staff payroll costs and travel to the field out of the **operations** account, management allocates those and similar expenses incurred by the WASH team to Program Services for financial reporting purposes in accordance with GAAP for presenting functional expenses.

Prepared by:

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 charity: water