

UNITED CHARITABLE PROGRAMS

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

ROBERT D. BEN-KORI
CERTIFIED PUBLIC ACCOUNTANT

UNITED CHARITABLE PROGRAMS
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

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ROBERT D. BEN-KORI

Certified Public Accountant

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To the Board of Directors of
United Charitable Programs
Falls Church, Virginia

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying consolidated financial statements of United Charitable Programs (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

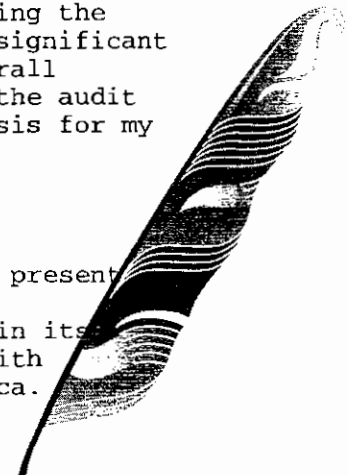
My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor's 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 entity'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 entity's internal control. Accordingly, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Charitable Programs as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Robert D. Ben-Kori
May 31, 2013



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UNITED CHARITABLE PROGRAMS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and Cash Equivalents	\$ 4,523,565	\$ 3,102,758
Accrued Interest Receivable	47,854	20,187
Notes Receivable	1,179,533	889,776
Other Receivables	51,720	69,005
Investments	83,330,251	90,004,270
Investment in Real and Other Property, Net	2,516,927	6,166,595
Cash Surrender Value of Life Insurance	4,651,921	4,109,759
	\$ 96,301,771	\$ 104,362,350
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 583,501	\$ 172,915
	583,501	172,915
Unrestricted Net Assets	76,878,018	97,423,307
Temporarily Restricted Net Assets	18,840,252	6,766,128
	95,718,270	104,189,435
	\$ 96,301,771	\$ 104,362,350

See accompanying notes to consolidated financial statements.

UNITED CHARITABLE PROGRAMS
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Grants	\$ 7,778	\$ 3,114,262	\$ 3,122,040
Non-Cash Donations		3,904,207	3,904,207
Investment Income (Loss)	(7,666,335)	133,633	(7,532,702)
Loss on Property	(3,627,000)		(3,627,000)
Program Service Revenue	97,497	291,603	389,100
Insurance Proceeds	1,650,000	200,337	1,850,337
Event Revenue		379,788	379,788
Application and Other Fees	24,695		24,695
Other Income (Loss)		728,857	728,857
Net Assets Released from Restrictions	3,906,838	(3,906,838)	
Total Support and Revenue	(5,606,527)	4,845,849	(760,678)
EXPENSES			
Program Services	4,283,080		4,283,080
Total Program Services	4,283,080	-	4,283,080
Supporting Services			
General and Administrative	3,207,692		3,207,692
Fund Raising	219,715		219,715
Total Supporting Services	3,427,407	-	3,427,407
Total Expenses	7,710,487	-	7,710,487
INCREASE (DECREASE) IN NET ASSETS	(13,317,014)	4,845,849	(8,471,165)
NET ASSETS, Beginning of Year	97,423,307	6,766,128	104,189,435
Reclassification	(7,228,275)	7,228,275	
NET ASSETS, End of Year	\$ 76,878,018	\$ 18,840,252	\$ 95,718,270

See accompanying notes to consolidated financial statements.

UNITED CHARITABLE PROGRAMS
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Grants	\$ 428,308	\$ 4,028,299	\$ 4,456,607
Non-Cash Donations	80,452	957,959	1,038,411
Investment Income (Loss)	(5,089,737)	972	(5,088,765)
Program Service Revenue	115,883	388,354	504,237
Insurance Proceeds	371,701		371,701
Event Revenue	-	367,332	367,332
Application Fees	14,750		14,750
Other Income (Loss)	262,783		262,783
Net Assets Released from Restrictions	5,196,112	(5,196,112)	
Total Support and Revenue	<u>1,380,252</u>	<u>546,804</u>	<u>1,927,056</u>
EXPENSES			
Program Services	8,085,956		8,085,956
Total Program Services	<u>8,085,956</u>	<u>-</u>	<u>8,085,956</u>
Supporting Services			
General and Administrative	2,150,018		2,150,018
Fund Raising	174,988		174,988
Total Supporting Services	<u>2,325,006</u>	<u>-</u>	<u>2,325,006</u>
Total Expenses	<u>10,410,962</u>	<u>-</u>	<u>10,410,962</u>
INCREASE (DECREASE) IN NET ASSETS	(9,030,710)	546,804	(8,483,906)
NET ASSETS, Beginning of Year	112,673,341		112,673,341
Reclassification	(6,219,324)	6,219,324	
NET ASSETS, End of Year	<u>\$ 97,423,307</u>	<u>\$ 6,766,128</u>	<u>\$ 104,189,435</u>

See accompanying notes to consolidated financial statements.

UNITED CHARITABLE PROGRAMS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Accounting and Legal	\$ 4,866	\$ 1,835,286	\$	\$ 1,840,152
Bank and Investment				
Fees	17,313	53,883		71,196
Conferences	2,999	5,779		8,778
Depreciation	28,828	3,080		31,908
Donations	1,930,409			1,930,409
Dues and Subscriptions	374	6,000		6,374
Employee Benefits	16,131	98,246		114,377
Equipment Rental				
and Repairs	55,630	11,303	4,799	71,732
Events	109,642		26,587	136,229
Grants	123,281			123,281
Insurance	43,814	61,644	873	106,331
Licenses, Taxes and				
Fees	28,554	8,270		36,824
Maintenance	23,193	6,599		29,792
Media	56,498	24,106	10,173	90,777
Miscellaneous	1,382	718		2,100
Office Expenses	27,677	19,701	1,249	48,627
Payroll	281,575	885,240		1,166,815
Payroll Taxes	15,863	66,496		82,359
Printing and Postage	74,986	8,029	4,163	87,178
Program Support	267,617			267,617
Publications	14,195	75		14,270
Rent and Occupancy	72,182	71,945	135,537	279,664
Sub-Contractors				
Program Consultants	771,865	7,455	7,271	786,591
Supplies	23,193	7,577		30,770
Telephone	24,865	11,246		36,111
Travel	266,148	15,014	29,063	310,225
Total	\$ 4,283,080	\$ 3,207,692	\$ 219,715	\$ 7,710,487

See accompanying notes to consolidated financial statements.

UNITED CHARITABLE PROGRAMS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

	Program Services	General and Administrative	Fund Raising	Total
Accounting and Legal	\$ 2,750	\$ 698,026	\$	\$ 700,776
Bad Debt Provision	1,093,176			1,093,176
Bank and Investment				
Fees	31,053	28,994		60,047
Conferences	8,189	1,890		10,079
Depreciation	29,428			29,428
Donations	4,347,184			4,347,184
Dues and Subscriptions	5,105	1,759		6,864
Employee Benefits	11,689	83,622		95,311
Equipment Rental and Repairs	61,908	12,784	5,804	80,496
Events	240,490		47,742	288,232
Grants	120,624			120,624
Insurance	100,354	170,877	860	272,091
Licenses, Taxes and Fees	29,322	36,781		66,103
Maintenance	21,540	6,442		27,982
Media	89,644	12,216	20,919	122,779
Miscellaneous	1,280	1,298		2,578
Office Expense	25,093	11,551	23,696	60,340
Payroll	311,144	824,647		1,135,791
Payroll Taxes	12,443	65,564		78,007
Printing and Postage	59,871	9,407	2,851	72,129
Program Support	230,608			230,608
Publication	19,391	19		19,410
Rent and Occupancy	95,225	71,088	51,529	217,842
Sub-Contractors Program Consultants	806,436	80,161	5,051	891,648
Supplies	21,998	5,930		27,928
Telephone	24,068	19,677		43,745
Travel	285,943	7,285	16,536	309,764
Total	\$ 8,085,956	\$ 2,150,018	\$ 174,988	\$ 10,410,962

See accompanying notes to consolidated financial statements.

UNITED CHARITABLE PROGRAMS
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in Net Assets	\$ (8,471,165)	\$ (8,483,906)
Adjustments to Reconcile Decrease in Net Assets Net Cash Used by Operating Activities:		
Depreciation	31,908	29,428
Bad Debt Provision		1,093,176
Non-Cash Donations In	(3,904,207)	(1,038,412)
Non-cash Donations Out	509,562	
Loss on Property and Equipment	3,627,000	21,525
Realized (Gain) Loss on Investment	4,760,615	1,513,388
Unrealized (Gain) Loss on Investments	3,114,618	3,846,181
Increase (Decrease) In:		
Accrued Interest Receivable	24,506	(17,325)
Cash Surrender Value of life Insurance	(542,162)	567,065
(Increase) Decrease in:		
Accounts Payable and Accrued Expenses	410,586	(62,050)
	(438,739)	(2,530,930)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collections on Notes Receivable	248,302	457,601
Purchases of Property and Equipment	(9,240)	
Proceeds from Sales of Property and Equipment		59,788
Purchases of Investments	(512,205)	(867,479)
Proceeds from Sales of Investments	2,132,689	3,353,000
	1,859,546	3,002,910
NET INCREASE IN CASH	1,420,807	471,980
Cash and Cash Equivalent, Beginning of Year	3,102,758	2,630,778
CASH AND CASH EQUIVALENTS, End of Year	\$ 4,523,565	\$ 3,102,758

See accompanying notes to consolidated financial statements.

UNITED CHARITABLE PROGRAMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 1 - Organization

These financial statements present the consolidation of two separate legal entities: United Charitable Programs ("UCP") and National Heritage Foundation, Inc (NHF).

United Charitable Programs was originally incorporated in the state of Virginia in 2006 and was issued tax exempt status by the IRS in 2008. After an initial period of inactivity, UCP requested a certificate of restatement to its present name, United Charitable Programs effective October 4, 2010. UCP operates exclusively as an organization authorized to engage in religious, charitable, scientific, literary or educational activities by consolidating the administration of these activities through fiscally sponsored programs and donor advised funds.

Any person or corporation, with approval from United Charitable Program's Board, may establish a Charitable Program at UCP to engage in activities compatible to the mission objectives of UCP. Charitable Programs are held and administered by UCP. Assets donated to UCP in support of the purposes of specific charitable programs operated by UCP are treated as restricted funds dedicated to those specific purposes, and that only the sponsorship fees, interest and charges paid to the general fund of UCP shall be treated as unrestricted assets. UCP observes the charitable trust doctrine to maximize the protection of restricted assets from potential general creditors of UCP. Final approval of the use of all Charitable Program Funds rests with UCP and its Board.

Donor Advised Funds at UCP are administered under restrictions set forth in the 2006 Pension Protection Act. Donors may make recommendations on the investment of or the use of donated funds, which are restricted to qualified charities in the United States and abroad. Donors may also organize a Scholarship Program with UCP and recommend to disburse funds to the college or university of a Scholarship Recipient. As with its Charitable Programs, UCP maintains final oversight on all donations and scholarship requests for its Donor Advised Funds.

NHF was incorporated on January 6, 1994 in the state of Georgia to encourage the undertaking of projects whose aim is to restore, maintain, and extend the national heritage of the United States of America and national heritages of selected countries throughout the world. On May 31, 2011, NHF amended its Articles of Incorporation to become a Type I Supporting Organization for United Charitable Programs.

Note 2 - Summary of Significant Accounting Policies

Principals of Consolidation

These consolidated financial statements include the balances and

UNITED CHARITABLE PROGRAMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

financial activities of United Charitable Programs and National Heritage Foundation, Inc. All significant intercompany transactions and balances have been eliminated.

Basis of Accounting

UCP presents its financial statements on the accrual basis of accounting where support is recognized when earned, and costs and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Under those standards, UCP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

UCP's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. All donors relinquish ownership and custody of assets donated into UCP accounts. Contributions to charitable programs are restricted for use by such charitable programs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments purchased with original maturities of three months or less.

Fair Value of Financial Instruments

UCP has a number of financial instruments, none of which are held for trading purposes. UCP estimates that the fair value of all financial instruments at December 31, 2012, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The carrying value of cash and notes receivable approximate fair value because of the relatively short maturity of these instruments.

UNITED CHARITABLE PROGRAMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Intentions to Give

Intentions to give which may be rescinded at any time were not recognized in the financial statements because they did not meet the criteria for revenue recognition under guidance from the Financial Accounting Standards Board in FASB ASC 958.

Investments

UCP follows the recommendations of the Financial Accounting Standard board in FASB ASC Topic 958, Not-For-Profit Entities. Under FASB ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (Level 1 measurements) in the statement of financial position. Annuities are reported at their fair value based on significant other observable inputs (Level 2 measurements). The unrealized gain or loss on investments is reflected in the statements of activities.

Investments are originally recorded at cost if purchased or estimated fair value on the date of donation. Subsequently, investments are carried at fair value, except those investments in closely held companies and limited partnerships, for which fair values are not readily determinable, which are carried at the lesser of cost or net realizable value. Net investment income represents interest, dividends, and realized and unrealized gains and losses on investments.

Investments in Real and Other Property

Investments in real and other property include land, buildings, furniture, fixtures and equipment that are used in charitable activities of UCP Accounts and are used in the daily activities of the UCP's programs. These assets are recorded at cost or, if donated, at net realizable value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of 30 years for buildings and 3 to 10 years for all other assets.

All acquisitions of investments in real and other property of \$2,500 or more and all expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Designated Net Assets

The Board of Directors has designated net assets to be used for specific purposes. An amount has been designated for use in charitable activities of Donor Advised Funds.

UNITED CHARITABLE PROGRAMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions

Non-cash contributions are recorded at fair value on the date of donation.

UCP accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board. In accordance with those standards contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Tax Status

UCP has filed and received a final determination letter from the Internal Revenue Service under Section 501 (c) (3) that it qualifies as a not-for-profit corporation exempt from federal income taxes as provided under Section 501 (a) of the Internal Revenue Code. However, unrelated business income may be subjected to taxation. There was no known unrelated business income for the year ended December 31, 2012.

As previously stated in Note 1, on May 31, 2011, NHF amended its Articles of Incorporation to become a Type I Supporting Organization. On June 30, 2011, NHF filed an application with the Internal Revenue Service seeking recognition as a section 501(c)(3) public charity described in section 509(a)(3) as a Type I Supporting Organization, for taxable periods beginning on or after May 31, 2011.

While NHF awaits approval as a Type I Supporting Organization, it is treated as a non-exempt nonprofit organization, subject to federal and state income taxes on investment income or other profit oriented activities. Management does not believe that any income tax has been incurred on such activities.

UCP's federal exempt organization tax returns (Form 990) and NHF's U.S. Corporation Income Tax Returns (Form 1120) for the years ended December 31, 2010, 2011 and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

UNITED CHARITABLE PROGRAMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Subsequent Events Evaluation

Management has evaluated subsequent events through May 31, 2013, the date the financial statements were made available for release.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Note 3 - Notes Receivable

Notes receivable consist of various promissory and mortgage notes totaling \$1,179,533 and \$889,776 at December 31, 2012 and 2011, respectively.

Note 4 - Investments

Investments are summarized as follows as of December 31:

	2012	2011
Mutual Funds	\$ 6,523,340	\$ 5,648,341
Certificate of Deposit	147,440	1,028,128
Money Market Accounts	2,522	2,467
REIT	447,170	704,091
Equity Securities:		
Publicly Traded	144,649	176,539
Closely Held	1,769,938	1,793,390
Bonds		1,549
Annuities	552,418	400,000
Limited Partnerships/LLC's	73,648,240	80,166,663
Other	94,534	83,102
	\$ 83,330,251	\$ 90,004,270

UNITED CHARITABLE PROGRAMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 4 - Investments (continued)

	2012	2011
Investment Income (Loss) is summarized as follows as of December 31, 2012 and 2011:		
Interest and Dividends	\$ 342,531	\$ 270,804
Net Realized Gains (Losses)	(4,760,615)	(1,513,388)
Net Unrealized Gains (Losses)	(3,114,618)	(3,846,181)
	\$ (7,532,702)	\$ (5,088,765)

Note 5 - Charitable Family Limited Partnerships/LLC's

In 1998, NHF began receiving non-cash contributions in the form of Charitable Family Limited Partnerships ("CFLP") or Limited Liability Companies ("LLC"). In 2011 UCP began receiving CFLP/LLC contributions. Donors establish a CFLP/LLC, contribute various assets, many of which are security instruments, and then donate 98-99% of the membership units to UCP. The donor is the general partner and UCP/NHF is a limited partner of the CFLP/LLC. As such, UCP/NHF cannot and does not exercise any management authority over the operation of these entities.

CFLP/LLC's are recorded at estimated fair value as of the date of donation, and are subsequently carried at the lower of cost or the net realizable value. CFLP/LLC donations for the years ending December 31, 2012 and December 31, 2011 were \$3,502,380 and \$442,241, respectively. Investments in CFLP/LLC at December 31, 2012 and December 31, 2011 were \$73,648,240 and \$80,166,663, respectively.

Note 6 - Investments in Real and Other Property

Investments in real and other property at December 31, consists of the following:

	2012	2011
Land	\$ 1,587,925	\$ 5,214,925
Buildings	840,845	840,845
Collectibles	338,450	338,450
Vehicles	353,577	487,096
Furniture and Fixtures	31,567	403,664
Software	9,240	
	3,161,604	7,284,980
Less: Accumulated Depreciation	(644,677)	(1,118,385)
	\$ 2,516,927	\$ 6,166,595

UNITED CHARITABLE PROGRAMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 6 - Investments in Real and Other Property (continued)

The property and equipment was not held for use by the donor advised funds.

Note 7 - Charitable Programs

Each project approved by UCP's Board becomes a "Charitable Program" at UCP. At December 31, 2012 and 2011, UCP had approximately 536 and 870 Charitable Programs, respectively. Net assets primarily represent contributions made by the general public and contributions and fees received for Charitable Programs approved by the Board. The program manager, who is not a contributor, may nominate contributions or gifts received by UCP for a particular charitable use. Unexpended amounts are treated as restricted net assets. Amounts designated for charitable programs approximates \$2,018,104 and \$1,892,290 as of December 31, 2012 and 2011, respectively.

Upon establishment of a Charitable Program, a one-time application fee of \$385 and an administrative fee of 8 percent on each incoming donation are generally assessed by UCP.

Each Charitable Program that participates in UCP's investment program is charged an administration fee of 0.5 percent of the average balance for that quarter.

Note 8 - Donor Advised Funds

At December 31, 2012 and 2011, UCP had approximately 182 and 161 Donor Advised Funds. Net assets primarily represent the initial contribution made by the founder and contributions and fees received for Donor Advised Funds approved by the Board. The donor may nominate contributions or gifts received by UCP for a particular charitable use. Unexpended amounts are treated as restricted net assets. Amounts designated as Donor Advised Funds approximates \$16,681,887 and \$4,873,838 as of December 31, 2012 and 2011, respectively.

At December 31, 2012 and 2011, NHF had approximately 477 and 492 Donor Advised Funds. Net assets primarily represent the initial contribution made by the founder and contributions and fees received for Donor Advised Funds approved by the Board. The donor may nominate contributions or gifts received by NHF for a particular charitable use. Unexpended amounts are treated as unrestricted net assets. Amounts designated as Donor Advised Funds approximates \$71,345,951 and \$87,579,532 as of December 31, 2012 and 2011, respectively.

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets of \$18,840,252 and \$6,766,128 as of

UNITED CHARITABLE PROGRAMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 9 - Temporarily Restricted Net Assets (continued)

December 31, 2012 and December 31, 2011, respectively, represent contributions for specific projects and are available for use by such projects.

Note 10 - Concentration of Credit Risk

Financial instruments which potentially subject UCP to concentrations of credit risk consist primarily of cash and cash equivalents. UCP maintains its cash primarily with local Northern Virginia financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2012 and 2011, UCP had uninsured cash balances in accounts totaling approximately \$4,012,988 and \$2,589,000, respectively.

Note 11 - Retirement Plan

Effective August 1, 1999, NHF adopted a 403(b) retirement plan. All full-time employees who have been employed by NHF for ninety days are eligible to participate in the plan. NHF provided matching contributions of up to 3% of salary through February 2009.

Note 12 - Leases

UCP entered into a new agreement to lease office space in Falls Church, Virginia in February 2013. The terms of the agreement require base monthly payments of \$5,922. The lease expires in April 2016. Rental expense under operating leases totaled approximately \$63,000 in 2012 and \$62,000 in 2011, respectively.

Note 13 - Related Party Transactions

UCP has an officer in common with one other nonprofit organization. UCP received contributions from the aforementioned nonprofit organization of \$1,103,001 for the year ending December 31, 2011. UCP had no amounts due to or due from the related organization as of December 31, 2012 and December 31, 2011.

United Charitable Programs paid \$0 and \$72,761 for consulting services to an LLC owned by the spouse of an officer for the years ending December 31, 2012 and December 31, 2011, respectively,

Note 14 - Commitments and Contingencies

UCP may periodically be involved in various legal proceedings. It is UCP's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. UCP believes that any legal proceedings in which it is involved will not materially affect its financial position, future operating results or cash flows. However, it is reasonably possible that management's estimate may change in the near term.

UNITED CHARITABLE PROGRAMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

Note 15 - Reclassification

Temporarily restricted net assets of \$7,228,275 and \$6,219,324 have resulted from contributions made by National Heritage Foundation, Inc. to United Charitable Programs for the years ending December 31, 2012 and December 31, 2011, respectively.

ROBERT D. BEN-KORI

Certified Public Accountant

7214 Hadlow Drive
Springfield, VA 22152

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
United Charitable Programs
Falls Church, Virginia

I have audited the consolidated financial statements of United Charitable Programs as of and for the years ended December 31, 2012 and December 31, 2011, and my report thereon dated May 31, 2013, which expressed an unmodified opinion on those financial statements, appears on page 1.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supporting information included in the schedules of financial position, activities and functional expenses 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Robert D. Ben-Kori

May 31, 2013



UNITED CHARITABLE PROGRAMS
SCHEDULES OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and Cash Equivalents	\$ 2,508,065	\$ 2,685,433
Other Receivables	6,915	18,200
Investments	16,852,605	6,631,178
Investments in Real and Other Property, net	7,260	2,200
Cash Surrender Value of Life Insurance	4,651,921	2,717,181
	\$ 24,026,766	\$ 12,054,192
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 100,698	\$ 27,931
	100,698	27,931
Unrestricted Net Assets	5,085,816	5,260,133
Temporarily Restricted Net Assets	18,840,252	6,766,128
	23,926,068	12,026,261
TOTAL LIABILITIES AND NET ASSETS	\$ 24,026,766	\$ 12,054,192

UNITED CHARITABLE PROGRAMS
SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Grants	\$ 250,000	\$ 3,213,252	\$ 3,463,252
Non-Cash Donations		11,033,492	11,033,492
Investment Income	528,482	133,633	662,115
Program Service Revenue		291,603	291,603
Event Revenue		379,788	379,788
Insurance Proceeds		200,337	200,337
Application Fees	24,695		24,695
Other Income (Loss)		728,857	728,857
Net Assets Released from Restrictions	3,906,838	(3,906,838)	
Total Support and Revenue	<u>4,710,015</u>	<u>12,074,124</u>	<u>16,784,139</u>
EXPENSES			
Program Services	3,476,826		3,476,826
Total Program Services	<u>3,476,826</u>	-	<u>3,476,826</u>
Supporting Services			
General and Administrative	1,187,791		1,187,791
Fund Raising	219,715		219,715
Total Supporting Services	<u>1,407,506</u>	-	<u>1,407,506</u>
Total Expenses	<u>4,884,332</u>	-	<u>4,884,332</u>
INCREASE (DECREASE) IN NET ASSETS	(174,317)	12,074,124	11,899,807
NET ASSETS, Beginning of Year	<u>5,260,133</u>	<u>6,766,128</u>	<u>12,026,261</u>
NET ASSETS, End of Year	<u>\$ 5,085,816</u>	<u>\$ 18,840,252</u>	<u>\$ 23,926,068</u>

UNITED CHARITABLE PROGRAMS
SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Grants	\$ 542,051	\$ 7,530,442	\$ 8,072,493
Non-Cash Donations	5,002,973	3,675,140	8,678,113
Investment Income (Loss)	(28,343)	972	(27,371)
Program Service Revenue		388,354	388,354
Event Revenue		367,332	367,332
Application Fees	14,750		14,750
Net Assets Released from Restrictions	5,196,112	(5,196,112)	
Total Support and Revenue	10,727,543	6,766,128	17,493,671
EXPENSES			
Program Services	4,546,493		4,546,493
Total Program Services	4,546,493	-	4,546,493
Supporting Services			
General and Administrative	776,791		776,791
Fund Raising	174,988		174,988
Total Supporting Services	951,779	-	951,779
Total Expenses	5,498,272	-	5,498,272
INCREASE IN NET ASSETS	5,229,271	6,766,128	11,995,399
NET ASSETS, Beginning of Year	30,862		30,862
NET ASSETS, End of Year	\$ 5,260,133	\$ 6,766,128	\$ 12,026,261

UNITED CHARITABLE PROGRAMS
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Accounting and Legal	\$ 4,866	\$ 116,024	\$	\$ 120,890
Bank and Investment				
Fees	17,183	51,055		68,238
Conferences	2,999	5,779		8,778
Depreciation	1,100	3,080		4,180
Donations	1,164,304			1,164,304
Dues and Subscriptions	374	6,000		6,374
Employee Benefits	16,131	76,246		92,377
Equipment Rental				
and Repairs	55,630	11,303	4,799	71,732
Events	109,642		26,587	136,229
Grants	123,281			123,281
Insurance	42,925	51,646	873	95,444
Licenses, Taxes and				
Fees	22,031	7,130		29,161
Maintenance	23,193	6,599		29,792
Media	56,498	24,106	10,173	90,777
Miscellaneous	1,382	718		2,100
Office Expenses	27,104	19,701	1,249	48,054
Payroll	281,575	656,840		938,415
Payroll Taxes	15,863	50,737		66,600
Program Support	263,651			263,651
Publication	14,195	75		14,270
Rent and Occupancy	72,182	51,431	135,537	259,150
Shipping and Postage	74,646	8,029	4,163	86,838
Sub-Contractors				
Program Consultants	771,865	7,455	7,271	786,591
Office Supplies	23,193	7,577		30,770
Telephone	24,865	11,246		36,111
Travel	266,148	15,014	29,063	310,225
Total	\$ 3,476,826	\$ 1,187,791	\$ 219,715	\$ 4,884,332

UNITED CHARITABLE PROGRAMS
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

	Program Services	General and Administrative	Fund Raising	Total
Accounting and Legal	\$ 2,750	\$ 85,708	\$	\$ 88,458
Bank and Investment				
Fees	12,186	24,531		36,717
Conferences	8,189	1,890		10,079
Depreciation	1,100			1,100
Donations	2,024,545			2,024,545
Dues and Subscriptions	5,105	1,759		6,864
Employee Benefits	11,689	39,734		51,423
Equipment Rental				
and Repairs	61,908	6,784	5,804	74,496
Events	240,490		47,742	288,232
Grants	114,078			114,078
Insurance	40,726		860	41,586
Licenses, Taxes and				
Fees	24,386	7,838		32,224
Maintenance	21,540	5,958		27,498
Media	89,644	12,056	20,919	122,619
Miscellaneous	1,280	1,254		2,534
Office Expense	24,711	11,352	23,696	59,759
Payroll	311,144	394,000		705,144
Payroll Taxes	12,443	31,000		43,443
Printing and Postage	59,845	9,407	2,851	72,103
Program Support	225,935			225,935
Publication	19,391	19		19,410
Rent and Occupancy	94,963	34,381	51,529	180,873
Sub-Contractors				
Program Consultants	806,436	78,161	5,051	889,648
Supplies	21,998	5,930		27,928
Telephone	24,068	17,744		41,812
Travel	285,943	7,285	16,536	309,764
Total	\$ 4,546,493	\$ 776,791	\$ 174,988	\$ 5,498,272