

UNITED CHARITABLE
FINANCIAL STATEMENTS
DECEMBER 31, 2020



ASSURANCE, TAX & ADVISORY SERVICES

UNITED CHARITABLE
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
United Charitable

Report on the Financial Statements

We have audited the accompanying financial statements of United Charitable (the Organization), which comprise the statement of financial position as of December 31, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Charitable as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The unconsolidated financial statements of the Organization as of and for the year ended December 31, 2019 (parent company only financial statements), were audited by other auditors, whose report, dated December 11, 2020, expressed an unmodified opinion on those statements. The report of the other auditors also stated that the unconsolidated financial statements of the parent company are not a valid substitute for the Organization's consolidated financial statements (general-purpose financial statements) and that they had also audited the Consolidated financial statements (not presented herein) of the Organization as of and for the year ended December 31, 2019 and expressed an unmodified opinion on those statements.

The affiliate no longer requires consolidation, therefore consolidated statements were not prepared as of and for the year ended December 31, 2020. See note 1 for further information.

PB Marcus, LLP

Fairfax, Virginia
December 29, 2021

FINANCIAL STATEMENTS

UNITED CHARITABLE

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,329,959	\$ 678,065
Other receivables	8,350	14,230
Prepaid expenses	55,878	28,056
	<hr/>	<hr/>
Total current assets	1,394,187	720,351
Investments, equity method		
Investees holding financial assets	112,038,035	106,272,729
Investees holding nonfinancial assets	40,327,242	40,815,335
Investees holding commercial real estate	15,926,663	14,970,702
	<hr/>	<hr/>
Total investments, equity method	168,291,940	162,058,766
Investments, at fair value	22,929,467	19,658,625
Life insurance, cash surrender value	4,072,043	3,771,093
Split-Interest agreements	1,813,319	1,565,694
Due from related parties, long-term	306,555	306,555
Property and equipment, net	10,852	174,434
Security deposits	6,928	6,928
	<hr/>	<hr/>
Total assets	\$ 198,825,291	\$ 188,262,446
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 155,865	\$ 127,377
Deferred lease obligation	12,084	21,291
	<hr/>	<hr/>
Total current liabilities	167,949	148,668
Net assets without donor restriction	10,928,067	3,562,622
Net assets with donor restriction	187,729,275	184,551,156
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Total net assets	198,657,342	188,113,778
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Total liabilities and net assets	\$ 198,825,291	\$ 188,262,446

UNITED CHARITABLE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants	\$ 198,174	\$ 4,361,921	\$ 4,560,095
Non-cash contributions - LLC gifts	-	2,414,054	2,414,054
Non-cash contributions - marketable securities	-	2,544,252	2,544,252
Gain from equity method investees	4,669,061	1,289,595	5,958,656
Investment return	570,016	1,328,021	1,898,037
Event revenue	-	56,551	56,551
Program service revenue	20,178	228,589	248,767
Other income	-	293,272	293,272
Net assets released from restrictions	9,338,136	(9,338,136)	-
Total support and revenue	14,795,565	3,178,119	17,973,684
Expenses			
Program services	5,383,312	-	5,383,312
General and administrative	1,959,516	-	1,959,516
Fundraising	87,292	-	87,292
Total expenses	7,430,120	-	7,430,120
Change in net assets	7,365,445	3,178,119	10,543,564
Net Assets, beginning of year	3,562,622	184,551,156	188,113,778
Net Assets, end of year	\$ 10,928,067	\$ 187,729,275	\$ 198,657,342

UNITED CHARITABLE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants	\$ 4,577	\$ 2,939,389	\$ 2,943,966
Non-cash contributions - LLC gifts	-	19,301,038	19,301,038
Non-cash contributions - marketable securities	450,427	3,000,067	3,450,494
Gain from equity method investees	-	3,426,838	3,426,838
Investment return	677,496	2,473,642	3,151,138
Event revenue	-	126,799	126,799
Program service revenue	12,300	239,864	252,164
Other income	-	713,356	713,356
Net assets released from restrictions	13,490,544	(13,490,544)	-
Total support and revenue	14,635,344	18,730,449	33,365,793
Expenses			
Program services	12,737,199	-	12,737,199
General and administrative	1,361,821	-	1,361,821
Fundraising	119,860	-	119,860
Total expenses	14,218,880	-	14,218,880
Change in net assets	416,464	18,730,449	19,146,913
Net Assets, beginning of year	3,146,158	165,820,707	168,966,865
Net Assets, end of year	\$ 3,562,622	\$ 184,551,156	\$ 188,113,778

UNITED CHARITABLE

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020**

	Program Services	General and Administrative	Fund Raising	Total
Accounting and legal	\$ 45,682	\$ 143,097	\$ -	\$ 188,779
Advertising	55,132	-	38	55,170
Bank fees	27,049	24,259	-	51,308
Conferences	2,006	438	-	2,444
Depreciation	4,020	2,286	-	6,306
Donations	3,884,112	-	-	3,884,112
Dues and subscriptions	2,385	4,020	-	6,405
Equipment rental and repairs	32,430	60	-	32,490
Events	16,807	-	-	16,807
Insurance	49,589	38,093	-	87,682
Licenses, taxes and fees	5,834	12,316	-	18,150
Maintenance	-	75,740	-	75,740
Miscellaneous	173,565	859,484	-	1,033,049
Office expense	22,317	18,696	1,941	42,954
Payroll taxes	31,516	36,923	4,625	73,064
Program support	113,151	-	-	113,151
Publications	10,134	-	-	10,134
Rent and occupancy	87,921	85,967	979	174,867
Salaries and employee benefits	424,572	571,289	76,312	1,072,173
Sub-contractors and program consultants	346,177	70,611	-	416,788
Telephone	6,516	8,461	-	14,977
Travel and meals	42,397	7,776	3,397	53,570
Total expenses	\$ 5,383,312	\$ 1,959,516	\$ 87,292	\$ 7,430,120

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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services	General and Administrative	Fund Raising	Total
Accounting and legal	\$ 1,612	\$ 187,197	\$ -	\$ 188,809
Advertising	696	-	-	696
Bank fees	31,214	36,398	-	67,612
Conferences	11,677	697	2,790	15,164
Depreciation	2,065	2,287	-	4,352
Donations	11,332,662	-	-	11,332,662
Dues and subscriptions	2,002	3,409	-	5,411
Employee benefits	23,402	132,457	14,372	170,231
Equipment rental and repairs	30,384	-	163	30,547
Events	99,857	-	110	99,967
Insurance	60,775	75,827	-	136,602
Licenses, taxes and fees	10,368	11,319	-	21,687
Maintenance	7,947	53,955	4,012	65,914
Media	55,832	-	584	56,416
Miscellaneous	4,820	5,483	8,566	18,869
Office expense	-	17,622	-	17,622
Payroll	304,955	622,907	69,212	997,074
Payroll taxes	23,950	46,435	4,756	75,141
Printing and postage	23,540	3,034	2,635	29,209
Program support	143,505	-	-	143,505
Publications	10,312	-	-	10,312
Rent and occupancy	91,960	85,395	948	178,303
Sub-contractors				
program consultants	305,480	62,416	1,524	369,420
Supplies	6,553	2,469	108	9,130
Telephone	8,552	6,730	-	15,282
Travel and meals	143,079	5,784	10,080	158,943
Total expenses	\$ 12,737,199	\$ 1,361,821	\$ 119,860	\$ 14,218,880

UNITED CHARITABLE

STATEMENTS OF CASH FLOWS Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Increase in net assets	\$ 10,543,564	\$ 19,146,913
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	6,305	4,351
Non-cash contributions in	(4,958,306)	(22,751,532)
Non-cash donations out	-	7,846,760
Gain from equity method investees	(5,111,215)	(2,311,341)
Loss on collections	167,050	-
Realized and unrealized gain on investments	(1,240,113)	(2,510,285)
Decrease (increase) in life insurance cash surrender value	(300,950)	195,977
Decrease (increase) in:		
Other receivables	5,880	2,143
Prepaid expenses	(27,822)	8,492
Split-interest agreements	(247,625)	(479,645)
Increase (decrease) in:		
Accounts payable and accrued expenses	28,488	3,334
Deferred lease obligation	(9,207)	(6,797)
Net cash used in operating activities	(1,143,951)	(851,630)
Cash Flows from Investing Activities		
Proceeds from sales of investments	6,893,627	10,711,315
Distributions of LP/LLC principal	1,292,095	87,123
Purchases of investments	(6,380,104)	(10,275,214)
Purchases of property and equipment	(9,773)	-
Net cash provided by investing activities	1,795,845	523,224
Increase (decrease) in cash and cash equivalents	651,894	(328,406)
Cash and Cash Equivalents		
Beginning	678,065	1,006,471
Ending	\$ 1,329,959	\$ 678,065

UNITED CHARITABLE

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

United Charitable (the Organization), 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 the Organization's Board of Directors, may establish a Charitable Program at the Organization to engage in activities compatible to the mission objectives of the Organization. Charitable Programs are held and administered by the Organization. Assets donated to the Organization in support of the purposes of specific charitable programs operated by the Organization are treated as net assets with donor restriction dedicated to those specific purposes, and that only the sponsorship fees, interest and charges paid to the general fund of the Organization shall be treated as net assets without donor restriction. The Organization observes the charitable trust doctrine to maximize the protection of restricted assets from potential general creditors of the Organization. Final approval of the use of all Charitable Program Funds rests with the Organization and its Board of Directors.

Donor Advised Funds at the Organization 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 the Organization and recommend to disburse funds to the college or university of a scholarship recipient. As with its Charitable Programs, the Organization maintains final oversight on all donations and scholarship requests for its Donor Advised Funds.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), whereby revenues are recorded when earned and expenses are recorded when obligations are incurred.

Change in the reporting entity: These statements present comparable information to the parent only financial statements issued as of and for the year ended December 31, 2019. Consolidation with the affiliate is no longer required because the Organization lacks control over the affiliate as of January 1, 2020. The Organization also prepared consolidated financial statements with an affiliate as of and for the year ended December 31, 2019 that were the general-purposes statements; however, those statements are not presented herein.

Cash and cash equivalents: The Organization considers highly liquid investments purchased with maturities of less than three months to be cash equivalents. The Organization maintains its cash in checking and savings accounts with financial institutions. Such deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Organization has not experienced any losses in any accounts and does not believe it is exposed to significant credit risk with these deposits.

Investments accounted for using the equity method: In 2011, the Organization began receiving CFLP/LLC contributions, where donors establish a CFLP/LLC, contribute various assets, many of which are security instruments, and then donate a percentage of the membership units to the Organization. The donor is the general partner and the Organization is a limited partner of the CFLP/LLC. As such, the Organization cannot and does not exercise any management authority over the operation of these entities.

UNITED CHARITABLE

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

CFLP/LLCs are recorded at estimated fair value as of the date of donation, and are subsequently reported using the equity method. CFLP/LLC donations to the Organization for the years ended December 31, 2020 and 2019 were \$2,414,054 and \$19,301,038, respectively.

Investments accounted for using fair value: Investments are originally recorded at cost if purchased or estimated fair value on the date of donation. Subsequently, investments are carried at fair value. Net investment income (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capitals gains and losses, less external investment expenses.

Split-interest agreements: Split-interest agreements consist of charitable remainder trusts. Under charitable remainder trusts, donors establish and fund trusts with specified distributions to be made to beneficiaries over the trusts' terms. The Organization records charitable remainder trusts for which it is not the trustee at the net present value of the projected cash flows.

Property and equipment: Property and equipment includes land, buildings, furniture, fixtures and equipment that are used in charitable activities of the Organization's Charitable Programs. These assets are recorded at cost or, if donated, at net realizable value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of 3 to 30 years.

All acquisitions of property and equipment of \$5,000 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.

Income taxes: The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax. The Organization adopted the provisions of accounting for uncertainty in income tax positions as required by Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 740, *Income Taxes*; however, management does not believe it is exposed to any such positions as defined in this guidance, nor do they expect this to change significantly over the next 12 months. The Organization files Form 990, *Return of Organization Exempt from Income Tax*, annually with the United States Department of the Treasury. Such returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed.

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

UNITED CHARITABLE

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition: Effective December 1, 2020, the Organization adopted FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and all related amendments using the modified retrospective method. There was no material impact to the results of operations or financial position upon adoption and no adjustments were required to equity. The new standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when or as performance obligations are satisfied.

The Organization operates various charitable programs and from time to time these programs may enter into contracts with customers to provide program services. The type of service varies depending on the charitable program and the organization. The Organization utilizes the portfolio approach and groups contracts with similar characteristics together. The Organization recognizes program service revenue at the point in time in which services are provided or goods are transferred. The Organization does not derive any revenue from performance obligations that are satisfied over time.

The Organization does not currently have significant revenue from contracts with customers, although this may change in the future.

There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers.

Support:

Contributions: Non-cash contributions are recorded at fair value on the date of donation. Contributions are recorded when received as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

UNITED CHARITABLE

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Gain or loss from equity method investee: The Organization's share of the net income or loss of CFLP/LLC will be recognized in the Organization's statements of activities and added to the investment balance, and dividends received from CFLP/LLC will be treated as a reduction of the investment balance.

Functional allocation of expenses: Certain costs of providing various program services and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Commitments and contingencies: The Organization may periodically be involved in various legal proceedings. It is the Organization's policy to accrue amounts related to these legal matters if it is probable that a liability will be incurred and an amount is reasonably estimable. The Organization 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 could change in the future.

Reclassifications: Certain reclassifications have been made to the December 31, 2019 financial statements to correspond to the current year's format.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similarly to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The new standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of the adoption of the new standard on its financial statements.

UNITED CHARITABLE

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Not-for-profits will be required to provide additional information on the contributions of nonfinancial assets they receive under a new accounting standard issued. Contributed nonfinancial assets can include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing, or pharmaceuticals; intangible assets; and recognized contributed services. The new ASU requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If they were utilized, a description of the programs or other activities in which those assets were used is required. The not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets must also be disclosed as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets. The FASB is requiring the standard to be applied retrospectively. The amendments take effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Subsequent events: The Organization has evaluated all subsequent events through December 29, 2021, which is the date these financial statements were available to be issued. See Notes 9 and 11 for a discussion of subsequent events.

Note 2. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the combined statement of financial position date for general expenditures, are as follows:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,329,959	\$ 678,065
Other Receivables	8,350	14,230
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,338,309	\$ 692,295

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

The Organization is supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. These resources with a donor restriction may not be available for general expenditure within one year of the statements of financial position date.

UNITED CHARITABLE

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments Accounted for Using the Equity Method

The financial position and results of operations of the investments accounted for using the equity method as of and for the year ended December 31, 2020 are summarized below:

Condensed Balance Sheet Information as of December 31, 2020			
	Investees holding commercial real estate	Investees holding financial assets	Investees holding nonfinancial assets
Total assets	<u>\$ 17,405,835</u>	<u>\$ 117,655,047</u>	<u>\$ 53,089,020</u>
Total liabilities	<u>\$ 87,126</u>	<u>\$ 940,076</u>	<u>\$ 500,171</u>
Equity	<u>17,318,709</u>	<u>116,714,971</u>	<u>52,588,849</u>
Total liabilities and equity	<u>\$ 17,405,835</u>	<u>\$ 117,655,047</u>	<u>\$ 53,089,020</u>

Results of Operations for Year Ended December 31, 2020			
Results of operations	<u>\$ 940,124</u>	<u>\$ 5,990,068</u>	<u>\$ 3,576,098</u>

The financial position and results of operations of the investments accounted for using the equity method as of and for the year ended December 31, 2019 are summarized below:

Condensed Balance Sheet Information as of December 31, 2019			
	Investees holding commercial real estate	Investees holding financial assets	Investees holding nonfinancial assets
Total assets	<u>\$ 16,465,711</u>	<u>\$ 111,661,979</u>	<u>\$ 49,512,922</u>
Total liabilities	<u>\$ 16,463</u>	<u>\$ 157,607</u>	<u>\$ -</u>
Equity	<u>16,449,248</u>	<u>111,507,372</u>	<u>49,512,922</u>
Total liabilities and equity	<u>\$ 16,465,711</u>	<u>\$ 111,664,979</u>	<u>\$ 49,512,922</u>

Results of Operations for Year Ended December 31, 2019			
Results of operations	<u>\$ 480,970</u>	<u>\$ 1,260,657</u>	<u>\$ 582,823</u>

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NOTES TO FINANCIAL STATEMENTS

Note 4. Investments Held at Fair Value and Investment Return

Investment return consists of the following at December 31:

	2020	2019
Interest and dividends	\$ 562,363	\$ 653,931
Net realized gains	382,888	1,874,662
Net unrealized gains (losses)	1,152,145	635,623
Change in value of split-interest agreements	(14,575)	156,152
Investment fees	(184,784)	(169,230)
Total investment return	\$ 1,898,037	\$ 3,151,138

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

UNITED CHARITABLE

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments Held at Fair Value and Investment Return (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 30, 2020:

	Assets at Fair Value as of December 31, 2020			
	(Level 1)	(Level 2)	(Level 3)	Total
Investments, fair value				
Mutual Funds	\$ 7,979,723	\$ -	\$ -	\$ 7,979,723
Money Fund Accounts	393,814	-	-	393,814
EFT	11,992,195	-	-	11,992,195
REIT	210,864	-	-	210,864
Equity Securities, publicly traded	2,006,675	-	-	2,006,675
Annuities	-	346,196	-	346,196
	22,583,271	346,196	-	22,929,467
Split-Interest Agreements	-	-	1,813,319	1,813,319
Total assets in the fair value hierarchy	\$ 22,583,271	\$ 346,196	\$ 1,813,319	\$ 24,742,786

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 30, 2019:

	Assets at Fair Value as of December 31, 2019			
	(Level 1)	(Level 2)	(Level 3)	Total
Investments, fair value				
Mutual Funds	\$ 7,635,813	\$ -	\$ -	\$ 7,635,813
Money Fund Accounts	108,533	-	-	108,533
EFT	9,741,585	-	-	9,741,585
REIT	290,460	-	-	290,460
Equity Securities, publicly traded	1,545,066	-	-	1,545,066
Annuities	-	337,168	-	337,168
	19,321,457	337,168	-	19,658,625
Split-Interest Agreements	-	-	1,565,694	1,565,694
Total assets in the fair value hierarchy	\$ 19,321,457	\$ 337,168	\$ 1,565,694	\$ 21,224,319

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NOTES TO FINANCIAL STATEMENTS

Note 4. Investments Held at Fair Value and Investment Return (Continued)

The following table summarizes the changes during the year to Level 3 investment instruments for the years ended December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
	<u>Split-Interest Agreements</u>	
Balances, beginning of year	\$ 1,565,694	\$ 1,086,049
Additional Contributions	262,200	323,493
Realized and Unrealized Gains (Losses)	<u>(14,575)</u>	<u>156,152</u>
Balances, end of year	<u>\$ 1,813,319</u>	<u>\$ 1,565,694</u>

Note 5. Property and Equipment

Property and equipment consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Collectibles	\$ -	\$ 167,050
Furniture, Fixtures & Office Equipment	<u>31,532</u>	<u>21,758</u>
	31,532	188,808
Less accumulated depreciation	<u>(20,680)</u>	<u>(14,374)</u>
Property and equipment, net	<u>\$ 10,852</u>	<u>\$ 174,434</u>

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Purpose Restricted Charitable Programs	<u>\$ 187,729,275</u>	<u>\$ 184,551,156</u>

Net assets released from restriction during the years ended December 31, 2020 and 2019 through satisfaction of the following purpose restrictions:

	<u>2020</u>	<u>2019</u>
Purpose Restricted Charitable Programs	<u>\$ 9,338,136</u>	<u>\$ 13,490,544</u>

UNITED CHARITABLE

NOTES TO FINANCIAL STATEMENTS

Note 7. Charitable Programs and Donor Advised Funds

Each program approved by the Organization's Board becomes a Charitable Program. At December 31, 2020 and 2019, the Organization had approximately 121 and 113 Charitable Programs, respectively. The Program Manager, who is not a contributor, may nominate contributions or gifts received by the Organization for a particular charitable use.

At December 31, 2020 and 2019, the Organization had approximately 410 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 the Organization for a particular charitable use. Unexpended amounts are treated as net assets with donor restriction.

Note 8. Retirement Plan

All Organization employees who have been employed by the Organization for thirty days are eligible to participate in a 401(k) plan. The Organization made retirement plan contributions of \$23,592 and \$30,766 for the years ended December 31, 2020 and 2019, respectively.

Note 9. Leases

The Organization leased office space in McLean, Virginia in February 2016, which expires in December 2021. The terms of the lease agreement require base monthly payments currently of \$7,136, increasing three percent each year. The lease is also subject to operating cost increases and real estate tax increases. Subsequent to year end, the Organization entered into a new lease for office space in Ashburn, Virginia commencing in December 2021.

Future minimum lease payments as of December 31, 2020 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	<u>\$ 93,569</u>
Total minimum lease payments	<u><u>\$ 93,569</u></u>

Note 10. Related Party Transactions

The Organization is supported by National Heritage Foundation (NHF). NHF is organized exclusively for the benefit of United Charitable, and contributed of \$67,446 and \$67,252 for the years ended December 31, 2020 and 2019, respectively. The Organization had an amount due from the supporting organization of \$306,555 for the years ended December 31, 2020 and 2019.

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NOTES TO FINANCIAL STATEMENTS

Note 10. Related Party Transactions (Continued)

The Organization has issued a \$1,000,000 line of credit to the supporting organization, which is unsecured and due on demand. There was no outstanding balance at December 31, 2020 and 2019. Interest is at two percent. Related interest income was \$-0- for the years ended December 31, 2020 and 2019.

Note 11. Payroll Protection Program

The Organization borrowed \$180,633 through the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act during the year ended December 31, 2020. Subsequent to year-end, the full balance of the PPP loan was forgiven.

Under this program, the Organization elected to recognize forgivable amounts of the loan in income as qualifying expenditures were incurred and as a result, recognized the full amount in support and revenue on the statement of activities during 2020.

Subsequent to year end, the Organization borrowed \$187,517 through the second round of PPP funds. Borrowings could be subject to an interest rate of 1% and two year repayment schedule if not forgiven under provisions of the CARES Act.