

UNITED CHARITABLE
FINANCIAL STATEMENTS
DECEMBER 31, 2021



ASSURANCE, TAX & ADVISORY SERVICES

UNITED CHARITABLE
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
United Charitable

Opinion

We have audited the financial statements of United Charitable (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PBMares, LLP

Warrenton, Virginia
December 2, 2022

FINANCIAL STATEMENTS

UNITED CHARITABLE

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,606,301	\$ 1,329,959
Grants receivable, current portion	101,790	-
Other receivables	7,121	8,350
Prepaid expenses	34,955	55,878
Total current assets	4,750,167	1,394,187
Investments, equity method		
Investees holding financial assets	112,739,439	112,038,035
Investees holding nonfinancial assets	41,890,409	40,327,242
Investees holding commercial real estate	23,819,547	15,926,663
Total investments, equity method	178,449,395	168,291,940
Investments, at fair value	28,859,883	22,929,467
Life Insurance, cash surrender value	3,718,949	4,072,043
Split-Interest agreements	1,796,439	1,813,319
Grants receivable, noncurrent portion	101,790	-
Due from related parties, long-term	317,008	306,555
Property and equipment, net	5,733	10,852
Security deposits	12,328	6,928
Total assets	\$ 218,011,692	\$ 198,825,291
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 265,357	\$ 155,865
Deferred lease obligation	-	12,084
Total current liabilities	265,357	167,949
Net Assets, without donor restrictions	16,597,350	10,928,067
Net Assets, with donor restrictions	201,148,985	187,729,275
Total net assets	217,746,335	198,657,342
Total liabilities and net assets	\$ 218,011,692	\$ 198,825,291

UNITED CHARITABLE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants	\$ 137,064	\$ 7,946,579	\$ 8,083,643
Non-cash contributions - LLC gifts	-	6,637,172	6,637,172
Non-cash contributions - marketable securities	-	5,008,282	5,008,282
Gain from equity method investees	5,645,101	1,047,975	6,693,076
Investment return	96,807	2,420,247	2,517,054
Event revenue	-	110,808	110,808
Program service revenue	34,714	293,481	328,195
Other income	-	686,051	686,051
Net assets released from restrictions	10,730,885	(10,730,885)	-
Total support and revenue	16,644,571	13,419,710	30,064,281
Expenses			
Program services	9,409,081	-	9,409,081
General and administrative	1,413,872	-	1,413,872
Fundraising	152,335	-	152,335
Total expenses	10,975,288	-	10,975,288
Change in net assets	5,669,283	13,419,710	19,088,993
Net Assets, beginning of year	10,928,067	187,729,275	198,657,342
Net Assets, end of year	\$ 16,597,350	\$ 201,148,985	\$ 217,746,335

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 FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Accounting and legal	\$ 204,515	\$ 151,653	\$ -	\$ 356,168
Advertising	310,544	-	214	310,758
Bank fees	37,195	28,325	-	65,520
Conferences	6,112	392	-	6,504
Depreciation	4,021	1,098	-	5,119
Donations	5,984,125	-	-	5,984,125
Dues and subscriptions	6,104	6,086	-	12,190
Equipment rental and repairs	42,021	4,390	-	46,411
Events	81,219	722	-	81,941
Insurance	45,161	68,243	-	113,404
Licenses, taxes and fees	7,200	5,081	-	12,281
Maintenance	27,855	106,656	-	134,511
Miscellaneous	24,839	45,983	-	70,822
Office expense	56,767	10,887	3,202	70,856
Payroll taxes	76,251	47,520	8,364	132,135
Program support	136,979	-	-	136,979
Publications	6,589	-	-	6,589
Rent and occupancy	85,437	93,343	-	178,780
Salaries and employee benefits	1,028,929	705,059	132,874	1,866,862
Sub-contractors and program consultants	1,130,791	121,506	-	1,252,297
Telephone	4,211	5,694	-	9,905
Travel and meals	102,216	11,234	7,681	121,131
Total expenses	\$ 9,409,081	\$ 1,413,872	\$ 152,335	\$ 10,975,288

UNITED CHARITABLE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program Services	General and Administrative	Fundraising	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	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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STATEMENTS OF CASH FLOWS Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 19,088,993	\$ 10,543,564
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,119	6,305
Non-cash contributions in	(11,645,454)	(4,958,306)
Non-cash donations out	2,124,818	-
Gain from equity method investees	(6,698,076)	(5,111,215)
Loss on collections	-	167,050
Realized and unrealized gain on investments	(2,062,344)	(1,240,113)
Decrease (increase) in life insurance cash surrender value	353,094	(300,950)
Decrease (increase) in:		
Grants receivable	(203,580)	-
Other receivables	1,229	5,880
Prepaid expenses	20,923	(27,822)
Split-interest agreements	16,880	(247,625)
Due from related parties	(10,453)	-
Security deposits	(5,400)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	109,492	28,488
Deferred lease obligation	(12,084)	(9,207)
Net cash provided by (used in) operating activities	1,083,158	(1,143,951)
Cash Flows from Investing Activities		
Proceeds from sales of investments	10,815,652	6,893,627
Distributions of LP/LLC principal	1,052,975	1,292,095
Purchases of investments	(9,675,442)	(6,380,104)
Purchases of property and equipment	-	(9,773)
Net cash provided by investing activities	2,193,184	1,795,845
Increase in cash and cash equivalents	3,276,342	651,894
Cash and Cash Equivalents		
Beginning	1,329,959	678,065
Ending	\$ 4,606,301	\$ 1,329,959

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.

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.

Grants receivable: Grants receivable that are expected to be collected in less than one year are reported at net realizable value. Grants receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flow. Amortization of the resulting discount is recognized as contribution revenue. There was no bad debt expense related to grants and other receivables for the years ended December 31, 2021 and 2020.

Investments accounted for using the equity method: The Organization receives 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, 2021 and 2020 were \$3,991,982 and \$2,414,054, 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: The Organization does not currently have significant revenue from contracts with customers, although this may change in the future.

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.

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.

UNITED CHARITABLE

NOTES TO FINANCIAL STATEMENTS

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

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.

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 2, 2022, which is the date these financial statements were available to be issued. See Note 11 for a discussion of subsequent events.

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NOTES TO FINANCIAL STATEMENTS

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, were comprised of the following at December 31, 2021:

Cash and cash equivalents	\$	4,606,301
Grants receivable, current portion		101,790
Other receivables		<u>7,121</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>4,715,212</u></u>

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.

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, 2021 are summarized below:

Condensed Balance Sheet Information as of December 31, 2021

	Investees holding commercial real estate	Investees holding financial assets	Investees holding nonfinancial assets
Total assets	\$ 23,485,321	\$ 100,548,178	\$ 53,944,446
Total liabilities	\$ 395,383	\$ 600,649	\$ 500,846
Equity	23,089,938	99,947,529	53,443,600
Total liabilities and equity	\$ 23,485,321	\$ 100,548,178	\$ 53,944,446

Results of Operations for Year Ended December 31, 2021

Results of operations	\$ 1,977,576	\$ 5,952,068	\$ 1,371,832
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NOTES TO FINANCIAL STATEMENTS

Note 3. Investments Accounted for Using the Equity Method (Continued)

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	\$ 17,405,835	\$ 117,655,047	\$ 53,089,020
Total liabilities	\$ 87,126	\$ 940,076	\$ 500,171
Equity	17,318,709	116,714,971	52,588,849
Total liabilities and equity	\$ 17,405,835	\$ 117,655,047	\$ 53,089,020

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

Note 4. Investments Held at Fair Value and Investment Return

Investment return consists of the following at December 31:

	2021	2020
Interest and dividends	\$ 690,022	\$ 562,363
Net realized gains	2,033,267	382,888
Net unrealized gains	36,492	1,152,145
Change in value of split-interest agreements	(16,880)	(14,575)
Investment fees	(225,847)	(184,784)
Total investment return	\$ 2,517,054	\$ 1,898,037

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.

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NOTES TO FINANCIAL STATEMENTS

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

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. There have been no changes in the techniques and inputs used at December 31, 2021 and 2020.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the techniques and inputs used at June 30, 2022 and 2021.

Mutual funds: Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Money fund accounts: Shares of money funds are valued at quoted market prices that represent the net asset value (NAV) of shares held by the Entity at year-end.

Exchange traded funds (ETF): The fair value of ETFs is the market value in trades in active markets.

Real estate investment trust (REIT): The fair value of REITs is the market value in trades in active markets.

Equity securities: Securities listed on US and global exchanges generally are valued at the last sale price on the exchange on which the security is principally traded. The value of securities listed on the NASDAQ Stock Market, Inc. is generally the NASDAQ Official Closing Price. Listed foreign equity securities for which the latest sale prices are not available generally are valued at the average of the latest bid and ask price as of the closing of the primary exchange where such securities are normally traded. Unlisted securities generally are valued at the last sale price.

Annuities: The fair value of annuities is derived from the underlying value of the contracts.

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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 31, 2021:

	Fair Value Measurements as of December 31, 2021			
	(Level 1)	(Level 2)	(Level 3)	Total
Investments, fair value				
Mutual funds	\$ 8,660,110	\$ -	\$ -	\$ 8,660,110
Money fund accounts	698,904	-	-	698,904
ETF	16,670,959	-	-	16,670,959
REIT	219,310	-	-	219,310
Equity securities, publicly traded	2,283,466	-	-	2,283,466
Annuities	-	327,134	-	327,134
Total investments, fair value	28,532,749	327,134	-	28,859,883
Split-Interest agreements	-	-	1,796,439	1,796,439
Total assets in the fair value hierarchy	\$ 28,532,749	\$ 327,134	\$ 1,796,439	\$ 30,656,322

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	Fair Value Measurements 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
ETF	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
Total investments, fair value	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

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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:

	<u>2021</u>	<u>2020</u>
	<u>Split-Interest Agreements</u>	
Balances, beginning of year	\$ 1,813,319	\$ 1,565,694
Additional contributions	-	262,200
Realized and unrealized gains (losses)	<u>(16,880)</u>	<u>(14,575)</u>
Balances, end of year	<u>\$ 1,796,439</u>	<u>\$ 1,813,319</u>

Note 5. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures & office equipment	\$ 31,532	\$ 31,532
Less accumulated depreciation	<u>(25,799)</u>	<u>(20,680)</u>
Property and equipment, net	<u>\$ 5,733</u>	<u>\$ 10,852</u>

Note 6. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Purpose Restricted Charitable Programs	<u>\$ 201,148,985</u>	<u>\$ 187,729,275</u>

Net assets released from restriction during the years ended December 31, 2021 and 2020 through satisfaction of the following purpose restrictions:

	<u>2021</u>	<u>2020</u>
Purpose Restricted Charitable Programs	<u>\$ 10,730,885</u>	<u>\$ 9,338,136</u>

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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, 2021 and 2020, the Organization had approximately 100 and 121 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, 2021 and 2020, the Organization had approximately 432 and 410 donor advised funds, respectively. 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 \$24,248 and \$23,592 for the years ended December 31, 2021 and 2020, respectively.

Note 9. Leases

The Organization leased office space in McLean, Virginia in February 2016, which expired in December 2021. The terms of the lease agreement required base monthly payments of \$7,136, increasing three percent each year. The lease was also subject to operating cost increases and real estate tax increases. During the year ended December 31, 2021, the Organization entered into a new office space lease in Ashburn, Virginia, to commence January 1, 2022 and expire December 31, 2026 with the option to renew for an additional five years. The terms of the lease agreement require base monthly payments of \$5,400, increasing approximately three percent each year.

Future minimum lease payments as of December 31, 2021 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 64,800
2023	66,744
2024	68,748
2025	70,800
2026	<u>72,924</u>
Total minimum lease payments	<u><u>\$ 344,016</u></u>

Rent expense was \$178,780 and \$174,867 for the years ended December 31, 2021 and 2020, respectively. This expense includes month-to-month and one-time rentals related to the Organization's programs.

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NOTES TO FINANCIAL STATEMENTS

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 \$334,683 and \$67,446 for the years ended December 31, 2021 and 2020, respectively. The Organization had an amount due from the supporting organization of \$317,008 and \$306,555 for the years ended December 31, 2021 and 2020.

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, 2021 and 2020. Interest is at two percent. Related interest income was \$-0- for the years ended December 31, 2021 and 2020.

Note 11. Paycheck Protection Program

As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Organization received Paycheck Protection Program (PPP) loans in the amounts of \$187,517 and \$180,633, during the years ended December 31, 2021 and 2020, respectively. The Organization accounted for the PPP loans as contributions in the years ended December 31, 2021 and 2020 as the conditions for PPP loan forgiveness had been fully or substantially met. The PPP loans were forgiven in full in May 2021 and 2022, respectively.