

**UNITED CHARITABLE**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**



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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, 2022 and 2021, 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, 2022 and 2021, 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 13, 2023

## **FINANCIAL STATEMENTS**

## UNITED CHARITABLE

### STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,002,558	\$ 4,606,301
Grants receivable, current portion	269,291	101,790
Other receivables	17,488	7,121
Prepaid expenses	76,163	34,955
<b>Total current assets</b>	<b>2,365,500</b>	<b>4,750,167</b>
Investments, equity method		
Investees holding financial assets	109,996,934	112,739,439
Investees holding nonfinancial assets	14,197,930	41,890,409
Investees holding commercial real estate	24,535,021	23,819,547
<b>Total investments, equity method</b>	<b>148,729,885</b>	<b>178,449,395</b>
Investments, at fair value	27,523,202	28,859,883
Life insurance, cash surrender value	3,414,206	3,718,949
Split-interest agreements	1,042,329	1,796,439
Grants receivable, noncurrent portion	-	101,790
Due from related parties, long-term	-	317,008
Right-of-use asset - operating	294,530	-
Property and equipment, net	3,910	5,733
Security deposits	12,328	12,328
<b>Total assets</b>	<b>\$ 183,385,890</b>	<b>\$ 218,011,692</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 356,517	\$ 265,357
Short-term operating lease liabilities	66,872	-
<b>Total current liabilities</b>	<b>423,389</b>	<b>265,357</b>
Long-Term operating lease liabilities	232,300	-
<b>Total liabilities</b>	<b>655,689</b>	<b>265,357</b>
Net Assets, without donor restrictions	10,492,925	16,597,350
Net Assets, with donor restrictions	172,237,276	201,148,985
<b>Total net assets</b>	<b>182,730,201</b>	<b>217,746,335</b>
<b>Total liabilities and net assets</b>	<b>\$ 183,385,890</b>	<b>\$ 218,011,692</b>

## UNITED CHARITABLE

### STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Contributions and grants	\$ 170,578	\$ 7,237,630	\$ 7,408,208
Non-cash contributions - LLC gifts	-	4,667,032	4,667,032
Non-cash contributions - marketable securities	2,296	3,390,458	3,392,754
Contributed nonfinancial assets	18,995	-	18,995
Loss from equity method investees	(3,024,452)	-	(3,024,452)
Loss on investments	(1,460,290)	(3,454,566)	(4,914,856)
Event revenue	-	271,935	271,935
Program service revenue, net of expenses	1,000,817	(535,066)	465,751
Other income (loss)	-	(304,742)	(304,742)
Net assets released from restrictions	40,184,390	(40,184,390)	-
<b>Total support and revenue</b>	<b>36,892,334</b>	<b>(28,911,709)</b>	<b>7,980,625</b>
<b>Expenses</b>			
Program services	41,123,470	-	41,123,470
General and administrative	1,635,944	-	1,635,944
Fundraising	237,345	-	237,345
<b>Total expenses</b>	<b>42,996,759</b>	<b>-</b>	<b>42,996,759</b>
<b>Change in net assets</b>	<b>(6,104,425)</b>	<b>(28,911,709)</b>	<b>(35,016,134)</b>
Net Assets, beginning of year	16,597,350	201,148,985	217,746,335
Net Assets, end of year	\$ 10,492,925	\$ 172,237,276	\$ 182,730,201

## 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
Gain on investments	96,807	2,420,247	2,517,054
Event revenue	-	110,808	110,808
Program service revenue, net of expenses	34,714	293,481	328,195
Other income (loss)	-	686,051	686,051
Net assets released from restrictions	10,730,885	(10,730,885)	-
<b>Total support and revenue</b>	<b>16,644,571</b>	<b>13,419,710</b>	<b>30,064,281</b>
Expenses			
Program services	9,409,081	-	9,409,081
General and administrative	1,413,872	-	1,413,872
Fundraising	152,335	-	152,335
<b>Total expenses</b>	<b>10,975,288</b>	<b>-</b>	<b>10,975,288</b>
<b>Change in net assets</b>	<b>5,669,283</b>	<b>13,419,710</b>	<b>19,088,993</b>
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 FUNCTIONAL EXPENSES Year Ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Accounting and legal	\$ 247,451	\$ 146,321	\$ -	\$ 393,772
Advertising	344,745	-	238	344,983
Bank fees	58,524	31,988	-	90,512
Conferences	24,159	2,264	-	26,423
Depreciation	-	1,823	-	1,823
Donations	35,792,670	-	-	35,792,670
Dues and subscriptions	13,455	6,430	-	19,885
Equipment rental and repairs	41,434	13,302	-	54,736
Program events	281,242	15,340	-	296,582
Insurance	52,690	63,359	-	116,049
Licenses, taxes and fees	3,440	14,329	-	17,769
Maintenance	60,009	65,901	-	125,910
Miscellaneous	42,172	33,450	-	75,622
Office expense	67,177	6,054	3,466	76,697
Payroll taxes	128,775	55,878	12,479	197,132
Program support	124,820	-	-	124,820
Publications	16,252	-	-	16,252
Rent and occupancy	129,559	74,388	1,148	205,095
Salaries and employee benefits	1,697,330	878,145	197,357	2,772,832
Subcontractors and consultants	1,696,182	185,337	-	1,881,519
Telephone	2,675	5,705	-	8,380
Travel and meals	298,709	35,930	22,657	357,296
<b>Total expenses</b>	<b>\$ 41,123,470</b>	<b>\$ 1,635,944</b>	<b>\$ 237,345</b>	<b>\$ 42,996,759</b>

## 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
Program 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
Subcontractors and 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
<b>Total expenses</b>	<b>\$ 9,409,081</b>	<b>\$ 1,413,872</b>	<b>\$ 152,335</b>	<b>\$ 10,975,288</b>

## UNITED CHARITABLE

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (35,016,134)	\$ 19,088,993
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,823	5,119
Non-cash contributions in	(8,059,786)	(11,645,454)
Non-cash donations out	30,298,949	2,124,818
Reduction in the carrying amount of right-of-use assets	79,750	-
Loss (Gain) from equity method investees	3,024,452	(6,698,076)
Realized and unrealized loss (gain) on investments	4,566,186	(2,062,344)
Increase in life insurance cash surrender value	304,743	353,094
Decrease (increase) in:		
Grants receivable	(65,711)	(203,580)
Other receivables	(10,367)	1,229
Prepaid expenses	(41,208)	20,923
Split-interest agreements	754,110	16,880
Due from related parties	317,008	(10,453)
Security deposits	-	(5,400)
Increase (decrease) in:		
Accounts payable and accrued expenses	91,160	109,492
Cash paid for reduction of operating lease liability	(75,108)	(12,084)
<b>Net cash provided by (used in) operating activities</b>	<b>(3,830,133)</b>	<b>1,083,157</b>
Cash Flows from Investing Activities		
Proceeds from sales of investments	22,616,712	10,815,652
Distributions of LP/LLC principal	1,063,141	1,052,975
Purchases of investments	(22,453,463)	(9,675,442)
<b>Net cash provided by investing activities</b>	<b>1,226,390</b>	<b>2,193,185</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(2,603,743)</b>	<b>3,276,342</b>
Cash and Cash Equivalents		
Beginning	4,606,301	1,329,959
Ending	\$ 2,002,558	\$ 4,606,301
Supplemental Disclosure of Cash Flow Information		
Right-of-use assets exchanged for operating lease liabilities	\$ 361,211	\$ -

## UNITED CHARITABLE

### NOTES TO FINANCIAL STATEMENTS

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#### **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, 2022 and 2021.

***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

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

**Investments accounted for using the equity method (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, 2022 and 2021 were \$4,667,032 and \$6,637,172 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.

**Leases:** Effective January 1, 2022, the Organization changed its method of accounting for leases due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), as amended. The Organization adopted the standard using a modified retrospective transition approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022. The adoption of this guidance resulted in the inclusion of right-of-use (ROU) assets and lease liabilities on the statements of financial position.

As part of this adoption, the Organization has elected the practical expedient relief package allowed by the new standard, which does not require the reassessment of (i) whether any existing contracts at transition are or contain leases, (ii) the historical lease classification or (iii) the initial direct costs for any existing leases.

Additionally, the Organization made accounting policy elections such as exclusion of short-term leases (leases with a term of 12 months or less and which do not include a purchase option that the Organization is reasonably certain to exercise) from the statements of financial position presentation, use of portfolio approach in determination of discount rate and accounting for nonlease components in a contract as part of a single lease component for all asset classes, except specific mining operation equipment. The Organization does not separate lease components for real estate leases.

## UNITED CHARITABLE

### NOTES TO FINANCIAL STATEMENTS

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

**Leases (continued):** At contract inception, the Organization determines if a contract is or contains a lease and whether it is an operating lease or a finance lease. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract; and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

For leases that have a lease term greater than one year, the Organization initially recognizes lease liabilities and ROU assets at the lease commencement date, which is the date that the lessor makes an underlying asset available for use by the Organization. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the present value of the Organization's obligation to make lease payments, primarily escalating fixed payments, over the lease term. The discount rate used to determine the present value of the lease payments is generally the rate implicit in the lease agreement. If the discount rate implicit in the lease agreement is not readily determinable, the Organization uses its incremental borrowing rate.

The incremental borrowing rate for the lease term is determined by adjusting the Organization's unsecured borrowing rate for a similar term to approximate a collateralized borrowing rate. The Organization's lease terms for each of its leases represents the noncancelable period for which the Organization has the right to use an underlying asset, together with all of the following: (i) periods covered by an option to extend the lease, if the Organization is reasonably certain to exercise that option; (ii) periods covered by an option to terminate the lease if the Organization is reasonably certain not to exercise that option; and (iii) periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the lessor. The Organization recognizes lease expense on a straight-line basis over the lease term.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of any index or other periodic market-rate adjustments to base rent are recorded in variable lease expenses in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities of \$361,211 at January 1, 2022. The adoption of the new lease standard did not impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to net assets as of January 1, 2022.

**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

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

##### *Net assets (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.

*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.

*Contributed nonfinancial assets:* All contributed nonfinancial assets are recorded as contribution revenue and expensed at their fair value at the date of donation. Contributed services are recognized if the services rendered either create or enhance nonfinancial assets and the services require special skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions are recorded as support without donor restrictions. Contributed nonfinancial assets recorded on the statement of activities consisted of supplies at December 31, 2022.

*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.

## UNITED CHARITABLE

### NOTES TO FINANCIAL STATEMENTS

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

**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 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.

**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.

**Adopted accounting pronouncements:** Effective January 1, 2022, the Organization adopted ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. Information regarding contributed nonfinancial assets is disclosed earlier in Note 1.

Effective January 1, 2022, the Organization adopted ASU 2016-02, *Leases* (Topic 842), as discussed earlier in Note 1.

**Upcoming accounting pronouncements:** In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct writedown. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statements of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.



**UNITED CHARITABLE**

**NOTES TO FINANCIAL STATEMENTS**

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

*Subsequent events:* The Organization has evaluated all subsequent events through December 13, 2023, which is the date these financial statements were available to be issued.

**Note 2. Liquidity and Availability of Resources**

The Organization’s financial assets available within one year of the statements of financial position date for general expenditures, were comprised of the following at December 31, 2022:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,002,558	\$ 4,606,301
Grants receivable, current portion	269,291	101,790
Other receivables	17,488	7,121
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 2,289,337</b>	<b>\$ 4,715,212</b>

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, 2022 are summarized below:

<b>Condensed Balance Sheet Information as of December 31, 2022</b>			
	Investees holding commercial real estate	Investees holding financial assets	Investees holding nonfinancial assets
Total assets	<u>\$ 26,243,767</u>	<u>\$ 120,783,547</u>	<u>\$ 17,200,937</u>
Total liabilities	\$ 420,486	\$ 518,935	\$ 501,521
Equity	<u>25,823,281</u>	<u>120,264,612</u>	<u>16,699,416</u>
<b>Total liabilities and equity</b>	<b>\$ 26,243,767</b>	<b>\$ 120,783,547</b>	<b>\$ 17,200,937</b>
<b>Results of Operations for Year Ended December 31, 2022</b>			
Results of operations	<u>\$ 472,630</u>	<u>\$ (3,645,585)</u>	<u>\$ (69,862)</u>

## UNITED CHARITABLE

### 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, 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	\$ 25,745,753	\$ 123,025,459	\$ 53,944,446
Total liabilities	\$ 395,383	\$ 600,649	\$ 500,846
Equity	25,350,370	122,424,810	53,443,600
<b>Total liabilities and equity</b>	<b>\$ 25,745,753</b>	<b>\$ 123,025,459</b>	<b>\$ 53,944,446</b>

  

Results of Operations for Year Ended December 31, 2021			
Results of operations	\$ 1,977,576	\$ 5,952,068	\$ 1,371,832

#### Note 4. Investments Held at Fair Value and Investment Return

Investment return consisted of the following at December 31:

	2022	2021
Interest and dividends	\$ 657,802	\$ 690,022
Net realized gains	1,838,684	2,033,267
Net unrealized gains	(6,404,870)	36,492
Change in value of split-interest agreements	(754,110)	(16,880)
Investment fees	(252,362)	(225,847)
<b>Total investment return</b>	<b>\$ (4,914,856)</b>	<b>\$ 2,517,054</b>

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.

## UNITED CHARITABLE

### NOTES TO FINANCIAL STATEMENTS

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#### **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, 2022 and 2021.

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 December 31, 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 net asset value (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 NAV of shares held by the Organization 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.

## 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 31, 2022:

	Fair Value Measurements as of December 31, 2022			
	(Level 1)	(Level 2)	(Level 3)	Total
Investments, fair value				
Mutual funds	\$ 7,383,557	\$ -	\$ -	\$ 7,383,557
Money fund accounts	584,346	-	-	584,346
ETF	15,327,320	-	-	15,327,320
REIT	109,416	-	-	109,416
Equity securities, publicly traded	1,820,032	-	-	1,820,032
Fixed income	-	2,200,509	-	2,200,509
Annuities	-	98,022	-	98,022
<b>Total investments, fair value</b>	<b>25,224,671</b>	<b>2,298,531</b>	<b>-</b>	<b>27,523,202</b>
Split-Interest agreements	-	-	1,042,329	1,042,329
<b>Total assets in the fair value hierarchy</b>	<b>\$ 25,224,671</b>	<b>\$ 2,298,531</b>	<b>\$ 1,042,329</b>	<b>\$ 28,565,531</b>

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
<b>Total investments, fair value</b>	<b>28,532,749</b>	<b>327,134</b>	<b>-</b>	<b>28,859,883</b>
Split-Interest agreements	-	-	1,796,439	1,796,439
<b>Total assets in the fair value hierarchy</b>	<b>\$ 28,532,749</b>	<b>\$ 327,134</b>	<b>\$ 1,796,439</b>	<b>\$ 30,656,322</b>

## UNITED CHARITABLE

### NOTES TO FINANCIAL STATEMENTS

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#### 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>2022</u>	<u>2021</u>
	<u>Split-Interest Agreements</u>	
Balances, beginning of year	\$ 1,796,439	\$ 1,813,319
Realized and unrealized losses	<u>(754,110)</u>	<u>(16,880)</u>
Balances, end of year	<u>\$ 1,042,329</u>	<u>\$ 1,796,439</u>

#### Note 5. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture, fixtures & office equipment	\$ 31,532	\$ 31,532
Less accumulated depreciation	<u>(27,622)</u>	<u>(25,799)</u>
Property and equipment, net	<u>\$ 3,910</u>	<u>\$ 5,733</u>

#### Note 6. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Purpose Restricted Charitable Programs	<u>\$ 172,237,276</u>	<u>\$ 201,148,985</u>

Net assets released from restriction during the years ended December 31, 2022 and 2021 through satisfaction of the following purpose restrictions:

	<u>2022</u>	<u>2021</u>
Purpose Restricted Charitable Programs	<u>\$ 40,184,390</u>	<u>\$ 10,730,885</u>

## UNITED CHARITABLE

### NOTES TO FINANCIAL STATEMENTS

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#### Note 7. Charitable Programs and Donor Advised Funds

Each program approved by the Organization's Board becomes a Charitable Program. At December 31, 2022 and 2021, the Organization had approximately 123 and 100 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, 2022 and 2021, the Organization had approximately 432 donor advised funds. Net assets with donor restrictions 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 \$32,092 and \$24,248 for the years ended December 31, 2022 and 2021, respectively.

#### Note 9. Leases

The Organization leased office space in McLean, Virginia, 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. The Organization incurred rent expense was \$178,780 for the year ended December 31, 2021 as a result of this lease and program leases, under the previous lease standard.

The Organization leases office space lease in Ashburn, Virginia, which commenced January 1, 2022 and expires 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.

The Organization leases office space for one of its programs with options to renew annually each June, requiring monthly payments of \$2,650. Other programs have leases for space with no obligation for the Organization. These leases are considered to be short-term leases.

Lease expense consisted of the following at December 31, 2022:

Lease Expense	
Operating lease expense	\$ 74,743
Short-term lease expense	130,133
	<hr/>
<b>Total lease expense</b>	<b>\$ 204,876</b>

## UNITED CHARITABLE

### NOTES TO FINANCIAL STATEMENTS

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#### Note 9. Leases (Continued)

The following is other supplemental information relating to the Organization's operating lease:

##### Other Supplemental Information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 75,108
ROU assets obtained in exchange for new operating lease liabilities	\$ 361,211
Weighted-average remaining lease term in years for operating leases	4
Weighted-average discount rate for operating leases	4%

Future maturities of the Organization's operating lease are as follows:

Year Ending December 31,	Amount
2023	\$ 77,364
2024	79,680
2025	82,068
2026	84,528
Total undiscounted cash flows	323,640
Less: present value discount	(24,468)
<b>Total lease liabilities</b>	<b>\$ 299,172</b>

#### 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 \$3,837,091 and \$334,683 for the years ended December 31, 2022 and 2021, respectively. The Organization paid expenses on behalf of NHF of \$1,955 and \$0 during the years ended December 31, 2022 and 2021, respectively. The Organization had an amount due from the supporting organization of \$0 and \$317,008 for the years ended December 31, 2022 and 2021, respectively.

The amount of donations received from NHF during the year ended December 31, 2022 represent a donor concentration as total contributions exceed 10% of total revenue and support.

The Organization had issued a \$1,000,000 line of credit to NHF, which was unsecured and due on demand. There was no outstanding balance at December 31, 2022 and 2021. Interest was at two percent. Related interest income was \$0 for the years ended December 31, 2022 and 2021. The line of credit was closed during the year ended December 31, 2022.

NHF closed as of December 31, 2022.

## UNITED CHARITABLE

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 11. Paycheck Protection Program**

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

#### **Note 12. Employee Retention Credits**

During the year ended December 31, 2022, the Organization applied for Employee Retention Credits totaling \$157,791, the amount is included in grant revenue on the statement of activities. Subsequent to year end, the Organization received the balance in full.