

America's Charities and Affiliates

Consolidated Financial Report
December 31, 2022

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RSM US LLP

Independent Auditor's Report

Board of Directors
America's Charities

Opinion

We have audited the consolidated financial statements of America's Charities and Affiliates (collectively, America's Charities), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of America's Charities as of December 31, 2022 and 2021, and the changes in their net assets and their 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 Consolidated Financial Statements section of our report. We are required to be independent of America's Charities 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.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, America's Charities adopted the Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about America's Charities' ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 America's Charities' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about America's Charities' 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.

RSM US LLP

McLean, Virginia
June 28, 2023

America's Charities and Affiliates

Consolidated Balance Sheets December 31, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 7,520,617	\$ 14,663,401
Investments	9,046,550	-
Promises to give (pledges)	1,462,304	3,347,072
Member charity fees receivable, net of allowance for doubtful accounts of \$55,869 in 2022 and \$62,235 in 2021	64,920	348,612
Receivables from cryptocurrency platforms	-	957,006
Other receivables	1,291,231	787,403
Other assets	83,711	248,188
Property and equipment, net	123,479	76,689
Right-of-use asset for operating lease	1,373,146	-
Goodwill, net	118,743	139,654
Total assets	\$ 21,084,701	\$ 20,568,025
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 460,820	\$ 431,614
Campaign funds payable to member/nonmember charities	6,167,603	11,270,860
Deferred revenue	643,255	450,458
Line of credit	250,000	-
Lease liability	1,576,942	-
Deferred rent	-	86,478
Total liabilities	9,098,620	12,239,410
Commitments and contingency (Notes 7 and 10)		
Net assets:		
Without donor restrictions	642,047	1,127,708
With donor restrictions	11,344,034	7,200,907
Total net assets	11,986,081	8,328,615
	\$ 21,084,701	\$ 20,568,025

See notes to consolidated financial statements.

America's Charities and Affiliates

Consolidated Statements of Activities Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Amounts raised in campaigns, net of estimated campaign expenses incurred by other organizations and shrinkage:						
Combined federal campaign	\$ 4,163,883	\$ -	\$ 4,163,883	\$ 4,694,391	\$ -	\$ 4,694,391
Campaign management services	22,430,259	-	22,430,259	24,464,593	-	24,464,593
Private sector	587,408	-	587,408	1,064,562	-	1,064,562
State and local	926,269	-	926,269	1,248,997	-	1,248,997
Total net amounts raised in campaigns	28,107,819	-	28,107,819	31,472,543	-	31,472,543
Less amounts raised on behalf of others	27,957,676	-	27,957,676	31,233,739	-	31,233,739
Support designated to America's Charities and Affiliates	150,143	-	150,143	238,804	-	238,804
Employee assistance funds donations	-	9,013,772	9,013,772	-	4,440,193	4,440,193
Campaign management fees	1,639,408	-	1,639,408	1,696,818	-	1,696,818
Member charity fees	1,268,691	-	1,268,691	1,336,707	-	1,336,707
Contributions of nonfinancial assets	515,256	-	515,256	1,028,466	-	1,028,466
Employee assistance funds fees	1,247,581	-	1,247,581	632,615	-	632,615
Forgiveness of Paycheck Protection Program loan	-	-	-	487,180	-	487,180
Campaign advertising fees	112,420	-	112,420	108,716	-	108,716
Investment income, net	46,550	-	46,550	-	-	-
Other	40,185	-	40,185	42,747	-	42,747
Net assets released from restriction	4,870,645	(4,870,645)	-	4,073,916	(4,073,916)	-
Total support and revenue	9,890,879	4,143,127	14,034,006	9,645,969	366,277	10,012,246
Expenses:						
Program services:						
Member campaign services	857,475	-	857,475	1,546,861	-	1,546,861
Campaign management services	2,437,255	-	2,437,255	2,570,361	-	2,570,361
Employee assistance funds services	5,796,173	-	5,796,173	4,809,639	-	4,809,639
Total program services	9,090,903	-	9,090,903	8,926,861	-	8,926,861
Supporting services:						
Management and general	964,641	-	964,641	724,098	-	724,098
Fundraising	320,996	-	320,996	293,111	-	293,111
Total supporting services	1,285,637	-	1,285,637	1,017,209	-	1,017,209
Total expenses	10,376,540	-	10,376,540	9,944,070	-	9,944,070
Change in net assets	(485,661)	4,143,127	3,657,466	(298,101)	366,277	68,176
Net assets:						
Beginning	1,127,708	7,200,907	8,328,615	1,425,809	6,834,630	8,260,439
Ending	\$ 642,047	\$ 11,344,034	\$ 11,986,081	\$ 1,127,708	\$ 7,200,907	\$ 8,328,615

See notes to consolidated financial statements.

America's Charities and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2022

	Employee Assistance Fund Services	Campaign Management Services	Member Campaign Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Expenses:								
Salaries	\$ 557,057	\$ 1,459,392	\$ 220,832	\$ 2,237,281	\$ 687,844	\$ 191,315	\$ 879,159	\$ 3,116,440
Benefits	92,918	235,384	35,296	363,598	113,045	21,431	134,476	498,074
Total employee compensation	649,975	1,694,776	256,128	2,600,879	800,889	212,746	1,013,635	3,614,514
Employee assistance funds grants	4,867,862	-	-	4,867,862	-	-	-	4,867,862
Contributions of nonfinancial assets	61,600	-	427,255	488,855	26,401	-	26,401	515,256
Managed campaign technology	6,894	268,766	-	275,660	-	-	-	275,660
Professional fees	54,978	122,780	10,244	188,002	24,560	23,515	48,075	236,077
Technology	43,204	113,078	14,292	170,574	37,334	21,335	58,669	229,243
Facilities	34,614	80,521	11,780	126,915	34,530	15,875	50,405	177,320
Service and bank fees	45,542	73,852	8,901	128,295	23,532	16,047	39,579	167,874
Campaign advertising	-	-	80,285	80,285	-	10,712	10,712	90,997
Insurance	9,895	23,018	3,367	36,280	9,669	4,538	14,207	50,487
Depreciation and amortization	6,153	14,313	2,094	22,560	6,011	2,822	8,833	31,393
Campaign	-	12,026	13,128	25,154	-	3,356	3,356	28,510
Consultant fees	11,976	9,838	-	21,814	-	2,911	2,911	24,725
Printing and marketing promotions	739	10,908	7,544	19,191	-	2,554	2,554	21,745
Licenses and registrations	215	510	12,271	12,996	-	1,699	1,699	14,695
Office supplies	817	2,246	3,087	6,150	775	418	1,193	7,343
Membership dues	433	3,416	2,094	5,943	151	743	894	6,837
Postage and shipping	567	4,179	235	4,981	178	623	801	5,782
Bad debt (recovery)	-	-	4,530	4,530	-	604	604	5,134
Travel and transportation	646	1,965	220	2,831	603	354	957	3,788
Telephone	29	549	8	586	2	74	76	662
Conferences and meetings	34	514	12	560	6	70	76	636
Total direct expenses	5,146,198	742,479	601,347	6,490,024	163,752	108,250	272,002	6,762,026
Total	\$ 5,796,173	\$ 2,437,255	\$ 857,475	\$ 9,090,903	\$ 964,641	\$ 320,996	\$ 1,285,637	\$ 10,376,540

See notes to consolidated financial statements.

America's Charities and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2021

	Employee Assistance Fund Services	Campaign Management Services	Member Campaign Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Expenses:								
Salaries	\$ 468,886	\$ 1,487,544	\$ 298,657	\$ 2,255,087	\$ 488,546	\$ 186,435	\$ 674,981	\$ 2,930,068
Benefits	88,029	274,067	54,375	416,471	92,006	24,624	116,630	533,101
Total employee compensation	556,915	1,761,611	353,032	2,671,558	580,552	211,059	791,611	3,463,169
Employee assistance funds grants	4,073,956	-	-	4,073,956	-	-	-	4,073,956
Contributions of nonfinancial assets	5,122	16,413	982,746	1,004,281	20,926	3,259	24,185	1,028,466
Technology	31,245	210,836	19,037	261,118	30,726	18,510	49,236	310,354
Facilities	40,340	129,258	25,965	195,563	42,306	16,847	59,153	254,716
Managed campaign technology	-	166,428	-	166,428	81	8,538	8,619	175,047
Service and bank fees	42,999	80,224	12,618	135,841	20,559	12,366	32,925	168,766
Professional fees	31,815	70,418	10,139	112,372	16,519	9,858	26,377	138,749
Campaign advertising	-	476	88,885	89,361	-	211	211	89,572
Consultant fees	12,433	39,680	157	52,270	256	3,809	4,065	56,335
Campaign	-	20,896	20,319	41,215	-	1,115	1,115	42,330
Insurance	5,980	19,161	3,849	28,990	6,271	2,497	8,768	37,758
Depreciation and amortization	5,582	17,887	3,593	27,062	5,854	2,331	8,185	35,247
Printing and marketing promotions	578	12,340	8,907	21,825	45	738	783	22,608
Licenses and registrations	-	-	17,882	17,882	-	37	37	17,919
Postage and shipping	260	9,200	1,139	10,599	212	533	745	11,344
Office supplies	1,270	4,502	818	6,590	3,608	553	4,161	10,751
Membership dues	256	6,482	403	7,141	268	398	666	7,807
Travel and transportation	543	2,759	639	3,941	570	280	850	4,791
Conferences and meetings	249	1,130	428	1,807	261	122	383	2,190
Telephone	96	660	62	818	101	58	159	977
Bad debt (recovery)	-	-	(3,757)	(3,757)	(5,017)	(8)	(5,025)	(8,782)
Total direct expenses	4,252,724	808,750	1,193,829	6,255,303	143,546	82,052	225,598	6,480,901
Total	\$ 4,809,639	\$ 2,570,361	\$ 1,546,861	\$ 8,926,861	\$ 724,098	\$ 293,111	\$ 1,017,209	\$ 9,944,070

See notes to consolidated financial statements.

America's Charities and Affiliates

Consolidated Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 3,657,466	\$ 68,176
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,393	35,247
Decrease in allowance for doubtful accounts	(6,366)	(31,001)
Unrealized/realized gain on investments	(13,063)	-
Amortization of right-of-use asset for operating lease	124,619	-
Deferred rent	-	(10,678)
Forgiveness of Paycheck Protection Program loan	-	(487,180)
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	1,884,768	(117,634)
Member charity fees receivable	290,058	27,888
Receivables from cryptocurrency platforms	957,006	(957,006)
Other receivables	(503,828)	156,908
Other assets	164,477	(24,842)
Increase (decrease) in:		
Accounts payable and accrued expenses	29,206	(11,860)
Campaign funds payable to member/nonmember charities	(5,103,257)	2,051,088
Deferred revenue	192,797	(39,974)
Lease liability	(7,301)	-
Net cash provided by operating activities	1,697,975	659,132
Cash flows from investing activities:		
Purchases of investments	(9,033,487)	-
Purchases of property and equipment	(57,272)	-
Net cash used in investing activities	(9,090,759)	-
Cash flows from financing activities:		
Proceeds from line of credit	250,000	-
Net cash provided by financing activities	250,000	-
Net (decrease) increase in cash	(7,142,784)	659,132
Cash:		
Beginning	14,663,401	14,004,269
Ending	\$ 7,520,617	\$ 14,663,401
Supplemental disclosures of cash flow information:		
Addition to right-of-use asset for operating lease at ASC 842 adoption	\$ 1,497,764	\$ -
Addition to operating lease liability at ASC 842 adoption	\$ 1,584,243	\$ -
Cash outflows for operating lease	\$ 39,147	\$ -
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 487,180
Supplemental schedule of noncash investing activities:		
Acquisition of leasehold improvements via lease incentive	\$ -	\$ 60,400

See notes to consolidated financial statements.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: America's Charities and Affiliates (collectively, America's Charities) consists of four entities: America's Charities, Children First—America's Charities, Health First—America's Charities and Community First—America's Charities. All entities are affiliated through common support, activities and governance.

America's Charities was incorporated in 1988 in the District of Columbia. Through its efforts with the Combined Federal Campaign (CFC), many state and local public sector campaigns and private sector workplace-giving campaigns, America's Charities solicits contributions for its member charities through payroll deduction charitable giving campaigns. Member charities must meet certain criteria annually to retain membership and receive unrestricted support through America's Charities' campaigns. The contributions are originated through payroll deductions from military and civilian employees of the federal government, state and local public sector and private sector employees and are received by America's Charities.

The campaign period is typically a 20-month period beginning in the September before the contribution period. The Fall 2022 Campaign began in September 2022 and will end in March 2024. The campaign collection period for the Fall 2022 Campaign covers primarily the period from April 2023 to March 2024. The Fall 2021 Campaign began in September 2021 and ended in March 2023. The campaign collection period for the Fall 2020 Campaign covers primarily the period from April 2022 to March 2023.

During the Fall 2022 and 2021 Campaigns, America's Charities served public sector workplace campaigns, both on the federal and state and local levels, as well as private sector engagement programs.

Each PCFO, state employee campaign organization and private sector organization is responsible for compiling pledge information, collecting contributions and remitting the proceeds to America's Charities, net of campaign expenses.

Children First—America's Charities (Children First) was incorporated in 2003 in the District of Columbia. Its purpose is to solicit contributions for its member charities that deal with children-related issues through payroll deduction charitable giving campaigns. During 2022, Children First was merged into America's Charities and its assets are a part of America's Charities.

Health First—America's Charities (Health First) was incorporated in 2003 in the District of Columbia. Its purpose is to solicit contributions for its member charities that deal with health-related issues through payroll deduction charitable giving campaigns. During 2022, Health First was merged into America's Charities and its assets are a part of America's Charities.

Community First—America's Charities (Community First) was incorporated in 2008 in the District of Columbia. Its purpose is to solicit contributions for its member charities that serve in the Washington D.C. area and deal with various local area-related issues through payroll deduction charitable giving campaigns.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

A summary of America's Charities' significant programs are as follows:

Member campaign services: Activities related to the management of America's Charities' members' participation in federal government, state and local government and private sector workplace campaigns.

Campaign management services: Activities that support the collection, reporting and distribution of various workplace-giving campaigns.

Employee assistance funds services: Activities that provide financial assistance to eligible individuals who are suffering a personal financial hardship as a result of disaster or other qualifying emergency event.

Management and general: Activities that support America's Charities overall but are not directly allocable to programs or fundraising.

Fundraising: Activities that provide access for America's Charities' members to the various campaign types.

A summary of America's Charities significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the financial statements of America's Charities, Children First, Health First and Community First. All significant intercompany balances and transactions have been eliminated in the consolidation.

Basis of presentation: The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities topics of the FASB ASC, America's Charities is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Represents resources whose use is not restricted by donor stipulations and are available for the support of general operating activities.

Net assets with donor restrictions: Represents resources unavailable for use in the current period because of the existence of donor-imposed restrictions that remain unsatisfied at year end or resources whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of America's Charities.

Financial risk: America's Charities maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. America's Charities believes it is not exposed to any significant financial risk on cash.

America's Charities invests in a professionally managed portfolio that contains various marketable securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near-term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Investments: Investments in marketable securities are reflected at fair value. The change in fair value of these investments is recorded as a component of investment income in the consolidated statements of activities. Cash held within investment accounts are considered investments.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

Promises to give: Promises to give are recorded in the consolidated financial statements upon receipt of pledge information from the campaigns. America's Charities honors designations to both members and nonmembers in accordance with campaign regulations. For the Combined Federal Campaign, America's Charities honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member, as required by CFC regulations. As all promises to give are expected to be collected within one year, they are recorded at their estimated net realizable value. This is achieved by applying an allowance for estimated shrinkage to the campaign pledges. At the end of the year, any amounts receivable from the previous year's campaign are written off. Subsequent receipts relating to such amounts are set off against the shrinkage expense.

Member charity fees receivable: Member charity fees receivable consist of member charities' fees due to America's Charities, which are expected to be collected within the next year. America's Charities records an allowance for doubtful accounts, which is based on specifically identified amounts that America's Charities believes to be uncollectible. As a result, it is reasonably possible that America's Charities' estimate of the net carrying amounts of member charity fees receivable could change in the near-term. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Property and equipment: Property and equipment are recorded at cost and depreciated on the straight-line basis over estimated useful lives, which range from three to seven years. Leasehold improvements are recorded at cost and amortized over the shorter of the asset's useful life or the term of the lease. America's Charities capitalizes all property and equipment purchased with a cost of \$1,000 or more.

Intangible assets: America's Charities capitalized \$10,000 of software and \$5,000 for a logo associated with the purchase of Causecast during the year ended December 31, 2019. The intangible assets are being amortized on a straight-line basis over estimated useful lives of three years. Amortization expense for intangible assets was \$2,822 and \$5,000 for the years ended December 31, 2022 and 2021, respectively. Accumulated amortization of intangible assets was \$15,000 and \$12,178 for the years ended December 31, 2022 and 2021, respectively.

Goodwill: America's Charities follows ASC Topics 805 and 350, Accounting for Business Combinations and Intangibles—Goodwill and Other. Goodwill is required to be recognized in a business combination if the fair value of the acquired entity exceeds the fair value of the identifiable net assets acquired. America's Charities recognized \$180,891 of goodwill as a result of its acquisition of Causecast on July 26, 2019. America's Charities has elected the Private Company Council accounting alternatives related to goodwill and intangible assets acquired in a business combination. Accordingly, goodwill includes the fair values of certain customer-related intangible assets acquired in the business combination. Goodwill is being amortized on a straight-line basis over a 10-year life. Amortization expense for goodwill was \$18,089 for the years ended December 31, 2022 and 2021. Accumulated amortization of goodwill was \$62,147 and \$44,058 for the years ended December 31, 2022 and 2021, respectively.

Valuation of long-lived assets: America's Charities reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

Right-of-use asset: Right-of-use (ROU) assets consist of the initial lease liability, any payments made to the lessor at or before the commencement date minus any incentives received, and initial direct costs. ROU assets on operating type leases are amortized over the lease term in conjunction with the amortization of the lease liability in order to achieve a straight-line expense recognition.

Campaign funds payable to member/nonmember charities: Pledges that are designated to America's Charities' member charities and nonmember charities are recorded as campaign funds payable to member/nonmember charities. Cash received from designated campaign pledges is allocated to each participating member charity in the ratio of designated pledges from the relevant campaign to the total cash received.

Lease liability: Long-term leases are recognized at the present value of all the lease payments using a risk-free rate comparable with that of the individual lease terms. America's Charities has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate and equipment asset classes. The non-lease components typically represent additional services transferred to America's Charities, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Deferred rent: America's Charities has a lease agreement for rent space in Chantilly, Virginia. This agreement provides for escalated payments over the life of the lease and an 11-month period of rent abatement. Prior to January 1, 2022, the rent increases in future years and free rent are being recognized on a straight-line basis over the life of the lease agreement.

Deferred revenue: Amounts billed in advance for member charity fees are recorded as a receivable and deferred revenue and are thereafter recognized as revenue ratably over the remaining campaign distribution period.

Revenue recognition: Specific designations to America's Charities and certain undesignated pledges are recognized as public support to the extent remitted by the PCFO, the state employee agency or the private sector workplace. All pledges designated for a member charity raised under the terms of our member agreements are reported as amounts raised in campaigns. An offset is deducted for amounts raised and advised/designated for member and others on the consolidated statements of activities.

Each member charity is assessed a fixed service fee and funds management fee based on percentage of contributions. Member charity fees are recognized as revenue ratably over the campaign distribution period to which they apply and in conjunction with satisfaction of America's Charities performance obligations over time.

Campaign management fees are charged to each organization based on the amount of pledges raised and a fixed contract amount and are recognized as revenue over time as the campaign management services are performed and performance obligations satisfied. There are various performance obligations performed over the campaign period. Campaign management fee revenue is recognized based on percentage of time and effort performed over the fiscal year as this is the method utilized to determine when performance obligations are satisfied.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

Economic factors such as changes in the economy or various events that results in greater need to contribute can affect the nature, amount, timing and uncertainty of cash flow for campaign management and member charity's fees. The primary factor affecting the future revenue and cash inflows is participation of member charity fees, campaign management fees and charitable contributions received. Management does not believe there is a material risk of future loss of revenue or cash flows. There are no rights of return or refunds for any revenue streams. Payments are due upon receipt of invoice. America's Charities did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components.

Employee assistance fund (EAF) contributions are recognized as unconditional revenues and are recorded as increases in net assets with donor restrictions. Unconditional contributions are recognized as revenue upon receipt or when unconditional promises to give are received.

EAF annual fees are recognized as revenue ratably over the contract period which they apply and in conjunction with satisfaction of America's Charities performance obligations over time.

Contributions of nonfinancial assets: America's Charities receives contributions of nonfinancial services from individuals and businesses toward the fulfillment of program objectives. Those contributions have been included in revenue and expense categories and are recorded at their estimated fair values as of the date of the donation. No contributed nonfinancial services had donor-imposed restrictions and no contributed nonfinancial assets were monetized.

Non-cash donations: America's Charities receives non-cash cryptocurrency donations. These donations are converted to U.S. dollars when received and transferred to the distributions cash accounts. Revenue is recognized at the converted U.S. dollar amount, net of fees, when received. America's Charities has \$0 and \$957,006 of donations that were converted to U.S. dollars but not yet received from cryptocurrency platforms at December 31, 2022 and 2021, respectively. These amounts are included in receivables from cryptocurrency platforms on the consolidated balance sheets.

Campaign advertising expenses: Campaign advertising expenses are expensed during the period the advertising occurs.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis on the consolidated statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited. Salaries and benefits are allocated based on time sheets prepared on a basis of time and effort. All overhead expenses are allocated to programs based on the percentage of time and effort identified to each program from salary and benefit allocations.

Income taxes: America's Charities, Children First, Health First and Community First are organized as District of Columbia nonprofit corporations and have been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that each entity is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adopted accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use (ROU) lease assets and lease liabilities on the statement of financial position and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy GAAP. America's Charities adopted the new lease standard on January 1, 2022, using the optional transition method to the modified retrospective approach. Under this transition provision, results for reporting period beginning on January 1, 2022, are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with America's Charities historical accounting treatment under ASC Topic 840, *Leases*.

America's Charities elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Entity does not reassess: (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. America's Charities has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

America's Charities made an accounting policy election under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, America's Charities recognized ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases under the adoption of Topic 842). The ROU assets also include any initial costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

A lessee that is not a public business entity (PBE) is permitted to use a risk-free discount rate for its leases, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. In order to ease the accounting burden of determining incremental borrowing rate under ASC 842, America's Charities has made this accounting policy election for all leases. The risk-free discount rate was obtained using U.S. Treasury securities as posted on the Federal Reserve website. America's Charities uses the implicit rate when readily determinable.

The adoption of the new lease standard did not materially impact America's Charities consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of consolidated net assets.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for America's Charities fiscal year ended December 31, 2022. The adoption resulted in expanded disclosures on America's Charities consolidated financial statements.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

Subsequent events: America's Charities has evaluated subsequent events through June 28, 2023, the date on which the consolidated financial statements were available to be issued.

Note 2. Investments and Fair Value Measurements

In accordance with U.S. GAAP, America's Charities uses the following prioritized input levels to measure investments carried at fair value. The input levels used for valuing these investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.

Level 2: Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments valued using Level 2 inputs include U.S. treasury notes. The treasury notes were valued using market observable data. In determining the fair value of these investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. The deferred compensation liabilities are based on the fair value of the deferred compensation assets, which are observable inputs; however, the liabilities are not publicly traded and are, therefore, considered Level 2 items.

Investments consisted of the following at December 31, 2022:

	2022			
	Fair Value	Level 1	Level 2	Level 3
Investments, at fair value:				
Fixed income—U.S. treasury notes	\$ 2,941,029	\$ -	\$ 2,941,029	\$ -
Investments at cost:				
Cash	6,105,521			
	<u>\$ 9,046,550</u>			

Note 3. Property and Equipment

Property and equipment consist of the following at December 31, 2022 and 2021:

	2022	2021
Software	\$ 1,677,536	\$ 1,622,914
Furniture and equipment	105,441	105,441
Computers	156,944	154,294
	<u>1,939,921</u>	<u>1,882,649</u>
Less accumulated depreciation and amortization	1,816,442	1,805,960
	<u>\$ 123,479</u>	<u>\$ 76,689</u>

America's Charities and Affiliates

Notes to Consolidated Financial Statements

Note 3. Property and Equipment (Continued)

Depreciation and amortization expense related to property and equipment was \$10,482 and \$10,858 for the years ended December 31, 2022 and 2021, respectively.

Note 4. Amounts Raised in Campaigns

Public support on the consolidated statements of activities is represented net of estimated campaign expenses incurred by other organizations and shrinkage of the campaigns. America's Charities includes funds raised in a campaign that it manages as the fiscal agent if it has had substantial involvement in that campaign. The following tables present gross pledges raised by America's Charities and the reconciliation to net amounts raised in campaigns for the years ended December 31, 2022 and 2021:

	2022		
	Gross Promises	Shrinkage	Net Promises
Combined federal campaign	\$ 5,610,883	\$ (1,447,000)	\$ 4,163,883
Campaign management services	23,703,231	(1,272,972)	22,430,259
Private sector	622,988	(35,580)	587,408
State and local	1,092,064	(165,795)	926,269
	<u>\$ 31,029,166</u>	<u>\$ (2,921,347)</u>	<u>\$ 28,107,819</u>
	2021		
	Gross Promises	Shrinkage	Net Promises
Combined federal campaign	\$ 6,368,850	\$ (1,674,459)	\$ 4,694,391
Campaign management services	25,646,565	(1,181,972)	24,464,593
Private sector	1,138,733	(74,171)	1,064,562
State and local	1,451,205	(202,208)	1,248,997
	<u>\$ 34,605,353</u>	<u>\$ (3,132,810)</u>	<u>\$ 31,472,543</u>

America's Charities and Affiliates

Notes to Consolidated Financial Statements

Note 5. Contributions of Nonfinancial Assets

America's Charities received contributions of nonfinancial assets. The following table presents contributions of nonfinancial assets separately from other expenses for the years ended December 31, 2022 and 2021:

	2022	2021
Expenses:		
Member campaign services	\$ 430,220	\$ 564,115
Campaign management services	2,437,255	2,553,948
Employee assistance funds expenses	5,734,573	4,804,517
Management and general	938,240	703,172
Fundraising	320,996	289,852
	<u>9,861,284</u>	<u>8,915,604</u>
Contributions of nonfinancial assets	515,256	1,028,466
	<u>\$ 10,376,540</u>	<u>\$ 9,944,070</u>

These nonfinancial contributions supported member campaign, campaign management, and employee assistance funds services, as well as management and general and fundraising activities.

Contributions of nonfinancial assets consisted of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Advertising	\$ 427,256	\$ 984,466
Legal services	88,000	44,000
	<u>\$ 515,256</u>	<u>\$ 1,028,466</u>

The contributed advertising includes online advertising provided by one internet company which is valued at the rates that the provider charges to its customers. The legal services are contributed by one legal firm valued at the standard hourly rates for billable matters the legal firm charges to its customers.

Note 6. Retirement Plan

America's Charities has a 401(k) defined contribution retirement plan covering all full-time employees. Employees are eligible to participate in beginning first day of hire and 21 years of age. Under the terms of the plan, America's Charities provides eligible employees a 4% safe harbor contribution. The organization also provides a discretionary match for voluntary deferrals. Employees are 100% vested after one year of service. Contributions were \$122,489 and \$175,852 for the years ended December 31, 2022 and 2021, respectively.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

Note 7. Line of Credit

America's Charities has an open-ended, revolving, secured \$250,000 line of credit to supplement its general working capital. The line accrued an interest rate equal to the WSJ Prime rate plus 0.5%, per annum and requires a collateral account of \$250,000, which is included in cash on the consolidated balance sheets. As of March 30, 2023, the interest changed to a fixed rate of 8.25%. The line of credit expires on April 1, 2024, and is renewed annually. There was \$250,000 outstanding on the line of credit at December 31, 2022. There was no amount outstanding on the line of credit at December 31, 2021.

Note 8. Office Lease

America's Charities leases office space under an operating lease which expires on October 2032. The base rent increases annually based on a schedule provided in the lease. During the first 11 months of the lease, there was an abatement of the monthly base rent. In addition, there is a tenant improvement allowance of \$60,400. During 2022, America's Charities adopted Topic 842, resulting in a right-of-use asset and liability recorded in the consolidated balance sheets at December 31, 2022. America's Charities determined the original lease to be considered an operating lease under Topic 842. America's Charities calculated the present value of the lease over the term of the respective lease, using the risk-free rate at the date of the adoption. The interest rate utilized as of December 31, 2022, was 2.00%. The remaining lease term is 10 years.

Rent expense for the years ended December 31, 2022 and 2021, was \$153,605 and \$233,558, respectively.

Future undiscounted minimum cash basis lease payments, not including increases in real estate taxes or operating expenses, are anticipated to be as follows:

Years ending December 31:	
2023	\$ 158,528
2024	162,492
2025	166,554
2026	170,718
2027	174,896
2028-2032	909,095
	<u>1,742,283</u>
Discount to net present value	(165,341)
	<u>\$ 1,576,942</u>

Future minimum lease commitments as determined under Topic 840 for non-cancellable leases are those listed above.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

Note 9. Availability of Assets

America's Charities is substantially supported by contributions owed to member charities. Because this represents resources not available for operations, America's Charities must maintain sufficient resources to meet those responsibilities to its members. Therefore, financial assets may not be available for general expenditures within one year. As part of America's Charities liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due. In the event of an unanticipated liquidity need, America's Charities also could draw upon a \$250,000 line of credit (as further discussed in Note 7).

The following reflects America's Charities consolidated financial assets, which includes cash and receivables, reduced by amounts not available for general use within one year of the consolidated balance sheet date:

	2022	2021
Financial assets	\$ 19,385,622	\$ 19,178,940
Less those unavailable for general expenditures within one year due to:		
Contractual restrictions:		
Cash and investments designated for member payments	(4,739,599)	(6,978,338)
Pledge receivables designated for member payments	(1,451,412)	(3,321,810)
Donor restrictions	(11,344,034)	(7,200,907)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,850,577</u>	<u>\$ 1,677,885</u>

Note 10. Contingency

Campaign audits: Campaigns are subject to audit by the U.S. Office of Personnel Management (OPM). Pledges received by member charities may be adjusted based on determinations of these audits. In the opinion of America's Charities' management, any adjustments resulting from any audits would not be material to the consolidated financial statements. No audit of the Fall 2021 and 2020 Campaigns has been performed by OPM as of the date of issuance of these consolidated financial statements.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
America's Charities

We have audited the consolidated financial statements of America's Charities and Affiliates as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon June 28, 2023, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

McLean, Virginia
June 28, 2023

America's Charities and Affiliates

Consolidating Balance Sheet Year Ended December 31, 2022

	America's Charities	Children First— America's Charities	Health First— America's Charities	Community First— America's Charities	Elimination	Total
Assets						
Cash	\$ 7,520,617	\$ -	\$ -	\$ -	\$ -	\$ 7,520,617
Investments	9,046,550	-	-	-	-	9,046,550
Promises to give (pledges)	1,075,329	-	-	386,975	-	1,462,304
Member charity fees receivable, net of allowance for doubtful accounts of \$55,869	35,866	-	-	29,054	-	64,920
Other receivables	1,289,109	-	-	114,091	(111,969)	1,291,231
Other assets	83,711	-	-	-	-	83,711
Property and equipment, net	123,479	-	-	-	-	123,479
Right-of-use asset for operating lease	1,373,146	-	-	-	-	1,373,146
Goodwill, net	118,743	-	-	-	-	118,743
Total assets	\$ 20,666,550	\$ -	\$ -	\$ 530,120	\$ (111,969)	\$ 21,084,701
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 571,250	\$ -	\$ -	\$ 1,539	\$ (111,969)	\$ 460,820
Campaign funds payable to member/nonmember charities	5,781,757	-	-	385,846	-	6,167,603
Deferred revenue	599,246	-	-	44,009	-	643,255
Line of credit	250,000	-	-	-	-	250,000
Operating lease liability	1,576,942	-	-	-	-	1,576,942
Total liabilities	8,779,195	-	-	431,394	(111,969)	9,098,620
Net assets:						
Without donor restrictions	543,321	-	-	98,726	-	642,047
With donor restrictions	11,344,034	-	-	-	-	11,344,034
Total net assets	11,887,355	-	-	98,726	-	11,986,081
	\$ 20,666,550	\$ -	\$ -	\$ 530,120	\$ (111,969)	\$ 21,084,701

America's Charities and Affiliates

Consolidating Statement of Activities Year Ended December 31, 2022

	America's Charities	Children First— America's Charities	Health First— America's Charities	Community First— America's Charities	Total
Support and revenue:					
Amounts raised in campaigns, net of campaign expenses incurred by other organizations and shrinkage:					
Combined federal campaign	\$ 2,846,853	\$ -	\$ -	\$ 1,317,030	\$ 4,163,883
Campaign management services	22,303,554	-	-	126,705	22,430,259
Private sector	583,007	-	-	4,401	587,408
State and local	923,994	-	-	2,275	926,269
Total net amounts raised in campaigns	26,657,408	-	-	1,450,411	28,107,819
Less amounts raised on behalf of others	26,515,350	-	-	1,442,326	27,957,676
Support designated to America's Charities and Affiliates	142,058	-	-	8,085	150,143
Employee assistance funds donations	9,013,772	-	-	-	9,013,772
Campaign management fees	1,639,408	-	-	-	1,639,408
Member charity fees	1,131,152	-	-	137,539	1,268,691
Employee assistance funds fees	1,247,581	-	-	-	1,247,581
Contributions of nonfinancial assets	390,237	-	-	125,019	515,256
Campaign advertising fees	96,420	-	-	16,000	112,420
Investment income, net	46,550	-	-	-	46,550
Other	40,185	-	-	-	40,185
Total support and revenue	13,747,363	-	-	286,643	14,034,006
Expenses:					
Program services:					
Member campaign services	633,926	-	-	223,549	857,475
Campaign management services	2,437,255	-	-	-	2,437,255
Employee assistance funds services	5,796,173	-	-	-	5,796,173
Total program services	8,867,354	-	-	223,549	9,090,903
Supporting services:					
Management and general	913,543	-	-	51,098	964,641
Fundraising	303,993	-	-	17,003	320,996
Total supporting services	1,217,536	-	-	68,101	1,285,637
Total expenses	10,084,890	-	-	291,650	10,376,540
Change in net assets prior to transfer	3,662,473	-	-	(5,007)	3,657,466
Net asset transfer to America's Charities	381,744	(258,111)	(123,633)	-	-
Change in net assets	4,044,217	(258,111)	(123,633)	(5,007)	3,657,466
Net assets:					
Beginning	7,843,138	258,111	123,633	103,733	8,328,615
Ending	\$ 11,887,355	\$ -	\$ -	\$ 98,726	\$ 11,986,081