

America's Charities and Affiliates

Consolidated Financial Report
December 31, 2021

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated balance sheets	3
Consolidated statements of activities	4
Consolidated statement of functional expenses—2021	5
Consolidated statement of functional expenses—2020	6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8-16
<hr/>	
Independent auditor's report on the supplementary information	17
<hr/>	
Supplementary information	
Consolidating balance sheet	18
Consolidating statement of activities	19



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 statements of balance sheets as of December 31, 2021 and 2020, 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, 2021 and 2020, 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.

Responsibilities of Management for the Consolidated 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
July 21, 2022

America's Charities and Affiliates

Consolidated Balance Sheets December 31, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 14,663,401	\$ 14,004,269
Promises to give (pledges)	3,347,072	3,229,438
Member charity fees receivable, net of allowance for doubtful accounts of \$62,235 in 2021 and \$93,236 in 2020	348,612	345,499
Receivables from cryptocurrency platforms	957,006	-
Other receivables	819,855	1,010,263
Other assets	248,188	223,346
Property and equipment, net	76,689	27,147
Deferred leasing costs	-	1,300
Intangible assets, net	-	7,821
Goodwill, net	139,654	154,922
	<u>139,654</u>	<u>154,922</u>
Total assets	\$ 20,600,477	\$ 19,004,005
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 431,614	\$ 443,474
Campaign funds payable to member/nonmember charities	11,270,860	9,219,772
Deferred revenue	482,910	556,384
Paycheck Protection Program promissory note	-	487,180
Deferred rent	86,478	36,756
	<u>86,478</u>	<u>36,756</u>
Total liabilities	12,271,862	10,743,566
Commitments and contingencies (Notes 7, 8 and 10)		
Net assets:		
Without donor restrictions	1,127,708	1,425,809
With donor restrictions	7,200,907	6,834,630
	<u>7,200,907</u>	<u>6,834,630</u>
Total net assets	8,328,615	8,260,439
	<u>8,328,615</u>	<u>8,260,439</u>
	<u>\$ 20,600,477</u>	<u>\$ 19,004,005</u>

See notes to consolidated financial statements.

America's Charities and Affiliates

Consolidated Statements of Activities Years Ended December 31, 2021 and 2020

	2021			2020		
	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	\$ 4,694,391	\$ -	\$ 4,694,391	\$ 4,689,713	\$ -	\$ 4,689,713
Campaign management services	24,464,593	-	24,464,593	25,008,030	-	25,008,030
Private sector	1,064,562	-	1,064,562	1,001,918	-	1,001,918
State and local	1,248,997	-	1,248,997	1,480,610	-	1,480,610
Total net amounts raised in campaigns	31,472,543	-	31,472,543	32,180,271	-	32,180,271
Less amounts raised on behalf of others	31,233,739	-	31,233,739	31,952,814	-	31,952,814
Support designated to America's Charities and Affiliates	238,804	-	238,804	227,457	-	227,457
Employee assistance funds donations	-	4,440,193	4,440,193	-	17,684,368	17,684,368
Campaign management fees	1,696,818	-	1,696,818	1,924,788	-	1,924,788
Member charity fees	1,336,707	-	1,336,707	1,780,339	-	1,780,339
Donated services	1,028,466	-	1,028,466	932,348	-	932,348
Employee assistance funds fees	632,615	-	632,615	1,090,738	-	1,090,738
Forgiveness of Paycheck Protection Program loan	487,180	-	487,180	-	-	-
Campaign advertising fees	108,716	-	108,716	118,660	-	118,660
Other	42,747	-	42,747	32,697	-	32,697
Net assets released from restriction	4,073,916	(4,073,916)	-	10,849,738	(10,849,738)	-
Total support and revenue	9,645,969	366,277	10,012,246	16,956,765	6,834,630	23,791,395
Expenses:						
Program services:						
Member campaign services	1,546,861	-	1,546,861	1,556,484	-	1,556,484
Campaign management services	2,570,361	-	2,570,361	2,574,356	-	2,574,356
Employee assistance funds services	4,809,639	-	4,809,639	11,879,486	-	11,879,486
Total program services	8,926,861	-	8,926,861	16,010,326	-	16,010,326
Supporting services:						
Management and general	724,098	-	724,098	569,481	-	569,481
Fundraising	293,111	-	293,111	329,631	-	329,631
Total supporting services	1,017,209	-	1,017,209	899,112	-	899,112
Total expenses	9,944,070	-	9,944,070	16,909,438	-	16,909,438
Change in net assets	(298,101)	366,277	68,176	47,327	6,834,630	6,881,957
Net assets:						
Beginning	1,425,809	6,834,630	8,260,439	1,378,482	-	1,378,482
Ending	\$ 1,127,708	\$ 7,200,907	\$ 8,328,615	\$ 1,425,809	\$ 6,834,630	\$ 8,260,439

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
Donated services	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 Statement of Functional Expenses Year Ended December 31, 2020

	Employee Assistance Fund Services	Campaign Management Services	Member Campaign Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Expenses:								
Salaries	\$ 685,402	\$ 1,461,117	\$ 324,687	\$ 2,471,206	\$ 340,807	\$ 200,430	\$ 541,237	\$ 3,012,443
Benefits	133,739	294,489	63,150	491,378	70,733	23,502	94,235	585,613
Total employee compensation	819,141	1,755,606	387,837	2,962,584	411,540	223,932	635,472	3,598,056
Employee assistance funds grants	10,849,738	-	-	10,849,738	-	-	-	10,849,738
Donated services	-	-	892,348	892,348	40,000	-	40,000	932,348
Technology	45,019	205,723	20,252	270,994	20,874	25,398	46,272	317,266
Facilities	54,153	114,938	25,641	194,732	26,885	16,261	43,146	237,878
Professional fees	17,533	127,951	10,986	156,470	46,634	19,843	66,477	222,947
Service and bank fees	56,992	94,743	16,231	167,966	12,551	12,309	24,860	192,826
Managed campaign technology	-	157,987	-	157,987	-	17,296	17,296	175,283
Campaign advertising	-	-	109,499	109,499	-	77	77	109,576
Campaign	-	17,342	31,098	48,440	-	1,920	1,920	50,360
Consultant fees	20,411	21,519	-	41,930	-	2,495	2,495	44,425
Printing and marketing promotions	4,169	17,530	8,622	30,321	54	1,960	2,014	32,335
Bad debt	-	-	29,288	29,288	1,485	202	1,687	30,975
Depreciation and amortization	-	19,338	4,314	23,652	3,336	2,528	5,864	29,516
Insurance	5,280	11,207	2,500	18,987	2,621	1,586	4,207	23,194
Licenses and registrations	-	2,195	12,420	14,615	379	295	674	15,289
Telephone	3,221	7,324	1,525	12,070	1,599	1,020	2,619	14,689
Office supplies	1,838	4,483	808	7,129	847	608	1,455	8,584
Membership dues	342	5,714	1,661	7,717	170	650	820	8,537
Postage and shipping	562	5,247	844	6,653	258	610	868	7,521
Travel and transportation	1,087	4,921	489	6,497	154	565	719	7,216
Conferences and meetings	-	588	121	709	94	76	170	879
Total direct expenses	11,060,345	818,750	1,168,647	13,047,742	157,941	105,699	263,640	13,311,382
Total	\$ 11,879,486	\$ 2,574,356	\$ 1,556,484	\$ 16,010,326	\$ 569,481	\$ 329,631	\$ 899,112	\$ 16,909,438

See notes to consolidated financial statements.

America's Charities and Affiliates

Consolidated Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 68,176	\$ 6,881,957
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	35,247	29,516
Decrease in allowance for doubtful accounts	(31,001)	(10,510)
Deferred rent	(10,678)	(30,803)
Forgiveness of Paycheck Protection Program loan	(487,180)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(117,634)	(1,469,208)
Member charity fees receivable	27,888	376,645
Receivables from cryptocurrency platforms	(957,006)	-
Other receivables	190,408	(176,391)
Other assets	(24,842)	(42,383)
Deferred leasing costs	-	1,300
Increase (decrease) in:		
Accounts payable and accrued expenses	(11,860)	19,153
Campaign funds payable to member/nonmember charities	2,051,088	(1,109,887)
Deferred revenue	(73,474)	(60,100)
Net cash provided by operating activities	659,132	4,409,289
Cash flows from investing activities:		
Purchases of property and equipment	-	(30,732)
Net cash used in investing activities	-	(30,732)
Cash flows from financing activities:		
Principal repayment of note payable	-	(100,000)
Proceeds from Paycheck Protection Program promissory note	-	487,180
Net cash provided by financing activities	-	387,180
Net increase in cash	659,132	4,765,737
Cash:		
Beginning	14,004,269	9,238,532
Ending	\$ 14,663,401	\$ 14,004,269
Supplemental schedule of noncash investing and financing activities:		
Forgiveness of Paycheck Protection Program loan	\$ 487,180	\$ -
Supplemental disclosure of cash flow information:		
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.

On July 26, 2019, Causecast Corporation (Causecast) was acquired by America's Charities through an asset purchase agreement. Causecast is a service organization that manages fundraising campaigns for private companies whose employees give to charities through payroll deductions and was a third-party service provider to America's Charities prior to the acquisition. Causecast was dissolved after the acquisition and its assets are a part of America's Charities.

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 2021 Campaign began in September 2021 and will end in March 2023. The campaign collection period for the Fall 2021 Campaign covers primarily the period from April 2022 to March 2023. The Fall 2020 Campaign began in September 2020 and ended in March 2022. The campaign collection period for the Fall 2019 Campaign covers primarily the period from April 2021 to March 2022.

During the Fall 2021 and 2020 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.

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.

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.

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.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

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.

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.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

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 \$5,000 for the years ended December 31, 2021 and 2020, respectively. Accumulated amortization of intangible assets was \$12,178 and \$7,178 for the years ended December 31, 2021 and 2020, 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. In May 2019, the FASB issued Accounting Standards Update (ASU) 2019-06, *Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805) and Not-for-Profit Entities (Topic 958), Extending the Private company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. Under the amendments to the accounting alternative in Topic 350, a not-for-profit entity should amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the not-for-profit entity demonstrates that a shorter useful life is more appropriate. A not-for-profit entity that elects this accounting alternative is required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. A not-for-profit entity is required to test goodwill for impairment when a triggering event occurs that indicates that the fair value of the entity (or a reporting unit) may be below its carrying amount. America's Charities adopted this ASU and the accounting alternative in Topic 350 during the year ended December 31, 2019, in conjunction with their acquisition of Causecast. 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, 2021 and 2020, respectively. Accumulated amortization of goodwill was \$44,058 and \$25,969 for the years ended December 31, 2021 and 2020, 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)

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.

Deferred rent: America's Charities has a lease agreement for rental space in Chantilly, Virginia. This lease agreement provides for escalated payments over the life of the lease and a six-month period of rent abatement. 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.

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.

Donated services: Donated services are recorded at the fair market value at the time of donation.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

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 \$957,006 of donations that were converted to U.S. dollars but not yet received from cryptocurrency platforms at December 31, 2021. This amount has been 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 generally exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, all entities qualify for charitable contribution deductions and have been classified as organizations that are not private foundations. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. America's Charities had no unrelated business income for the years ended December 31, 2021 and 2020.

Management evaluated America's Charities tax positions and concluded that America's Charities has taken no uncertain tax positions that require adjustment to the consolidated financial statements. Generally, America's Charities is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2018.

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.

Recent upcoming accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. America's Charities is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 addresses presentation and disclosure of contributed nonfinancial assets, and should be applied on a retrospective basis. America's Charities anticipates adopting the new standard during the year ending December 31, 2022, and is currently evaluating the impact of the adoption of the new standard on the 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 evaluated subsequent events through July 21, 2022, which is the date the consolidated financial statements were available to be issued.

Note 2. Property and Equipment

Property and equipment consist of the following at December 31, 2021 and 2020:

	2021	2020
Software	\$ 1,622,914	\$ 1,622,914
Furniture and equipment	105,441	148,797
Computers	154,294	154,294
Leasehold improvements	-	19,847
	<u>1,882,649</u>	<u>1,945,852</u>
Less accumulated depreciation and amortization	1,805,960	1,918,705
	<u>\$ 76,689</u>	<u>\$ 27,147</u>

Depreciation and amortization expense related to property and equipment was \$10,858 and \$5,126 for the years ended December 31, 2021 and 2020, respectively.

Note 3. 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, 2021 and 2020:

	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>
	2020		
	Gross Promises	Shrinkage	Net Promises
Combined federal campaign	\$ 6,056,021	\$ (1,366,308)	\$ 4,689,713
Campaign management services	26,094,481	(1,086,451)	25,008,030
Private sector	1,074,520	(72,602)	1,001,918
State and local	1,689,185	(208,575)	1,480,610
	<u>\$ 34,914,207</u>	<u>\$ (2,733,936)</u>	<u>\$ 32,180,271</u>

America's Charities and Affiliates

Notes to Consolidated Financial Statements

Note 4. Donated Services

America's Charities received donated services. The following table presents donated services separately from other expenses for the years ended December 31, 2021 and 2020:

	2021	2020
Expenses:		
Member campaign services	\$ 564,115	\$ 664,136
Campaign management services	2,553,948	2,574,356
Employee assistance funds expenses	4,804,517	11,879,486
Management and general	703,172	529,481
Fundraising	289,852	329,631
	<u>8,915,604</u>	<u>15,977,090</u>
Donated services	1,028,466	932,348
	<u>\$ 9,944,070</u>	<u>\$ 16,909,438</u>

Note 5. 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 \$175,852 and \$159,598 for the years ended December 31, 2021 and 2020, respectively.

Note 6. Paycheck Protection Program Promissory Note

In April 2020, America's Charities applied for and received \$487,180 from the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funds from the note were to only be used for payroll costs, interest on other debt obligations, leases and utilities. America's Charities used the entire loan amount for qualifying expenses. America's Charities applied for and received loan forgiveness on March 2, 2021. As such, America's Charities received forgiveness of the PPP loan and \$487,180 was recorded as revenue on the consolidated statement of activities during the year ended December 31, 2021.

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. This accrues 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. The line of credit expires on January 1, 2023, and is renewed annually. There was no amount outstanding on the line of credit at December 31, 2021 and 2020.

Subsequent to the year ended December 31, 2021, America's Charities drew down \$250,000 against their line of credit.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

Note 8. Office Lease

America's Charities leases office space under an operating lease that expired on December 31, 2021. In October 2020, America's Charities signed a lease agreement at a new office space expiring October 2032. The new lease contains an abatement of the first eleven months of rent which is reported in the deferred lease liability and is being amortized on a basis to achieve straight-line rent expense over the life of the lease. The lease also included a tenant improvement allowance of \$60,400 which has been reported in the deferred rent liability and is being amortized on a straight-line basis over the life of the lease as a reduction of rent expense. Deferred rent liability of \$86,478 and \$36,756 as of December 31, 2021 and 2020, respectively.

Rent expense for the years ended December 31, 2021 and 2020, was \$233,558 and \$215,820, respectively.

The future minimum rental payments are as follows:

Years ending December 31:	
2022	\$ 39,147
2023	158,528
2024	162,492
2025	166,554
2026	170,718
2027 - 2032	1,084,081
	<u>\$ 1,781,520</u>

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:

	<u>2021</u>	<u>2020</u>
Financial assets	\$ 19,178,940	\$ 18,589,469
Less those unavailable for general expenditures within one year due to:		
Contractual restrictions:		
Cash designated for member payments	(6,978,338)	(6,103,754)
Pledge receivables designated for member payments	(3,321,810)	(3,176,638)
Donor restrictions	<u>(7,200,907)</u>	<u>(6,834,630)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,677,885</u>	<u>\$ 2,474,447</u>

America's Charities and Affiliates

Notes to Consolidated Financial Statements

Note 10. Contingencies

Campaign audits: Campaigns are subject to audit by the U.S. Office of Personnel Management. Pledges (OPM) 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 2020 and 2019 Campaigns has been performed by OPM as of the date of issuance of these consolidated financial statements.

COVID-19: The continued global pandemic has created substantial volatility in the financial markets and the economy, including the geographic areas in which America's Charities operates. While America's Charities has mitigated the financial impact on its business, it is unknown how long these conditions will last. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments which are uncertain and cannot be predicted, and as such cannot be determined.



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, 2021 and 2020, and have issued our report thereon July 21, 2022, 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
July 21, 2022

America's Charities and Affiliates

Consolidating Balance Sheet Year Ended December 31, 2021

	America's Charities	Children First— America's Charities	Health First— America's Charities	Community First— America's Charities	Elimination	Total
Assets						
Cash	\$ 14,583,870	\$ 27,410	\$ 24,399	\$ 27,722	\$ -	\$ 14,663,401
Promises to give (pledges)	2,643,487	142,026	146,405	415,154	-	3,347,072
Member charity fees receivable, net of allowance for doubtful accounts of \$62,235	207,304	75,439	22,624	43,245	-	348,612
Receivables from cryptocurrency platforms	957,006	-	-	-	-	957,006
Other receivables	807,900	171,097	96,497	83,979	(339,618)	819,855
Other assets	248,188	-	-	-	-	248,188
Property and equipment, net	76,689	-	-	-	-	76,689
Goodwill, net	139,654	-	-	-	-	139,654
Total assets	\$ 19,664,098	\$ 415,972	\$ 289,925	\$ 570,100	\$ (339,618)	\$ 20,600,477
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 764,369	\$ -	\$ -	\$ 6,863	\$ (339,618)	\$ 431,614
Campaign funds payable to member/nonmember charities	10,576,454	135,799	146,124	412,483	-	11,270,860
Deferred revenue	393,659	22,062	20,168	47,021	-	482,910
Deferred rent	86,478	-	-	-	-	86,478
Total liabilities	11,820,960	157,861	166,292	466,367	(339,618)	12,271,862
Net assets:						
Without donor restrictions	642,231	258,111	123,633	103,733	-	1,127,708
With donor restrictions	7,200,907	-	-	-	-	7,200,907
Total net assets	7,843,138	258,111	123,633	103,733	-	8,328,615
	\$ 19,664,098	\$ 415,972	\$ 289,925	\$ 570,100	\$ (339,618)	\$ 20,600,477

America's Charities and Affiliates

Consolidating Statement of Activities Year Ended December 31, 2021

	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	\$ 2,701,488	\$ 373,582	\$ 269,613	\$ 1,349,708	\$ 4,694,391
Campaign management services	24,151,896	103,899	70,605	138,193	24,464,593
Private sector	921,443	43,403	87,981	11,735	1,064,562
State and local	1,006,652	99,394	131,419	11,532	1,248,997
Total net amounts raised in campaigns	28,781,479	620,278	559,618	1,511,168	31,472,543
Less amounts raised on behalf of others	28,570,805	601,760	557,001	1,504,173	31,233,739
Support designated to America's Charities and Affiliates	210,674	18,518	2,617	6,995	238,804
Employee assistance funds donations	4,440,193	-	-	-	4,440,193
Campaign management fees	1,696,818	-	-	-	1,696,818
Member charity fees	1,104,400	27,326	62,714	142,267	1,336,707
Donated services	649,442	183,728	-	195,296	1,028,466
Employee assistance funds fees	632,615	-	-	-	632,615
Forgiveness of Paycheck Protection Program loan	487,180	-	-	-	487,180
Campaign advertising fees	89,228	-	-	19,488	108,716
Other	42,747	-	-	-	42,747
Total support and revenue	9,353,297	229,572	65,331	364,046	10,012,246
Expenses:					
Program services:					
Member campaign services	977,274	193,992	62,542	313,053	1,546,861
Campaign management services	2,570,361	-	-	-	2,570,361
Employee assistance funds services	4,809,639	-	-	-	4,809,639
Total program services	8,357,274	193,992	62,542	313,053	8,926,861
Supporting services:					
Management and general	639,385	28,851	9,301	46,561	724,098
Fundraising	258,709	11,717	3,777	18,908	293,111
Total supporting services	898,094	40,568	13,078	65,469	1,017,209
Total expenses	9,255,368	234,560	75,620	378,522	9,944,070
Change in net assets	97,929	(4,988)	(10,289)	(14,476)	68,176
Net assets:					
Beginning	7,745,209	263,099	133,922	118,209	8,260,439
Ending	\$ 7,843,138	\$ 258,111	\$ 123,633	\$ 103,733	\$ 8,328,615