

# **America's Charities and Affiliates**

Consolidated Financial Report  
December 31, 2020

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
America's Charities

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of America's Charities and Affiliates (America's Charities), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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 (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of America's Charities and Affiliates as of December 31, 2020 and 2019, 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.

*RSM US LLP*

McLean, Virginia  
June 8, 2021

**America's Charities and Affiliates**

**Consolidated Balance Sheets  
December 31, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Cash	\$ 14,004,269	\$ 9,238,532
Promises to give (pledges)	3,229,438	1,760,230
Member charity fees receivable, net of allowance for doubtful accounts of \$93,236 and \$103,746, respectively	345,499	711,634
Other receivables	1,010,263	833,872
Other assets	223,346	180,963
Property and equipment, net	27,147	2,842
Deferred leasing costs	1,300	2,600
Intangible assets, net	7,821	12,821
Goodwill, net	154,922	173,011
<b>Total current assets</b>	<b>\$ 19,004,005</b>	<b>\$ 12,916,505</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 443,474	\$ 424,321
Campaign funds payable to member/nonmember charities	9,219,772	10,329,659
Deferred revenue	556,384	616,484
Paycheck Protection Program promissory note	487,180	-
Notes payable	-	100,000
Deferred rent	36,756	67,559
<b>Total liabilities</b>	<b>10,743,566</b>	<b>11,538,023</b>
Commitments and contingencies (Notes 8, 9 and 11)		
Net assets:		
Without donor restrictions	1,425,809	1,378,482
With donor restrictions	6,834,630	-
<b>Total net assets</b>	<b>8,260,439</b>	<b>1,378,482</b>
	<b>\$ 19,004,005</b>	<b>\$ 12,916,505</b>

See notes to consolidated financial statements.

America's Charities and Affiliates

Consolidated Statements of Activities

Years Ended December 31, 2020 and 2019

	2020			2019		
	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	\$ 4,689,713	\$ -	\$ 4,689,713	\$ 4,945,834	\$ -	\$ 4,945,834
Campaign management services	25,008,030	-	25,008,030	22,018,767	-	22,018,767
Private sector	1,001,918	-	1,001,918	949,553	-	949,553
State and local	1,480,610	-	1,480,610	1,732,111	-	1,732,111
<b>Total net amounts raised in campaigns</b>	<b>32,180,271</b>	<b>-</b>	<b>32,180,271</b>	<b>29,646,265</b>	<b>-</b>	<b>29,646,265</b>
Less amounts raised on behalf of others	31,952,814	-	31,952,814	29,390,840	-	29,390,840
<b>Support designated to America's Charities and Affiliates</b>	<b>227,457</b>	<b>-</b>	<b>227,457</b>	<b>255,425</b>	<b>-</b>	<b>255,425</b>
Employee assistance funds donations	-	17,684,368	17,684,368	-	-	-
Member charity fees	1,780,339	-	1,780,339	2,324,366	-	2,324,366
Campaign management fees	1,924,788	-	1,924,788	1,668,071	-	1,668,071
Employee assistance funds fees	1,090,738	-	1,090,738	-	-	-
Campaign advertising fees	118,660	-	118,660	139,733	-	139,733
Donated services	932,348	-	932,348	563,438	-	563,438
Other	32,697	-	32,697	109,027	-	109,027
Net assets released from restriction	10,849,738	(10,849,738)	-	-	-	-
<b>Total support and revenue</b>	<b>16,956,765</b>	<b>6,834,630</b>	<b>23,791,395</b>	<b>5,060,060</b>	<b>-</b>	<b>5,060,060</b>
Expenses:						
Program services:						
Member campaign services	1,556,484	-	1,556,484	1,285,485	-	1,285,485
Campaign management services	2,574,356	-	2,574,356	3,027,306	-	3,027,306
Employee assistance funds services	11,879,486	-	11,879,486	-	-	-
<b>Total program services</b>	<b>16,010,326</b>	<b>-</b>	<b>16,010,326</b>	<b>4,312,791</b>	<b>-</b>	<b>4,312,791</b>
Supporting services:						
Management and general	569,481	-	569,481	547,878	-	547,878
Fundraising	329,631	-	329,631	310,193	-	310,193
<b>Total supporting services</b>	<b>899,112</b>	<b>-</b>	<b>899,112</b>	<b>858,071</b>	<b>-</b>	<b>858,071</b>
<b>Total expenses</b>	<b>16,909,438</b>	<b>-</b>	<b>16,909,438</b>	<b>5,170,862</b>	<b>-</b>	<b>5,170,862</b>
<b>Change in net assets</b>	<b>47,327</b>	<b>6,834,630</b>	<b>6,881,957</b>	<b>(110,802)</b>	<b>-</b>	<b>(110,802)</b>
Net assets:						
Beginning	1,378,482	-	1,378,482	1,489,284	-	1,489,284
Ending	\$ 1,425,809	\$ 6,834,630	\$ 8,260,439	\$ 1,378,482	\$ -	\$ 1,378,482

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
<b>Total employee compensation</b>	<b>819,141</b>	<b>1,755,606</b>	<b>387,837</b>	<b>2,962,584</b>	<b>411,540</b>	<b>223,932</b>	<b>635,472</b>	<b>3,598,056</b>
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
<b>Total direct expenses</b>	<b>11,060,345</b>	<b>818,750</b>	<b>1,168,647</b>	<b>13,047,742</b>	<b>157,941</b>	<b>105,699</b>	<b>263,640</b>	<b>13,311,382</b>
<b>Total</b>	<b>\$ 11,879,486</b>	<b>\$ 2,574,356</b>	<b>\$ 1,556,484</b>	<b>\$ 16,010,326</b>	<b>\$ 569,481</b>	<b>\$ 329,631</b>	<b>\$ 899,112</b>	<b>\$ 16,909,438</b>

See notes to consolidated financial statements.

## America's Charities and Affiliates

### Consolidated Statement of Functional Expenses Year Ended December 31, 2019

	Campaign Management Services	Member Campaign Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Expenses:							
Salaries	\$ 1,736,382	\$ 406,682	\$ 2,143,064	\$ 326,362	\$ 177,459	\$ 503,821	\$ 2,646,885
Benefits	359,938	83,972	443,910	69,509	32,859	102,368	546,278
<b>Total employee compensation</b>	<b>2,096,320</b>	<b>490,654</b>	<b>2,586,974</b>	<b>395,871</b>	<b>210,318</b>	<b>606,189</b>	<b>3,193,163</b>
Donated services	-	482,948	482,948	71,562	8,928	80,490	563,438
Technology	158,713	27,145	185,858	21,174	16,358	37,532	223,390
Facilities	147,626	34,776	182,402	27,746	16,174	43,920	226,322
Managed campaign technology	141,137	-	141,137	-	12,302	12,302	153,439
Campaign advertising	4,599	127,361	131,960	-	530	530	132,490
Printing and marketing promotions	37,868	2,056	39,924	-	3,303	3,303	43,227
Professional fees	102,607	24,669	127,276	7,149	9,811	16,960	144,236
Service and bank fees	65,999	11,820	77,819	9,278	6,858	16,136	93,955
Campaign	30,998	36,170	67,168	-	2,739	2,739	69,907
Consultant fees	77,932	1,498	79,430	-	6,794	6,794	86,224
Depreciation and amortization	21,686	3,212	24,898	2,562	2,300	4,862	29,760
Travel and transportation	41,070	4,415	45,485	1,346	3,638	4,984	50,469
Conferences and meetings	17,686	4,734	22,420	806	1,641	2,447	24,867
Postage and shipping	14,146	2,845	16,991	179	1,257	1,436	18,427
Bad debt	21,347	4,228	25,575	3,374	2,263	5,637	31,212
Insurance	14,624	3,445	18,069	2,749	1,602	4,351	22,420
Office supplies	10,308	2,014	12,322	1,486	1,076	2,562	14,884
Licenses and registrations	-	17,083	17,083	-	17	17	17,100
Membership dues	9,603	1,416	11,019	206	863	1,069	12,088
Telephone	11,160	2,553	13,713	2,037	1,215	3,252	16,965
Staff development	1,535	362	1,897	289	168	457	2,354
Interest expense	342	81	423	64	38	102	525
<b>Total direct expenses</b>	<b>930,986</b>	<b>794,831</b>	<b>1,725,817</b>	<b>152,007</b>	<b>99,875</b>	<b>251,882</b>	<b>1,977,699</b>
<b>Total</b>	<b>\$ 3,027,306</b>	<b>\$ 1,285,485</b>	<b>\$ 4,312,791</b>	<b>\$ 547,878</b>	<b>\$ 310,193</b>	<b>\$ 858,071</b>	<b>\$ 5,170,862</b>

See notes to consolidated financial statements.



**America's Charities and Affiliates**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 6,881,957	\$ (110,802)
Cumulative effect of adoption of ASC 606	-	233,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	29,516	29,760
Decrease in allowance for doubtful accounts	(10,510)	(1,395)
Deferred rent	(30,803)	(24,985)
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(1,469,208)	(174,885)
Member charity fees receivable	376,645	193,283
Other receivables	(176,391)	(361,556)
Other assets	(42,383)	(83,125)
Deferred leasing costs	1,300	1,300
Increase (decrease) in:		
Accounts payable and accrued expenses	19,153	(103,723)
Campaign funds payable to member/nonmember charities	(1,109,887)	1,955,882
Deferred revenue	(60,100)	(189,155)
<b>Net cash provided by operating activities</b>	<b>4,409,289</b>	<b>1,364,385</b>
Cash flows from investing activities:		
Purchases of property and equipment	(30,732)	(1,000)
Purchase of Causecast Corporation	(100,000)	(16,332)
<b>Net cash used in investing activities</b>	<b>(130,732)</b>	<b>(17,332)</b>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program promissory note	487,180	-
<b>Net cash provided by financing activities</b>	<b>487,180</b>	<b>-</b>
<b>Net increase in cash</b>	<b>4,765,737</b>	<b>1,347,053</b>
Cash:		
Beginning	9,238,532	7,891,479
Ending	\$ 14,004,269	\$ 9,238,532
Supplemental schedule of noncash investing and financing activities:		
Deferred portion of purchase price of Causecast acquisition (Note 4)	\$ -	\$ 100,000

See notes to consolidated financial statements.

## America's Charities and Affiliates

### Notes to Consolidated Financial Statements

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#### 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 (see Note 4). 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. America's Charities accesses private sector campaigns through three sources: America's Charities' individual efforts; the Charities @ Work, an alliance of four federations whose purpose is to access private sector campaigns; and local United Way organizations.

The campaign period is typically a 20-month period beginning in the September before the contribution period. The Fall 2020 Campaign began in September 2020 and will end in March 2022. The campaign collection period for the Fall 2020 Campaign covers primarily the period from April 2021 to March 2022. The Fall 2019 Campaign began in September 2019 and ended in March 2021. The campaign collection period for the Fall 2018 Campaign covers primarily the period from April 2020 to March 2021.

During the Fall 2019 and 2018 Campaigns, America's Charities served local campaigns governed by Local Federal Coordinating Committees and managed by Principal Combined Fund Organizations (PCFO). Additionally, during the Fall 2018 and 2017 Campaigns, America's Charities solicited contributions from state and municipal workplace-giving agencies and private sector workplace-giving campaigns.

Each PCFO, state employee campaign organization and private sector organization, except for those organizations' campaigns accessed through Charities @ Work, is responsible for compiling pledge information, collecting contributions and remitting the proceeds to America's Charities, net of campaign expenses. The members of Charities @ Work have designated America's Charities as fiscal agent for compiling pledge information, collecting contributions (in some campaigns) and remitting the proceeds to the members of Charities @ Work. America's Charities is paid a fiscal agent fee for acting in this capacity. Each member of Charities @ Work is responsible for remitting the proceeds to its members.

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.

## America's Charities and Affiliates

### Notes to Consolidated Financial Statements

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

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.

**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:

**Basis of accounting:** The consolidated financial statements of America's Charities have been prepared on the accrual basis of accounting. Accordingly, unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

**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 and Affiliates

### Notes to Consolidated Financial Statements

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#### 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 made to each member and nonmember charity. 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 \$5,000 and \$2,178 for the years ended December 31, 2020 and 2019, respectively. Accumulated amortization of intangible assets was \$7,178 and \$2,178 for the years ended December 31, 2020 and 2019, 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 (see note 4). 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 (see Note 4). Goodwill is being amortized on a straight line basis over a 10 year life. Amortization expense for goodwill was \$18,089 and \$7,880 for the years ended December 31, 2020 and 2019, respectively. Accumulated amortization of goodwill was \$25,969 and \$7,880 for the years ended December 31, 2020 and 2019, respectively.

## America's Charities and Affiliates

### Notes to Consolidated Financial Statements

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

**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.

**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. America's Charities has a sublease agreement for their rental space where the subtenant is required to pay America's Charities' escalating payments over the term of the sublease. The deferred rent liability is the difference between the expense and the cash payments, net of the deferred rent receivable from the sublease.

**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

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#### 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.

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

**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, 2020 and 2019.

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 2017.

**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.

## America's Charities and Affiliates

### Notes to Consolidated Financial Statements

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

**Recent upcoming accounting pronouncement:** In February 2016, the FASB issued 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, including interim periods within those fiscal years. America's Charities is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

**Subsequent events:** America's Charities evaluated subsequent events through June 8, 2021, 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, 2020 and 2019:

	2020	2019
Software	\$ 1,622,914	\$ 1,617,914
Furniture and equipment	148,797	148,797
Computers	154,294	129,863
Leasehold improvements	19,847	19,847
	<u>1,945,852</u>	<u>1,916,421</u>
Less: accumulated depreciation and amortization	1,918,705	1,913,579
	<u>\$ 27,147</u>	<u>\$ 2,842</u>

Depreciation and amortization expense related to property and equipment was \$5,126 and \$19,702 for the years ended December 31, 2020 and 2019, respectively.

## America's Charities and Affiliates

### Notes to Consolidated Financial Statements

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#### 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, 2020 and 2019:

	2020		
	Gross Pledges	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>

  

	2019		
	Gross Pledges	Shrinkage	Net Promises
Combined federal campaign	\$ 6,145,558	\$ (1,199,724)	\$ 4,945,834
Campaign management services	23,346,556	(1,327,789)	22,018,767
Private sector	1,010,368	(60,815)	949,553
State and local	1,940,458	(208,347)	1,732,111
	<u>\$ 32,442,940</u>	<u>\$ (2,796,675)</u>	<u>\$ 29,646,265</u>



## America's Charities and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 4. Acquisition of Causecast Corporation

On July 26, 2019, America's Charities entered into an agreement with a company to purchase certain tangible and intangible assets including proprietary software, use of a logo, customer contracts and customer relationships. The acquired net assets constitute the acquisition of a business. The total purchase price was \$116,332. America's Charities paid \$16,332 at closing during the fiscal year ended December 31, 2019 and issued a note payable for an additional \$100,000, which was paid July 26, 2020, one year after the closing date. America's Charities obtained the exclusive ownership of the company's software and related assets, which allows America's Charities to help organizations automate community volunteering, donations, matching, rewarding, and cause campaigns and allows the organizations' users to participate in the foregoing. Goodwill of \$180,891 was recognized during the year ended December 31, 2019 in conjunction with this acquisition since the purchase price was in excess of the net identifiable tangible and intangible assets acquired. Goodwill is being amortized straight line over a 10-year life. As mentioned earlier in Note 1, 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. Transaction costs related to the business combination transaction were not material.

The acquisition has been recognized in the accompanying consolidated financial statements as a business combination in accordance with U.S GAAP for the year ended December 31, 2019. The following table summarizes the aggregate consideration paid and the fair values of the net assets acquired and recognized at the date of acquisition in fiscal year 2019:

Consideration:

Cash	\$ 16,332
Note payable to seller	100,000
	<u>\$ 116,332</u>

Recognized amounts of identifiable assets acquired:

Prepaid expenses	\$ 4,109
Logo	5,000
Software	10,000
Goodwill	180,891
Other liabilities – deferred revenue	(83,668)
	<u>\$ 116,332</u>

#### Note 5. Donated Services

America's Charities received donated services. The following table presents donated services separately from other expenses for the years ended December 31, 2020 and 2019:

	2020	2019
Expenses:		
Member campaign services	\$ 664,136	\$ 802,537
Campaign management services	2,574,356	3,027,306
Employee assistance funds expenses	11,879,486	-
Management and general	529,481	476,316
Fundraising	329,631	301,265
	<u>15,977,090</u>	<u>4,607,424</u>
Donated services	932,348	563,438
	<u>\$ 16,909,438</u>	<u>\$ 5,170,862</u>

## America's Charities and Affiliates

### Notes to Consolidated Financial Statements

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#### **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 upon the completion of one year of service 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 \$159,598 and \$155,211 for the years ended December 31, 2020 and 2019, respectively.

#### **Note 7. 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 may 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 of December 31, 2020, America's Charities has elected to record the note as a loan under ASC Topic 470. Under ASC 470, America's Charities will recognize income for full amount forgiven in the fiscal year ending December 31, 2021.

#### **Note 8. 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 London Interbank Offered Rate index rate, plus 3% 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 September 5, 2021, and is renewed annually. There was no amount outstanding on the line at December 31, 2020 and 2019.

#### **Note 9. Office Lease**

America's Charities leases office space in Chantilly, Virginia under an operating lease that expires on December 31, 2021. America's Charities was given the benefit of six months of rent abatement. Deferred rent liability of \$38,332 and \$69,726 as of December 31, 2020 and 2019, respectively, is recorded on the consolidated balance sheets in relation to the rental abatement and escalating lease payments, net of the deferred rent receivable of \$1,576 and \$2,167 as of December 31, 2020 and 2019, respectively, from the sublease noted below.

Rent expense for the years ended December 31, 2020 and 2019, was \$215,820 and \$205,756, respectively.

America's Charities entered into a sublease agreement beginning on September 1, 2017, that expires on December 31, 2021, in which the subtenant is required to pay America's Charities escalating lease payments over the term of the sublease. The subtenant has the right to terminate the sublease at any time after the third anniversary of the sublease commencement date upon six months' notice. Deferred rent receivable at December 31, 2020 and 2019, is \$1,576 and \$2,167, respectively.

## America's Charities and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 9. Office Lease (Continued)

The future minimum rental payments and sublease rental receipts, assuming neither termination option is exercised, are as follows:

	Minimum Future Rental Obligations	Sublease Rental Income	Net Rental Obligations
Payments due in:			
2021	\$ 239,206	\$ 29,075	\$ 210,131
	<u>\$ 239,206</u>	<u>\$ 29,075</u>	<u>\$ 210,131</u>

#### Note 10. 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 8).

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:

	2020	2019
Financial assets	\$ 18,589,469	\$ 12,544,268
Less those unavailable for general expenditures within one year due to:		
Contractual restrictions:		
Cash designated for member payments	(6,103,754)	(8,491,777)
Pledge receivables designated for member payments	(3,176,638)	(1,734,537)
Donor restrictions	(6,834,630)	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,474,447</u>	<u>\$ 2,317,954</u>

#### Note 11. 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 2019 and 2018 Campaigns has been performed by OPM as of the date of issuance of these consolidated financial statements.

**COVID-19:** In 2020, the global pandemic 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, 2020 and 2019, and have issued our report thereon June 8, 2021, 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*

Washington, DC  
June 8, 2021

## America's Charities and Affiliates

### Consolidating Balance Sheet Year Ended December 31, 2020

	America's Charities	Children First – America's Charities	Health First – America's Charities	Community First – America's Charities	Elimination	Total
<b>Assets</b>						
Cash	\$ 13,569,843	\$ 124,301	\$ 178,863	\$ 131,262	\$ -	\$ 14,004,269
Promises to give (pledges)	2,154,709	390,760	247,687	436,282	-	3,229,438
Member charity fees receivable, net of allowance for doubtful accounts of \$93,236	146,374	164,613	8,972	25,540	-	345,499
Other receivables	1,047,838	11,264	793	7,173	(56,805)	1,010,263
Other assets	223,346	-	-	-	-	223,346
Property and equipment, net	27,147	-	-	-	-	27,147
Deferred leasing costs	1,300	-	-	-	-	1,300
Intangible assets, net	7,821	-	-	-	-	7,821
Goodwill, net	154,922	-	-	-	-	154,922
<b>Total assets</b>	<b>\$ 17,333,300</b>	<b>\$ 690,938</b>	<b>\$ 436,315</b>	<b>\$ 600,257</b>	<b>\$ (56,805)</b>	<b>\$ 19,004,005</b>
<b>Liabilities and Net Assets</b>						
Liabilities:						
Accounts payable and accrued expenses	\$ 448,673	\$ 11,663	\$ 33,080	\$ 6,863	\$ (56,805)	\$ 443,474
Campaign funds payable to member/nonmember charities	8,158,088	381,790	246,934	432,960	-	9,219,772
Deferred revenue	457,394	34,386	22,379	42,225	-	556,384
Paycheck Protection Program promissory note	487,180	-	-	-	-	487,180
Deferred rent	36,756	-	-	-	-	36,756
<b>Total liabilities</b>	<b>9,588,091</b>	<b>427,839</b>	<b>302,393</b>	<b>482,048</b>	<b>(56,805)</b>	<b>10,743,566</b>
Net assets:						
Without donor restrictions	910,579	263,099	133,922	118,209	-	1,425,809
With donor restrictions	6,834,630	-	-	-	-	6,834,630
<b>Total net assets</b>	<b>7,745,209</b>	<b>263,099</b>	<b>133,922</b>	<b>118,209</b>	<b>-</b>	<b>8,260,439</b>
	<b>\$ 17,333,300</b>	<b>\$ 690,938</b>	<b>\$ 436,315</b>	<b>\$ 600,257</b>	<b>\$ (56,805)</b>	<b>\$ 19,004,005</b>

## America's Charities and Affiliates

### Consolidating Statement of Activities Year Ended December 31, 2020

	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	\$ 2,260,664	\$ 680,876	\$ 453,014	\$ 1,295,159	\$ 4,689,713
Campaign management services	24,489,519	221,799	138,845	157,867	25,008,030
Private sector	739,385	149,659	107,460	5,414	1,001,918
State and local	978,109	319,938	178,245	4,318	1,480,610
<b>Total net amounts raised in campaigns</b>	<b>28,467,677</b>	<b>1,372,272</b>	<b>877,564</b>	<b>1,462,758</b>	<b>32,180,271</b>
Less amounts raised on behalf of others	28,271,032	1,350,709	875,345	1,455,728	31,952,814
<b>Support designated to America's Charities and Affiliates</b>	<b>196,645</b>	<b>21,563</b>	<b>2,219</b>	<b>7,030</b>	<b>227,457</b>
Employee assistance funds donations	17,684,368	-	-	-	17,684,368
Member charity fees	938,224	395,892	309,544	136,679	1,780,339
Campaign management fees	1,924,788	-	-	-	1,924,788
Employee assistance funds fees	1,090,738	-	-	-	1,090,738
Campaign advertising fees	69,180	11,640	500	37,340	118,660
Donated services	576,627	196,591	-	159,130	932,348
Other	32,697	-	-	-	32,697
<b>Total support and revenue</b>	<b>22,513,267</b>	<b>625,686</b>	<b>312,263</b>	<b>340,179</b>	<b>23,791,395</b>
Expenses:					
Program services:					
Member campaign services	761,116	390,732	209,846	194,790	1,556,484
Campaign management services	2,574,356	-	-	-	2,574,356
Employee assistance funds services	11,879,486	-	-	-	11,879,486
<b>Total program services</b>	<b>15,214,958</b>	<b>390,732</b>	<b>209,846</b>	<b>194,790</b>	<b>16,010,326</b>
Supporting services:					
Management and general	278,474	142,958	76,780	71,269	569,481
Fundraising	161,189	82,749	44,441	41,252	329,631
<b>Total supporting services</b>	<b>439,663</b>	<b>225,707</b>	<b>121,221</b>	<b>112,521</b>	<b>899,112</b>
<b>Total expenses</b>	<b>15,654,621</b>	<b>616,439</b>	<b>331,067</b>	<b>307,311</b>	<b>16,909,438</b>
<b>Change in net assets</b>	<b>6,858,646</b>	<b>9,247</b>	<b>(18,804)</b>	<b>32,868</b>	<b>6,881,957</b>
Net assets:					
Beginning	886,563	253,852	152,726	85,341	1,378,482
Ending	\$ 7,745,209	\$ 263,099	\$ 133,922	\$ 118,209	\$ 8,260,439