

America's Charities and Affiliates

Consolidated Financial Report
December 31, 2018

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Independent Auditor's Report

To the 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, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, consolidated statement of functional expenses for the year ended December 31, 2018, 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, 2018 and 2017, 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.

Emphasis of Matters

As disclosed in Note 1 to the financial statements, America's Charities adopted the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and applied this retrospectively to 2017. The adoption of this standard resulted in additional footnote disclosures and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

McLean, Virginia
April 17, 2019

America's Charities and Affiliates

Consolidated Balance Sheets December 31, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 7,891,479	\$ 5,472,474
Promises to give (pledges)	1,585,345	4,171,676
Member charity fees receivable, net of allowance for doubtful accounts of \$105,142 and \$75,300, respectively	903,522	718,435
Other receivables	472,316	183,835
Other assets	93,728	127,811
Property and equipment, net	21,544	66,489
Deferred leasing costs	3,900	5,201
	<u>\$ 10,971,834</u>	<u>\$ 10,745,921</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 528,044	\$ 359,293
Campaign funds payable to member/nonmember charities	8,373,777	8,468,074
Deferred revenue	721,971	821,757
Deferred rent	92,544	111,832
Total liabilities	<u>9,716,336</u>	<u>9,760,956</u>
Commitment and contingencies (Notes 5, 6, 7 and 9)		
Net assets without donor restrictions:		
Undesignated	705,498	434,965
Board designated	550,000	550,000
Total net assets	<u>1,255,498</u>	<u>984,965</u>
	<u>\$ 10,971,834</u>	<u>\$ 10,745,921</u>

See notes to consolidated financial statements.

America's Charities and Affiliates

Consolidated Statements of Activities Years Ended December 31, 2018 and 2017

	2018	2017
Support and revenue:		
Amounts raised in campaigns, net of estimated campaign expenses incurred by other organizations and shrinkage:		
Combined federal campaign	\$ 5,381,855	\$ 7,914,132
Campaign management services	19,148,503	16,222,745
Private sector	1,141,567	1,072,606
State and local	2,070,915	2,082,210
Total net amounts raised in campaigns	27,742,840	27,291,693
Less amounts raised on behalf of others	27,474,064	26,961,447
Support designated to America's Charities and Affiliates	268,776	330,246
Member charity fees	2,863,475	2,697,922
Campaign management fees	1,368,590	1,138,753
Campaign advertising fees	146,891	147,419
Donated services	315,854	879,804
Other	60,393	57,505
Total support and revenue	5,023,979	5,251,649
Expenses:		
Program services:		
Member campaign services	1,211,517	1,715,066
Campaign management services	2,465,290	2,346,944
Total program services	3,676,807	4,062,010
Supporting services:		
Management and general	767,682	673,168
Fundraising	308,957	344,649
Total supporting services	1,076,639	1,017,817
Total expenses	4,753,446	5,079,827
Change in net assets	270,533	171,822
Net assets:		
Beginning	984,965	813,143
Ending	\$ 1,255,498	\$ 984,965

See notes to consolidated financial statements.

America's Charities and Affiliates

Consolidated Statement of Functional Expenses December 31, 2018 (With Comparative Totals for 2017)

	Member Campaign Services	Campaign Management Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	2018 Totals	2017 Totals
Expenses:								
Salaries	\$ 451,300	\$ 1,413,076	\$ 1,864,376	\$ 496,509	\$ 179,545	\$ 676,054	\$ 2,540,430	\$ 2,285,825
Benefits	90,772	288,019	378,791	101,377	30,335	131,712	510,503	458,357
Total employee compensation	542,072	1,701,095	2,243,167	597,886	209,880	807,766	3,050,933	2,744,182
Donated services	277,359	-	277,359	35,735	2,760	38,495	315,854	879,804
Facilities	66,785	220,465	287,250	73,396	29,720	103,116	390,366	389,113
Managed campaign technology	-	143,962	143,962	-	16,452	16,452	160,414	171,169
Campaign advertising	130,601	2,500	133,101	-	562	562	133,663	138,873
Printing and marketing promotions	11,066	49,567	60,633	230	5,702	5,932	66,565	113,980
Professional fees	30,674	83,758	114,432	19,978	10,852	30,830	145,262	112,525
Service and bank fees	15,622	60,322	75,944	16,228	7,914	24,142	100,086	97,878
Campaign	36,599	46,482	83,081	-	5,390	5,390	88,471	88,879
Consultant fees	-	30,513	30,513	-	3,487	3,487	34,000	56,110
Depreciation and amortization	9,158	28,438	37,596	8,767	3,882	12,649	50,245	55,208
Travel and transportation	7,660	37,153	44,813	2,904	4,439	7,343	52,156	40,667
Conferences and meetings	3,803	11,857	15,660	1,838	1,475	3,313	18,973	36,888
Postage and shipping	3,431	11,882	15,313	352	1,387	1,739	17,052	31,728
Bad debt	52,042	-	52,042	-	110	110	52,152	28,932
Insurance	3,616	11,227	14,843	3,975	1,532	5,507	20,350	26,221
Office supplies	2,370	8,668	11,038	2,427	1,143	3,570	14,608	21,659
Licenses and registrations	14,125	72	14,197	25	40	65	14,262	17,379
Membership dues	1,634	8,026	9,660	754	967	1,721	11,381	14,882
Telephone	2,633	8,443	11,076	2,894	1,146	4,040	15,116	13,750
Staff development	267	860	1,127	293	117	410	1,537	-
Total expenses	669,445	764,195	1,433,640	169,796	99,077	268,873	1,702,513	2,335,645
Total	\$ 1,211,517	\$ 2,465,290	\$ 3,676,807	\$ 767,682	\$ 308,957	\$ 1,076,639	\$ 4,753,446	\$ 5,079,827

See notes to financial statements.

America's Charities and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 270,533	\$ 171,822
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,245	55,208
Increase in allowance for doubtful accounts	29,842	26,083
Deferred rent	(19,288)	(12,155)
Changes in assets and liabilities:		
Decrease (increase) in:		
Promises to give	2,586,331	(1,240,284)
Member charity fees receivable	(214,929)	(184,072)
Other receivables	(288,481)	(3,095)
Other assets	34,083	(9,697)
Deferred leasing costs	1,301	(5,201)
Decrease (increase) in:		
Accounts payable and accrued expenses	168,751	(25,883)
Campaign funds payable to member/nonmember charities	(94,297)	1,870,198
Deferred revenue	(99,786)	(55,685)
Net cash provided by operating activities	2,424,305	587,239
Cash flows from investing activities:		
Purchases of property and equipment	(5,300)	-
Net cash used in investing activities	(5,300)	-
Net increase in cash	2,419,005	587,239
Cash:		
Beginning	5,472,474	4,885,235
Ending	\$ 7,891,479	\$ 5,472,474

See notes to consolidated financial statements.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

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

America's Charities was incorporated in 1988 in the District of Columbia. Through its efforts with the Combined Federal Campaign (CFC), many state and local public sector campaigns and private sector workplace-giving campaigns, America's Charities solicits contributions for its member charities through payroll deduction charitable giving campaigns. 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 2018 Campaign began in September 2018 and will end in March 2020. The campaign collection period for the Fall 2018 Campaign covers primarily the period from April 2019 to March 2020. The Fall 2017 Campaign began in September 2017 and ended in March 2019. The campaign collection period for the Fall 2016 Campaign covers primarily the period from April 2018 to March 2019.

During the Fall 2017 and 2016 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 2017 and 2016 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.

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

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

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

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

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

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 significant accounting policies of America's Charities 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.

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. America's Charities had no net assets without donor restrictions at December 31, 2018 and 2017.

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

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 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.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

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.

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 and Support

Public support: 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 are not recognized as revenue by America's Charities but are reported as amounts raised in campaigns and offset by less amounts raised on behalf of others on the consolidated statements of activities.

Member charity fees: Existing member charity's fees are charged based on a percentage of total pledges raised for each member charity with a minimum charge of \$9,000 for CFC/private sector. State and local public sector member charity fees are charged to each member charity electing to participate in this program based on a percentage of total pledges raised for each member charity with a minimum charge of \$7,000. In 2017, America's Charities transitioned to a new pricing approach for new member charities. Under the new approach, each member charity is assessed a fixed service fee and funds management fee based on a percentage of contributions. Member charity fees are recognized as revenue ratably over the campaign distribution period to which they apply.

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)

Campaign management fees: 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 ratably over the campaign collection period to which they apply, which are usually calendar year campaigns.

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. Certain amounts have been designated by America's Charities for specific purposes:

Undesignated: Represents the portion of expendable funds that are available for support of America's Charities operations.

Board designated: Represents net assets that have been internally designated for future initiatives.

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, 2018 and 2017.

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 2015.

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

Adopted accounting pronouncement: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit organization's liquidity, financial performance and cash flows. This ASU was effective beginning January 1, 2018. The changes in this ASU have been applied on a retrospective basis in the consolidated financial statements. As permitted by this ASU in the year of adoption, America's Charities has elected to only present the statement of functional expenses for the year ended December 31, 2018.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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

Recent accounting pronouncements: 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, 2019, 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.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, including updates in 2016 and 2015, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. America's Charities has not yet selected a transition method and is currently evaluating the effect that the standard will have on its consolidated financial statements.

Subsequent events: America's Charities evaluated subsequent events through April 17, 2019, 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, 2018 and 2017:

	2018	2017
Software	\$ 1,617,915	\$ 1,617,915
Furniture and equipment	148,797	148,797
Computers	128,863	123,562
Leasehold improvements	19,847	19,847
	<u>1,915,422</u>	<u>1,910,121</u>
Less accumulated depreciation and amortization	1,893,878	1,843,632
	<u>\$ 21,544</u>	<u>\$ 66,489</u>

Depreciation and amortization expense was \$50,245 and \$55,208 for the years ended December 31, 2018 and 2017, respectively.

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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, 2018 and 2017:

	2018		
	Gross Pledges	Shrinkage	Net Promises
Combined federal campaign	\$ 6,504,412	\$ (1,122,557)	\$ 5,381,855
Campaign management services	20,415,128	(1,266,625)	19,148,503
Private sector	1,184,180	(42,613)	1,141,567
State and local	2,347,703	(276,788)	2,070,915
	<u>\$ 30,451,423</u>	<u>\$ (2,708,583)</u>	<u>\$ 27,742,840</u>

	2017		
	Gross Pledges	Shrinkage	Net Promises
Combined federal campaign	\$ 9,589,262	\$ (1,675,130)	\$ 7,914,132
Campaign management services	17,247,588	(1,024,843)	16,222,745
Private sector	1,176,517	(103,911)	1,072,606
State and local	2,339,191	(256,981)	2,082,210
	<u>\$ 30,352,558</u>	<u>\$ (3,060,865)</u>	<u>\$ 27,291,693</u>

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, 2018 and 2017:

	2018	2017
Expenses:		
Member campaign services	\$ 934,158	\$ 867,762
Campaign management services	2,465,290	2,337,194
Management and general	731,947	650,418
Fundraising	306,197	344,649
	<u>4,437,592</u>	<u>4,200,023</u>
Donated services	315,854	879,804
	<u>\$ 4,753,446</u>	<u>\$ 5,079,827</u>

America's Charities and Affiliates

Notes to Consolidated Financial Statements

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 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 \$140,201 and \$126,876 for the years ended December 31, 2018 and 2017, respectively.

Note 6. 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 10, 2019, and is renewed annually. There was no amount outstanding on the line at December 31, 2018 and 2017.

Note 7. 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 \$92,544 and \$111,832 as of December 31, 2018 and 2017, 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 \$1,804 and \$526 as of December 31, 2018 and 2017, respectively, from the sublease noted below.

Rent expense for the years ended December 31, 2018 and 2017, was \$204,239 and \$205,887, 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, 2018 and 2017, is \$1,804 and \$526, respectively.

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:			
2019	\$ 225,497	\$ 27,136	\$ 198,361
2020	232,269	28,090	204,179
2021	239,206	29,075	210,131
	<u>\$ 696,972</u>	<u>\$ 84,301</u>	<u>\$ 612,671</u>

America's Charities and Affiliates

Notes to Consolidated Financial Statements

Note 8. 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 addition, the Board designates a liquidity reserve of \$550,000 that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. 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 6).

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:

Financial assets, at December 31, 2018	\$ 10,852,662
Less those unavailable for general expenditures within one year due to:	
Contractual restrictions:	
Cash designated for member payments	(6,831,227)
Pledge receivables designated for member payments	(1,562,591)
Board designations:	
Amount set aside for liquidity reserve	<u>(550,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,908,844</u></u>

Note 9. Contingencies

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 2017 and 2016 Campaigns has been performed by OPM as of the date of issuance of these consolidated financial statements.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the 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, 2018 and 2017, and have issued our report thereon April 17, 2019, 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 and results of activities 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
April 17, 2019

America's Charities and Affiliates

Consolidating Balance Sheet Year Ended December 31, 2018

	America's Charities	Children First – America's Charities	Health First – America's Charities	Community First – America's Charities	Elimination	Total
Assets						
Cash	\$ 7,570,044	\$ 85,426	\$ 178,751	\$ 57,258	\$ -	\$ 7,891,479
Promises to give (pledges)	399,014	356,732	269,014	560,585	-	1,585,345
Member charity fees receivable, net of allowance for doubtful accounts of \$105,142	470,700	240,131	162,750	29,941	-	903,522
Other receivables	502,966	106,959	12,568	21,775	(171,952)	472,316
Other assets	93,728	-	-	-	-	93,728
Property and equipment, net	21,544	-	-	-	-	21,544
Deferred leasing costs	3,900	-	-	-	-	3,900
	<u>\$ 9,061,896</u>	<u>\$ 789,248</u>	<u>\$ 623,083</u>	<u>\$ 669,559</u>	<u>\$ (171,952)</u>	<u>\$ 10,971,834</u>
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 631,204	\$ -	\$ 62,192	\$ 6,600	\$ (171,952)	\$ 528,044
Campaign funds payable to member/nonmember charities	7,195,548	350,662	268,733	558,834	-	8,373,777
Deferred revenue	384,447	160,733	129,095	47,696	-	721,971
Deferred rent	92,544	-	-	-	-	92,544
Total liabilities	<u>8,303,743</u>	<u>511,395</u>	<u>460,020</u>	<u>613,130</u>	<u>(171,952)</u>	<u>9,716,336</u>
Net assets without donor restrictions:						
Undesignated	208,153	277,853	163,063	56,429	-	705,498
Board designated	550,000	-	-	-	-	550,000
Total net assets	<u>758,153</u>	<u>277,853</u>	<u>163,063</u>	<u>56,429</u>	<u>-</u>	<u>1,255,498</u>
	<u>\$ 9,061,896</u>	<u>\$ 789,248</u>	<u>\$ 623,083</u>	<u>\$ 669,559</u>	<u>\$ (171,952)</u>	<u>\$ 10,971,834</u>

America's Charities and Affiliates

Consolidating Statement of Activities Year Ended December 31, 2018

	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	\$ 2,523,341	\$ 756,754	\$ 554,767	\$ 1,546,993	\$ 5,381,855
Campaign management services	18,727,581	162,231	84,272	174,419	19,148,503
Private sector	819,323	193,731	126,953	1,560	1,141,567
State and local	1,267,653	440,095	350,293	12,874	2,070,915
Total net amounts raised in campaigns	23,337,898	1,552,811	1,116,285	1,735,846	27,742,840
Less amounts raised on behalf of others	23,097,909	1,532,929	1,115,278	1,727,948	27,474,064
Support designated to America's Charities and Affiliates	239,989	19,882	1,007	7,898	268,776
Member charity fees	1,564,761	621,416	523,739	153,559	2,863,475
Campaign management fees	1,368,590	-	-	-	1,368,590
Campaign advertising fees	72,400	29,611	14,640	30,240	146,891
Donated services	264,159	27,691	14,681	9,323	315,854
Other	60,393	-	-	-	60,393
Total support and revenue	3,570,292	698,600	554,067	201,020	5,023,979
Expenses:					
Program services:					
Member campaign services	867,064	170,366	132,629	41,458	1,211,517
Campaign management services	1,764,369	346,675	269,884	84,362	2,465,290
Total program services	2,631,433	517,041	402,513	125,820	3,676,807
Supporting services:					
Management and general	549,418	107,953	84,041	26,270	767,682
Fundraising	221,117	43,446	33,822	10,572	308,957
Total supporting services	770,535	151,399	117,863	36,842	1,076,639
Total expenses	3,401,968	668,440	520,376	162,662	4,753,446
Change in net assets	168,324	30,160	33,691	38,358	270,533
Net assets without donor restrictions:					
Beginning	589,829	247,693	129,372	18,071	984,965
Ending	\$ 758,153	\$ 277,853	\$ 163,063	\$ 56,429	\$ 1,255,498