

America's Charities and Affiliate

Consolidated Financial Report
December 31, 2023

Contents

Independent auditor's report	1-2
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Financial statements	
Consolidated balance sheets	3
Consolidated statements of activities	4
Consolidated statements of functional expenses	5-6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8-18

Independent auditor's report on the supplementary information	19
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Supplementary information	
Consolidating balance sheet	20
Consolidating statement of activities	21

Independent Auditor's Report

Board of Directors
America's Charities

Opinion

We have audited the consolidated financial statements of America's Charities and Affiliate (collectively, America's Charities), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheets of America's Charities as of December 31, 2023 and 2022, 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 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about America's Charities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

McLean, Virginia
June 20, 2024

America's Charities and Affiliate

**Consolidated Balance Sheets
December 31, 2023 and 2022**

	2023	2022
Assets		
Cash	\$ 6,058,769	\$ 7,520,617
Investments	13,607,850	9,046,550
Promises to give (pledges)	2,612,479	1,462,304
Member charity fees receivable, net of allowance for credit losses of \$12,882 in 2023 and doubtful accounts of \$55,869 in 2022	183,754	64,920
Other receivables	1,295,013	1,291,231
Other assets	136,560	83,711
Property and equipment, net	164,516	123,479
Right-of-use asset for operating lease	1,246,788	1,373,146
Goodwill, net	100,653	118,743
	<u>25,406,382</u>	<u>21,084,701</u>
Total assets	\$ 25,406,382	\$ 21,084,701
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 537,537	\$ 460,820
Campaign funds payable to member/nonmember charities	7,758,774	6,167,603
Deferred revenue	984,442	643,255
Line of credit	166,667	250,000
Lease liability, net	1,448,522	1,576,942
	<u>10,895,942</u>	<u>9,098,620</u>
Total liabilities	10,895,942	9,098,620
Commitments and contingency (Notes 7 and 10)		
Net assets:		
Without donor restrictions	1,253,563	642,047
With donor restrictions	13,256,877	11,344,034
	<u>14,510,440</u>	<u>11,986,081</u>
Total net assets	14,510,440	11,986,081
	<u>25,406,382</u>	<u>21,084,701</u>
Total liabilities and net assets	\$ 25,406,382	\$ 21,084,701

See notes to consolidated financial statements.

America's Charities and Affiliate

Consolidated Statements of Activities Years Ended December 31, 2023 and 2022

	2023			2022		
	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	\$ 3,678,746	\$ -	\$ 3,678,746	\$ 4,163,883	\$ -	\$ 4,163,883
Campaign management services	20,777,611	-	20,777,611	22,430,259	-	22,430,259
Private sector	742,801	-	742,801	587,408	-	587,408
State and local	959,187	-	959,187	926,269	-	926,269
Total net amounts raised in campaigns	26,158,345	-	26,158,345	28,107,819	-	28,107,819
Less amounts raised on behalf of others	25,968,752	-	25,968,752	27,957,676	-	27,957,676
Support designated to America's Charities and Affiliate	189,593	-	189,593	150,143	-	150,143
Employee assistance funds donations	-	13,520,689	13,520,689	-	9,013,772	9,013,772
Campaign management fees	1,699,828	-	1,699,828	1,639,408	-	1,639,408
Member charity fees	1,215,440	-	1,215,440	1,268,691	-	1,268,691
Contributions of nonfinancial assets	472,552	-	472,552	515,256	-	515,256
Employee assistance funds fees	1,832,154	-	1,832,154	1,247,581	-	1,247,581
Campaign advertising fees	-	-	-	112,420	-	112,420
Investment income, net	561,300	-	561,300	46,550	-	46,550
Other	24,495	-	24,495	40,185	-	40,185
Net assets released from restriction	11,607,846	(11,607,846)	-	4,870,645	(4,870,645)	-
Total support and revenue	17,603,208	1,912,843	19,516,051	9,890,879	4,143,127	14,034,006
Expenses:						
Program services:						
Employee assistance funds services	12,717,469	-	12,717,469	5,796,173	-	5,796,173
Campaign management services	2,515,713	-	2,515,713	2,437,255	-	2,437,255
Member campaign services	679,836	-	679,836	857,475	-	857,475
Total program services	15,913,018	-	15,913,018	857,475	-	9,090,903
Supporting services:						
Management and general	791,465	-	791,465	964,641	-	964,641
Fundraising	287,209	-	287,209	320,996	-	320,996
Total supporting services	1,078,674	-	1,078,674	1,285,637	-	1,285,637
Total expenses	16,991,692	-	16,991,692	10,376,540	-	10,376,540
Change in net assets	611,516	1,912,843	2,524,359	(485,661)	4,143,127	3,657,466
Net assets:						
Beginning	642,047	11,344,034	11,986,081	1,127,708	7,200,907	8,328,615
Ending	\$ 1,253,563	\$ 13,256,877	\$ 14,510,440	\$ 642,047	\$ 11,344,034	\$ 11,986,081

See notes to consolidated financial statements.

America's Charities and Affiliate

Consolidated Statement of Functional Expenses Year Ended December 31, 2023

	Employee Assistance Fund Services	Campaign Management Services	Member Campaign Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Expenses:								
Salaries	\$ 687,989	\$ 1,507,558	\$ 176,727	\$ 2,372,274	\$ 567,213	\$ 186,272	\$ 753,485	\$ 3,125,759
Benefits	125,572	272,067	31,865	429,504	103,843	30,228	134,071	563,575
Total employee compensation	813,561	1,779,625	208,592	2,801,778	671,056	216,500	887,556	3,689,334
Employee assistance funds grants	11,607,827	-	-	11,607,827	-	-	-	11,607,827
Contributions of nonfinancial assets	66,750	22,250	383,552	472,552	-	-	-	472,552
Managed campaign technology	40,196	235,935	-	276,131	-	16,121	16,121	292,252
Professional fees	38,174	84,014	4,953	127,141	15,840	9,694	25,534	152,675
Technology	45,549	131,274	10,642	187,465	34,034	14,367	48,401	235,866
Facilities	44,184	97,803	11,442	153,429	36,590	12,771	49,361	202,790
Service and bank fees	4,822	45,863	4,116	54,801	13,160	3,901	17,061	71,862
Insurance	10,729	23,650	2,778	37,157	8,885	3,096	11,981	49,138
Depreciation and amortization	6,796	14,981	1,760	23,537	5,628	1,961	7,589	31,126
Campaign	-	19,251	18,029	37,280	-	956	956	38,236
Consultant fees	15,783	-	-	15,783	-	1,742	1,742	17,525
Printing and marketing promotions	1,207	16,382	13,289	30,878	86	953	1,039	31,917
Interest expense	3,984	8,781	1,032	13,797	3,299	1,150	4,449	18,246
Office supplies	781	2,201	206	3,188	645	249	894	4,082
Membership dues	222	7,825	2,647	10,694	184	428	612	11,306
Postage and shipping	329	4,975	611	5,915	264	305	569	6,484
Credit loss expense	14,703	15,731	76	30,510	243	2,422	2,665	33,175
Travel and transportation	1,682	4,154	508	6,344	1,393	508	1,901	8,245
License and registration fees	-	-	15,554	15,554	-	-	-	15,554
Conferences and meetings	190	1,018	49	1,257	158	85	243	1,500
Total direct expenses	11,903,908	736,088	471,244	13,111,240	120,409	70,709	191,118	13,302,358
Total	\$ 12,717,469	\$ 2,515,713	\$ 679,836	\$ 15,913,018	\$ 791,465	\$ 287,209	\$ 1,078,674	\$ 16,991,692

See notes to consolidated financial statements.

America's Charities and Affiliate

Consolidated Statement of Functional Expenses Year Ended December 31, 2022

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

See notes to consolidated financial statements.

America's Charities and Affiliate

Consolidated Statements of Cash Flows Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 2,524,359	\$ 3,657,466
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,126	31,393
Decrease in allowance for doubtful accounts	(42,987)	(6,366)
Unrealized/realized gain on investments	(153,764)	(13,063)
Amortization of right-of-use asset for operating lease	126,358	124,619
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(1,150,175)	1,884,768
Member charity fees receivable	(75,847)	290,058
Receivables from cryptocurrency platforms	-	957,006
Other receivables	(3,782)	(503,828)
Other assets	(52,849)	164,477
Increase (decrease) in:		
Accounts payable and accrued expenses	76,717	29,206
Campaign funds payable to member/nonmember charities	1,591,171	(5,103,257)
Deferred revenue	341,187	192,797
Lease liability	(128,420)	(7,301)
Net cash provided by operating activities	3,083,094	1,697,975
Cash flows from investing activities:		
Purchases of investments	(7,407,535)	(9,033,487)
Sales of investments	3,000,000	-
Purchases of property and equipment	(54,074)	(57,272)
Net cash used in investing activities	(4,461,609)	(9,090,759)
Cash flows from financing activities:		
(Repayments) proceeds from line of credit	(83,333)	250,000
Net cash (used in) provided by financing activities	(83,333)	250,000
Net decrease in cash	(1,461,848)	(7,142,784)
Cash:		
Beginning	7,520,617	14,663,401
Ending	\$ 6,058,769	\$ 7,520,617
Supplemental disclosures of cash flow information:		
Addition to right-of-use asset for operating lease at ASC 842 adoption	\$ -	\$ 1,497,764
Addition to operating lease liability at ASC 842 adoption	\$ -	\$ 1,584,243
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows-payments on operating leases	\$ 158,528	\$ 39,147

See notes to consolidated financial statements.

America's Charities and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

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

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

The campaign period is typically a 20-month period beginning the September before the contribution period. The Fall 2023 Campaign began in September 2023 and will end in March 2025. The campaign collection period for the Fall 2023 Campaign covers primarily the period from April 2024 to March 2025. The Fall 2022 Campaign began in September 2022 and ended in March 2024. The campaign collection period for the Fall 2022 Campaign covers primarily the period from April 2023 to March 2024.

During the Fall 2023 and 2022 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 campaign management organization, 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.

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:

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.

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

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 Affiliate

Notes to Consolidated Financial Statements

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

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 and Community First. All significant intercompany balances and transactions have been eliminated in the consolidation.

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

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

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

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

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

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

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 CFC, 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 Affiliate

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. Opening balances as of January 1, 2022 included accounts receivable of \$348,612 and \$643,225 of deferred revenue.

Allowance for credit losses and doubtful accounts: America's Charities adopted ASC 326, Financial Instruments—Credit Losses, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include trade receivables, contract assets and noncurrent receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses was \$12,792 as of December 31, 2023.

Prior to adoption of ASC 326, America's Charities maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of December 31, 2022, was \$55,869.

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 \$0 and \$2,822 for the years ended December 31, 2023 and 2022, respectively. Accumulated amortization of intangible assets was \$15,000 for the years ended December 31, 2023 and 2022.

Goodwill: America's Charities follows ASC Topics 805 and 350, Accounting for Business Combinations and Intangibles—Goodwill and Other. Goodwill is required to be recognized in a business combination if the fair value of the acquired entity exceeds the fair value of the identifiable net assets acquired. America's Charities recognized \$180,891 of goodwill as a result of its acquisition of Causecast on July 26, 2019. America's Charities has elected the Private Company Council accounting alternatives related to goodwill and intangible assets acquired in a business combination. Accordingly, goodwill includes the fair values of certain customer-related intangible assets acquired in the business combination. Goodwill is being amortized on a straight-line basis over a 10-year life. Amortization expense for goodwill was \$18,089 for the years ended December 31, 2023 and 2022. Accumulated amortization of goodwill was \$80,236 and \$62,147 for the years ended December 31, 2023 and 2022, respectively.

America's Charities and Affiliate

Notes to Consolidated Financial Statements

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.

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

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

Leases: America's Charities determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. America's Charities also considers whether its service arrangements include the right to control the use of an asset.

America's Charities recognizes most leases on its statement of financial position as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

America's Charities made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of ASC Topic 842, Leases). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, America's Charities made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

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

America's Charities and Affiliate

Notes to Consolidated Financial Statements

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

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

Deferred 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.

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

America's Charities and Affiliate

Notes to Consolidated Financial Statements

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

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

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

Subsequent events: America's Charities has evaluated subsequent events through June 20, 2024, the date on which the consolidated financial statements were available to be issued.

Note 2. Investments and Fair Value Measurements

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

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

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

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

America's Charities and Affiliate

Notes to Consolidated Financial Statements

Note 2. Investments and Fair Value Measurements (Continued)

America's Charities mutual funds are publicly traded on the New York Stock Exchange and are considered Level 1 items. Investments valued using Level 2 inputs include U.S. treasury notes. The treasury notes were valued using market observable data. In determining the fair value of these investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield and other terms and conditions of each security. The deferred compensation liabilities are based on the fair value of the deferred compensation assets, which are observable inputs; however, the liabilities are not publicly traded and are, therefore, considered Level 2 items.

Investments consisted of the following at December 31, 2023 and 2022:

	2023			
	Fair Value	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual fund—Institutional	\$ 504,170	\$ 504,170	\$ -	\$ -
Fixed income—U.S. treasury notes	3,175,040	-	3,175,040	-
		<u>\$ 504,170</u>	<u>\$ 3,175,040</u>	<u>\$ -</u>
Investments at cost:				
Cash	9,928,640			
	<u>\$ 13,607,850</u>			
	2022			
	Fair Value	Level 1	Level 2	Level 3
Investments, at fair value:				
Fixed income—U.S. treasury notes	\$ 2,941,029	\$ -	\$ 2,941,029	\$ -
		<u>\$ -</u>	<u>\$ 2,941,029</u>	<u>\$ -</u>
Investments at cost:				
Cash	6,105,521			
	<u>\$ 9,046,550</u>			

Note 3. Property and Equipment

Property and equipment consist of the following at December 31, 2023 and 2022:

	2023	2022
Software	\$ 1,729,850	\$ 1,677,536
Furniture and equipment	105,441	105,441
Computers	158,704	156,944
	<u>1,993,995</u>	<u>1,939,921</u>
Less accumulated depreciation and amortization	1,829,479	1,816,442
	<u>\$ 164,516</u>	<u>\$ 123,479</u>

Depreciation and amortization expense related to property and equipment was \$13,037 and \$10,482 for the years ended December 31, 2023 and 2022, respectively.

America's Charities and Affiliate

Notes to Consolidated Financial Statements

Note 4. Amounts Raised in Campaigns

Public support on the consolidated statements of activities is represented net of estimated campaign expenses incurred by other organizations and shrinkage of the campaigns. America's Charities includes funds raised in a campaign that it manages as the fiscal agent if it has had substantial involvement in that campaign. The following tables present gross pledges raised by America's Charities and the reconciliation to net amounts raised in campaigns for the years ended December 31, 2023 and 2022:

	2023		
	Gross Promises	Shrinkage	Net Promises
Combined federal campaign	\$ 4,949,788	\$ (1,271,042)	\$ 3,678,746
Campaign management services	21,873,345	(1,095,734)	20,777,611
Private sector	787,808	(45,007)	742,801
State and local	1,100,910	(141,723)	959,187
	<u>\$ 28,711,851</u>	<u>\$ (2,553,506)</u>	<u>\$ 26,158,345</u>
	2022		
	Gross Promises	Shrinkage	Net Promises
Combined federal campaign	\$ 5,610,883	\$ (1,447,000)	\$ 4,163,883
Campaign management services	23,703,231	(1,272,972)	22,430,259
Private sector	622,988	(35,580)	587,408
State and local	1,092,064	(165,795)	926,269
	<u>\$ 31,029,166</u>	<u>\$ (2,921,347)</u>	<u>\$ 28,107,819</u>

Note 5. Contributions of Nonfinancial Assets

America's Charities received contributions of nonfinancial assets. The following table presents contributions of nonfinancial assets separately from other expenses for the years ended December 31, 2023 and 2022:

	2023	2022
Expenses:		
Member campaign services	\$ 296,284	\$ 430,220
Campaign management services	2,493,463	2,437,255
Employee assistance funds expenses	12,650,719	5,734,573
Management and general	791,465	938,240
Fundraising	287,209	320,996
	<u>16,519,140</u>	<u>9,861,284</u>
Contributions of nonfinancial assets	472,552	515,256
	<u>\$ 16,991,692</u>	<u>\$ 10,376,540</u>

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

America's Charities and Affiliate

Notes to Consolidated Financial Statements

Note 5. Contributions of Nonfinancial Assets (Continued)

Contributions of nonfinancial assets consisted of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Advertising	\$ 383,552	\$ 427,256
Legal services	89,000	88,000
	<u>\$ 472,552</u>	<u>\$ 515,256</u>

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

Note 6. Retirement Plan

America's Charities has a 401(k) defined contribution retirement plan covering all full-time employees. Employees are eligible to participate beginning the first day of hire and are 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 \$181,050 and \$122,489 for the years ended December 31, 2023 and 2022, respectively.

Note 7. Line of Credit

America's Charities has an open-ended, revolving, secured \$250,000 line of credit to supplement its general working capital. The line accrued an interest rate equal to the WSJ Prime rate plus 0.5%, per annum and requires a collateral account of \$250,000, which is included in cash on the consolidated balance sheets. As of March 30, 2023, the interest changed to a fixed rate of 8.25%. The line of credit expires on April 1, 2024. There was \$166,667 and \$250,000 outstanding on the line of credit at December 31, 2023 and 2022, respectively. Subsequent to year end America's Charities paid off the line of credit in full and it was not renewed.

Note 8. Office Lease

America's Charities leases office space under an operating lease which expires on October 2032. The base rent increases annually based on a schedule provided in the lease. During the first 11 months of the lease, there was an abatement of the monthly base rent. In addition, there is a tenant improvement allowance of \$60,400. America's Charities determined the original lease to be considered an operating lease under Topic 842. America's Charities calculated the present value of the lease over the term of the respective lease, using the risk-free rate at the date of the adoption. The interest rate utilized as of December 31, 2023, was 2.00%. The remaining lease term is nine years.

Lease expense for the years ended December 31, 2023 and 2022, was \$185,059 and \$153,605, respectively.

America's Charities and Affiliate

Notes to Consolidated Financial Statements

Note 8. Office Lease (Continued)

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

Years ending December 31:		
2024	\$	162,492
2025		166,554
2026		170,718
2027		174,896
2028		179,360
2029-2032		729,735
		<u>1,583,755</u>
Discount to net present value		<u>(135,233)</u>
	\$	<u>1,448,522</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.

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:

	2023	2022
Financial assets	\$ 23,757,865	\$ 19,385,622
Less those unavailable for general expenditures within one year due to:		
Contractual restrictions:		
Cash and investments designated for member payments	(5,735,125)	(4,739,599)
Pledge receivables designated for member payments	(2,573,143)	(1,451,412)
Donor restrictions:	(13,256,877)	(11,344,034)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,192,720</u>	<u>\$ 1,850,577</u>

Note 10. Contingency

Campaign audits: Campaigns are subject to audit by the U.S. Office of Personnel Management (OPM). Pledges received by member charities may be adjusted based on determinations of these audits. In the opinion of America's Charities' management, any adjustments resulting from any audits would not be material to the consolidated financial statements. No audit of the Fall 2022 and 2021 Campaigns have been performed by OPM as of the date of issuance of these consolidated financial statements.

America's Charities and Affiliate

Notes to Consolidated Financial Statements

Note 11. Subsequent Event

Subsequent to year end in February 2024, America's Charities entered into an agreement to sublease a portion of their office space to another organization under a three-year lease expiring in February 2027. The lease calls for \$9,656 monthly payments with a 4% annual escalation clause.

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 Affiliate as of and for the years ended December 31, 2023 and 2022, and have issued our report thereon June 20, 2024, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

McLean, Virginia
June 20, 2024

America's Charities and Affiliate

Consolidating Balance Sheet December 31, 2023

	America's Charities	Community First— America's Charities	Elimination	Total
Assets				
Cash	\$ 6,058,769	\$ -	\$ -	\$ 6,058,769
Investments	13,607,850	-	-	13,607,850
Promises to give (pledges)	2,186,526	425,953	-	2,612,479
Member charity fees receivable, net of allowance for credit losses of \$12,882	131,866	51,888	-	183,754
Other receivables	1,295,076	88,865	(88,928)	1,295,013
Other assets	136,560	-	-	136,560
Property and equipment, net	164,516	-	-	164,516
Right-of-use asset for operating lease	1,246,788	-	-	1,246,788
Goodwill, net	100,653	-	-	100,653
Total assets	\$ 24,928,604	\$ 566,706	\$ (88,928)	\$ 25,406,382
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 626,465	\$ -	\$ (88,928)	\$ 537,537
Campaign funds payable to member/nonmember charities	7,334,272	424,502	-	7,758,774
Deferred revenue	945,454	38,988	-	984,442
Line of credit	166,667	-	-	166,667
Lease liability, net	1,448,522	-	-	1,448,522
Total liabilities	10,521,380	463,490	(88,928)	10,895,942
Net assets:				
Without donor restrictions	1,150,347	103,216	-	1,253,563
With donor restrictions	13,256,877	-	-	13,256,877
Total net assets	14,407,224	103,216	-	14,510,440
Total liabilities and net assets	\$ 24,928,604	\$ 566,706	\$ (88,928)	\$ 25,406,382

America's Charities and Affiliate

Consolidating Statement of Activities Year Ended December 31, 2023

	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	\$ 2,539,973	\$ 1,138,773	\$ 3,678,746
Campaign management services	20,655,683	121,928	20,777,611
Private sector	732,921	9,880	742,801
State and local	957,278	1,909	959,187
Total net amounts raised in campaigns	24,885,855	1,272,490	26,158,345
Less amounts raised on behalf of others	24,702,321	1,266,431	25,968,752
Support designated to America's Charities and Affiliate	183,534	6,059	189,593
Employee assistance funds donations	13,520,689	-	13,520,689
Campaign management fees	1,699,828	-	1,699,828
Member charity fees	1,090,167	125,273	1,215,440
Employee assistance funds fees	1,832,154	-	1,832,154
Contributions of nonfinancial assets	357,455	115,097	472,552
Investment income, net	561,300	-	561,300
Other	24,495	-	24,495
Total support and revenue	19,269,622	246,429	19,516,051
Expenses:			
Program services:			
Employee assistance funds services	12,717,469	-	12,717,469
Campaign management services	2,515,713	-	2,515,713
Member campaign services	500,226	179,610	679,836
Total program services	15,733,408	179,610	15,913,018
Supporting services:			
Management and general	745,732	45,733	791,465
Fundraising	270,613	16,596	287,209
Total supporting services	1,016,345	62,329	1,078,674
Total expenses	16,749,753	241,939	16,991,692
Change in net assets	2,519,869	4,490	2,524,359
Net assets:			
Beginning	11,887,355	98,726	11,986,081
Ending	\$ 14,407,224	\$ 103,216	\$ 14,510,440