

UNITED CHARITABLE PROGRAMS

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

ROBERT D. BEN-KORI, CPA, PLLC

UNITED CHARITABLE PROGRAMS
FINANCIAL STATEMENTS
December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Charitable Programs
Falls Church, Virginia

We have audited the accompanying financial statements of United Charitable Programs (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 of 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 unconsolidated financial position of United Charitable Programs as of December 31, 2014 and 2013, and the unconsolidated changes in its net assets and its unconsolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matter

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial position of United Charitable Programs and its supporting organization as of December 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended (none of which is presented herein), and we expressed an unmodified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of United Charitable Programs and its supporting organization, and the financial statements of the parent company presented herein are not a valid substitute for those consolidated financial statements.

Robert B. Ben-Koni, CPA, PLLC

May 28, 2015

UNITED CHARITABLE PROGRAMS
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents	\$ 980,336	\$ 1,899,389
Other Receivables	85,800	2,288
Investments in Limited Partnerships/LLC's	26,004,619	16,147,706
Other Investments	10,480,632	8,687,736
Property and Equipment, Net	170,344	174,521
Prepaid Expenses	61,421	6,730
Life Insurance CSV	<u>4,823,420</u>	<u>4,817,243</u>
TOTAL ASSETS	<u><u>\$ 42,606,572</u></u>	<u><u>\$ 31,735,613</u></u>
LIABILITIES AND NET DEFICIT		
Accounts Payable and Accrued Expenses	\$ 149,051	\$ 129,442
Deferred Revenue	<u>220,402</u>	<u> </u>
Total Liabilities	<u>369,453</u>	<u>129,442</u>
Unrestricted Net Assets	4,778,474	5,420,180
Temporarily Restricted Net Assets	<u>37,458,645</u>	<u>26,185,991</u>
Total Net Assets	<u>42,237,119</u>	<u>31,606,171</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 42,606,572</u></u>	<u><u>\$ 31,735,613</u></u>

See accompanying notes to financial statements.

UNITED CHARITABLE PROGRAMS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Grants	\$ 60	\$ 3,766,975	\$ 3,767,035
Non-Cash Contributions		11,195,188	11,195,188
Investment Income	242,734	393,277	636,011
Event Revenue		398,520	398,520
Program Service Revenue		368,843	368,843
Other Income		25,007	25,007
Net Assets Released from Restrictions	4,875,156	(4,875,156)	
	<hr/>	<hr/>	<hr/>
Total Support and Revenue	5,117,950	11,272,654	16,390,604
EXPENSES			
Program Services	4,157,159		4,157,159
	<hr/>	<hr/>	<hr/>
Total Program Services	4,157,159	-	4,157,159
Supporting Services			
General and Administrative	1,289,559		1,289,559
Fund Raising	312,938		312,938
	<hr/>	<hr/>	<hr/>
Total Supporting Services	1,602,497	-	1,602,497
Total Expenses	5,759,656	-	5,759,656
	<hr/>	<hr/>	<hr/>
INCREASE (DECREASE) IN NET ASSETS	(641,706)	11,272,654	10,630,948
NET ASSETS, Beginning of Year	5,420,180	26,185,991	31,606,171
	<hr/>	<hr/>	<hr/>
NET ASSETS, End of Year	\$ 4,778,474	\$37,458,645	\$42,237,119
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

UNITED CHARITABLE PROGRAMS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Grants	\$ 4,622	\$ 3,627,534	\$ 3,632,156
Non-Cash Contributions		7,649,302	7,649,302
Investment Income	818,922	368,459	1,187,381
Event Revenue		491,731	491,731
Program Service Revenue		393,562	393,562
Other Income		225,263	225,263
Net Assets Released from Restrictions	5,410,112	(5,410,112)	
	<hr/>	<hr/>	<hr/>
Total Support and Revenue	6,233,656	7,345,739	13,579,395
EXPENSES			
Program Services	4,397,876		4,397,876
	<hr/>	<hr/>	<hr/>
Total Program Services	4,397,876	-	4,397,876
Supporting Services			
General and Administrative	1,256,697		1,256,697
Fund Raising	244,719		244,719
	<hr/>	<hr/>	<hr/>
Total Supporting Services	1,501,416	-	1,501,416
	<hr/>	<hr/>	<hr/>
Total Expenses	5,899,292	-	5,899,292
INCREASE (DECREASE) IN NET ASSETS	334,364	7,345,739	7,680,103
NET ASSETS, Beginning of Year	5,085,816	18,840,252	23,926,068
	<hr/>	<hr/>	<hr/>
NET ASSETS, End of Year	\$ 5,420,180	\$26,185,991	\$31,606,171
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See accompanying notes to financial statements.

UNITED CHARITABLE PROGRAMS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Accounting and Legal	\$ 7,543	\$ 99,457	\$	\$ 107,000
Advertising	492			492
Bank and Investment Fees	39,971	45,308		85,279
Conferences	2,243	9,867		12,110
Depreciation		4,178		4,178
Donations	1,687,149	100		1,687,249
Dues and Subscriptions	2,005	4,003		6,008
Employee Benefits	21,224	96,143		117,367
Equipment Rental and Repairs	55,391	4,937	216	60,544
Events	88,565	30,526	34,172	153,263
Grants	83,060			83,060
Insurance	173,492	36,716	931	211,139
Licenses, Taxes and Fees	26,733	7,176		33,909
Maintenance	2,494	32,670		35,164
Media	45,159	9,720	1,805	56,684
Miscellaneous	1,092	12,984		14,076
Office Expense	11,605	12,882	1,035	25,522
Payroll	603,532	710,010		1,313,542
Payroll Taxes	35,052	52,170		87,222
Printing and Postage	55,825	11,892	1,379	69,096
Program Support	158,105			158,105
Publications	18,116			18,116
Rent and Occupancy	121,067	62,988	209,284	393,339
Sub-Contractors Program Consultants	472,376	11,262	26,537	510,175
Supplies	31,937	6,389	11,824	50,150
Telephone	18,816	13,369		32,185
Travel and Meals	394,115	14,812	25,755	434,682
Total Expenses	<u>\$4,157,159</u>	<u>\$ 1,289,559</u>	<u>\$ 312,938</u>	<u>\$ 5,759,656</u>

See accompanying notes to financial statements.

UNITED CHARITABLE PROGRAMS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Accounting and Legal	\$ 1,975	\$ 88,666	\$	\$ 90,641
Bank and Investment Fees	33,387	54,303		87,690
Conferences	4,361	3,704		8,065
Depreciation	1,100	4,178		5,278
Donations	1,887,016			1,887,016
Dues and Subscriptions	484	7,184		7,668
Employee Benefits	37,430	90,490		127,920
Equipment Rental and Repairs	47,417	5,321	500	53,238
Events	80,602	7,391	53,397	141,390
Grants	96,579			96,579
Insurance	62,585	46,066	600	109,251
Licenses, Taxes and Fees	31,793	2,723		34,516
Maintenance	8,541	28,872		37,413
Media	71,073	11,817	100	82,990
Miscellaneous	6,576	9,582		16,158
Office Expense	9,847	9,955	3,680	23,482
Payroll	644,863	698,551		1,343,414
Payroll Taxes	39,059	57,670		96,729
Printing and Postage	62,223	14,102	6,220	82,545
Program Support	174,416			174,416
Publications	25,094	99		25,193
Rent and Occupancy	130,016	65,811	112,567	308,394
Sub-Contractors Program Consultants	530,603	9,563	10,423	550,589
Supplies	48,955	10,843	19,101	78,899
Telephone	21,925	13,291		35,216
Travel and Meals	339,956	16,515	38,131	394,602
Total Expenses	<u>\$4,397,876</u>	<u>\$ 1,256,697</u>	<u>\$ 244,719</u>	<u>\$ 5,899,292</u>

See accompanying notes to financial statements.

UNITED CHARITABLE PROGRAMS
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$10,630,948	\$ 7,680,103
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,178	5,278
Non-Cash Contributions In	(11,195,188)	(7,649,302)
Non-Cash Donations Out	5,761	2,362
Realized (Gain) Loss on Investments	(80,023)	(243,194)
Unrealized (Gain) Loss on Investments	(100,582)	(666,216)
Increase in Life Insurance CSV	(6,177)	(165,322)
(Increase) Decrease in:		
Other Receivables	(83,512)	4,627
Prepaid Expenses	(54,691)	(6,730)
Increase (Decrease) in:		
Accounts Payable and Accrued	19,610	28,744
Net Cash Provided (Used) by Operating Activities	<u>(859,676)</u>	<u>(1,009,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales of Investments	2,297,639	3,235,428
Purchases of Investments	(2,357,015)	(2,828,965)
Purchases of Property and Equipment		<u>(5,489)</u>
Net Cash Provided (Used) by Investing Activities	<u>(59,376)</u>	<u>400,974</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(919,052)	(608,676)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,899,388</u>	<u>2,508,065</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 980,336</u>	<u>\$ 1,899,389</u>

See accompanying notes to financial statements.

UNITED CHARITABLE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 1 - Organization

United Charitable Programs was originally incorporated in the state of Virginia in 2005 and was issued tax exempt status by the IRS in 2008. After an initial period of inactivity, UCP requested a certificate of restatement to its present name, United Charitable Programs effective October 4, 2010. UCP operates exclusively as an organization authorized to engage in religious, charitable, scientific, literary or educational activities by consolidating the administration of these activities through fiscally sponsored programs and donor advised funds.

Any person or corporation, with approval from United Charitable Program's Board, may establish a Charitable Program at UCP to engage in activities compatible to the mission objectives of UCP. Charitable Programs are held and administered by UCP. Assets donated to UCP in support of the purposes of specific charitable programs operated by UCP are treated as restricted funds dedicated to those specific purposes, and that only the sponsorship fees, interest and charges paid to the general fund of UCP shall be treated as unrestricted assets. UCP observes the charitable trust doctrine to maximize the protection of restricted assets from potential general creditors of UCP. Final approval of the use of all Charitable Program Funds rests with UCP and its Board.

Donor Advised Funds at UCP are administered under restrictions set forth in the 2006 Pension Protection Act. Donors may make recommendations on the investment of or the use of donated funds, which are restricted to qualified charities in the United States and abroad. Donors may also organize a Scholarship Program with UCP and recommend to disburse funds to the college or university of a Scholarship Recipient. As with its Charitable Programs, UCP maintains final oversight on all donations and scholarship requests for its Donor Advised Funds.

Note 2 - Summary of Significant Accounting Policies

Principals of Presentation

These financial statements include the balances and financial activities of United Charitable Programs only. The consolidated statements of financial position of United Charitable Programs and

UNITED CHARITABLE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (Continued)

its supporting organization as of December 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended have been presented separately. Such consolidated financial statements are the general-purpose financial statements of United Charitable Programs and its supporting organization, and the financial statements of the parent company presented herein are not a valid substitute for those consolidated financial statements.

Basis of Accounting

United Charitable Programs presents its financial statements on the accrual basis of accounting where support is recognized when earned, and costs and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Under those standards, UCP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

UCP's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. All donors relinquish ownership and custody of assets donated into UCP accounts. Contributions to charitable programs are restricted for use by such charitable programs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

UNITED CHARITABLE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (Continued)

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

UCP estimates that the fair value of all financial instruments at December 31, 2014 and 2013, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The carrying value of cash and cash equivalents, notes receivable and other receivables approximate fair value because of the relatively short maturity of these instruments.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments purchased with original maturities of three months or less.

Intentions to Give

Intentions to give which may be rescinded at any time were not recognized in the financial statements because they did not meet the criteria for revenue recognition under FASB ASC Topic 958.

Other Receivables

Other receivables are accounted for on the accrual basis. As of December 31, 2014, UCP believes that all other receivables are fully collectable.

Investments

UCP follows the recommendations of the Financial Accounting Standard board in FASB ASC Topic 958, Not-For-Profit Entities. Under FASB ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted

UNITED CHARITABLE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (Continued)

prices in active markets (Level 1 measurements) in the statement of financial position. Annuities are reported at their fair value based on significant other observable inputs (Level 2 measurements). The unrealized gain or loss on investments is reflected in the statements of activities.

Investments are originally recorded at cost if purchased or estimated fair value on the date of donation. Subsequently, investments are carried at fair value, except those investments in closely held companies and limited partnerships, for which fair values are not readily determinable, which are carried at the lesser of cost or net realizable value. Net investment income represents interest, dividends, and realized and unrealized gains and losses on investments.

Property and Equipment

Property and Equipment include land, buildings, furniture, fixtures and equipment that are used in charitable activities of UCP Accounts and are used in the daily activities of the UCP's programs. These assets are recorded at cost or, if donated, at net realizable value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of 30 years for buildings and 3 to 10 years for all other assets.

All acquisitions of property and equipment of \$2,500 or more and all expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Contributions

Non-cash contributions are recorded at fair value on the date of donation.

UCP accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board. In accordance with those standards, contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

UNITED CHARITABLE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (Continued)

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Tax Status

UCP has filed and received a final determination letter from the Internal Revenue Service under Section 501 (c)(3) that it qualifies as a not-for-profit corporation exempt from federal income taxes as provided under Section 501 (a) of the Internal Revenue Code. However, unrelated business income may be subjected to taxation. There was no known unrelated business income for the year ended December 31, 2014.

UCP's federal exempt organization tax returns (Form 990) for the years ended December 31, 2012, 2013 and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Pooled Income Funds

In 2014, UCP began accepting pooled income funds and managing them as trustee. Pooled income funds are trusts where one or more donors invest in charitable mutual funds, where the donor retains or assigns an income interest over the life of one or more beneficiaries. These funds are recorded at their fair value of \$1,274,000 at December 31, 2014.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Subsequent Events Evaluation

Management has evaluated subsequent events through May 28, 2015, the date the financial statements were available for release.

UNITED CHARITABLE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Note 3 - Investments

Investments are summarized as follows as of December 31:

	<u>2014</u>	<u>2013</u>
Mutual Funds	\$ 9,439,479	\$ 8,051,838
Money Fund Accounts	2,242	2,145
REIT	224,799	
Equity Securities:		
Publicly Traded	90,685	84,497
Annuities	723,427	549,256
Limited Partnerships/LLC's	<u>26,004,619</u>	<u>16,147,706</u>
	<u>\$ 36,485,251</u>	<u>\$ 24,835,442</u>

Investment Income (Loss) is summarized as follows as of December 31, 2014 and 2013:

Interest and Dividends	\$ 455,406	\$ 277,971
Net Realized Gains	80,023	243,194
Net Unrealized Gains	<u>100,582</u>	<u>666,216</u>
	<u>\$ 636,011</u>	<u>\$ 1,187,381</u>

Note 4 - Charitable Family Limited Partnerships/LLC's

In 2011, UCP began receiving non-cash contributions in the form of Charitable Family Limited Partnerships ("CFLP") or Limited Liability Companies ("LLC"), where donors establish a CFLP/LLC, contribute various assets, many of which are security instruments, and then donate a percentage of the membership units to UCP. The donor is the general partner and UCP is a limited partner of the CFLP/LLC. As such, UCP cannot and does not exercise any management authority over the operation of these entities.

UNITED CHARITABLE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 4 - Charitable Family Limited Partnerships/LLC's (Continued)

CFLP/LLC's are recorded at estimated fair value as of the date of donation, and are subsequently carried at the lower of cost or the net realizable value. CFLP/LLC donations to UCP for the years ending December 31, 2014 and 2013 were \$9,919,588 and \$6,891,900, respectively. Net investments in CFLP/LLC's at December 31, 2014 and 2013 were \$26,004,619 and \$16,147,706, respectively.

Note 5 - Property and Equipment

Property and Equipment at December 31, consists of the following:

	2014	2013
Collectibles	\$ 167,050	\$ 167,050
Vehicles	24,733	24,733
Furniture, Fixtures & Office Equipment	14,729	14,729
	206,512	206,512
Less: Accumulated Depreciation	(36,168)	(31,991)
	\$ 170,344	\$ 174,521

Note 6 - Charitable Programs

Each program approved by UCP's Board becomes a "Charitable Program" at UCP. At December 31, 2014 and 2013, UCP had approximately 339 and 525 Charitable Programs, respectively. Net assets primarily represent contributions made by the general public and contributions and fees received for Charitable programs approved by the Board. The program manager, who is not a contributor, may nominate contributions or gifts received by UCP for a particular charitable use. Unexpended amounts are treated as restricted net assets. Amounts designated for charitable programs approximate \$3,120,000 and \$3,242,000 as of December 31, 2014 and 2013, respectively.

Upon establishment of a Charitable Program, a one-time application fee of \$385 and an administrative fee of 8 to 10 percent on each incoming donation are generally assessed by UCP. Beginning June 1, 2014, a \$360 annual insurance fee was assessed, causing a drop in the overall number of programs.

Each Charitable Program that participates in UCP's investment program is charged an administration fee of 0.5 percent of the average balance for that quarter.

UNITED CHARITABLE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 7 - Donor Advised Funds

At December 31, 2014 and 2013, UCP had approximately 222 and 197 Donor Advised Funds. Net assets primarily represent the initial contribution made by the founder and contributions and fees received for Donor Advised Funds approved by the Board. The donor may nominate contributions or gifts received by UCP for a particular charitable use. Unexpended amounts are treated as restricted net assets. Amounts designated as Donor Advised Funds approximate \$34,338,332 and \$22,944,224 as of December 31, 2014 and 2013, respectively.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets of \$37,458,645 and \$26,185,991 as of December 31, 2014 and 2013, respectively, represent contributions for specific projects and are available for use by such projects.

Note 9 - Concentration of Credit and Market Risk

Financial instruments which potentially subject UCP to concentrations of credit risk consist primarily of cash, cash equivalents and investments. UCP maintains its cash primarily with a regional east coast financial institution. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014 and 2013, UCP had uninsured cash balances totaling approximately \$720,853 and \$1,641,252, respectively.

UCP's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to UCP's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Note 10 - Retirement Plan

All UCP employees who have been employed by UCP for ninety days are eligible to participate in a 401K plan. UCP made no retirement plan contributions for the years ending December 31, 2014 and 2013, but plans to do so in 2015.

UNITED CHARITABLE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
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Note 11 - Leases

UCP entered into a new agreement to lease office space in Falls Church, Virginia in February 2013. The terms of the agreement require base monthly payments currently of \$6,099, increasing 3 percent each year. The lease expires in April 2016. Rental expense under this operating lease totaled approximately \$72,000 in 2014 and \$71,000 in 2013, respectively. UCP also leases its management software under an operating lease.

Future minimum lease payments as of December 31, 2014 are as follows:

2015	\$ 88,860
2016	<u>41,732</u>
	<u>\$ 130,592</u>

Note 12 - Related Party Transactions

UCP controls a Type I Supporting Organization. UCP received contributions of \$1,145,150 and \$343,498 from the aforementioned supporting organization for the years ending December 31, 2014 and 2013, respectively. UCP had an amount due from the related organization of \$81,786 and \$-0- as of December 31, 2014 and 2013, respectively.

UCP also has an officer in common with one other nonprofit organization. UCP had no transactions with the aforementioned nonprofit organization for the years ending December 31, 2014 and 2013. UCP had no amounts due to or due from the related organization as of December 31, 2014 and 2013.

Note 13 - Commitments and Contingencies

UCP may periodically be involved in various legal proceedings. It is UCP's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. UCP believes that any legal proceedings in which it is involved will not materially affect its financial position, future operating results or cash flows.

UNITED CHARITABLE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
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Note 14 - Fair Value Measurements

FASB ASC topic 820, Fair Value Measurement, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques use to measure fair value.

Financial assets valued using level 1 inputs are based on unadjusted quoted prices within active markets for identical assets.

Financial assets valued using level 2 inputs are based primarily on observable inputs rather than quoted prices for similar assets in active or inactive markets.

Financial assets valued using level 3 inputs consist of significant unobservable inputs that are supported by little or no market activity. This includes investments in partnerships and limited liability companies.

The following tables present the recorded amount of investments measured at fair value on a recurring basis:

	<u>December 31, 2014</u>		
	<u>Quoted Prices</u>		
	<u>in Active</u>	<u>Significant</u>	<u>Significant</u>
	<u>Markets for</u>	<u>Other</u>	<u>Other</u>
	<u>Identical</u>	<u>Observable</u>	<u>Unobservable</u>
	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual Funds	\$ 9,439,479		
Money Fund Accounts	2,242		
REIT	224,799		
Equity Securities:			
Publicly Traded	90,685		
Annuities		723,427	
Limited Partnerships/LLC's			26,004,619
	<u>\$ 9,757,205</u>	<u>\$ 723,427</u>	<u>\$ 26,004,619</u>

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Note 14 - Fair Value Measurements (Continued)

	December 31, 2013		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual Funds	\$ 8,051,838		
Money Fund Accounts	2,145		
Equity Securities:			
Publicly Traded	84,497		
Annuities		549,256	
Limited Partnerships/LLC's			16,147,706
	<u>\$ 8,138,480</u>	<u>\$ 549,256</u>	<u>\$ 16,147,706</u>

Summary at December 31:

	2014	2013
Level 1	\$ 9,757,205	\$ 8,138,480
Level 2	723,427	549,256
Level 3	26,004,619	16,147,706
	<u>\$ 36,485,251</u>	<u>\$ 24,835,442</u>

The table below sets forth a summary of changes in the fair value of UCP's Level 3 assets for the years ended December 31:

	2014	2013
	<u>Limited Partnerships/LLC's</u>	
Balances, beginning of Year	\$ 16,147,706	\$ 9,679,306
Non-Cash Contributions	9,919,588	6,891,900
Sales	(62,675)	(423,500)
Balances, end of Year	<u>\$ 26,004,619</u>	<u>\$ 16,147,706</u>