

Edward Charles Foundation
(A Nonprofit Organization)

Financial Statements

June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Edward Charles Foundation
Los Angeles, California

Opinion

We have audited the financial statements of Edward Charles Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditors' 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 auditors' 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 the Company's 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 the Company's 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.

Baker Tilly US, LLP

Los Angeles, California
December 19, 2022

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

Assets

Cash and cash equivalents	\$ 151,740
Restricted cash	19,213,674
Contributions and accounts receivable	770,526
Investments	2,016,312
Security deposits	2,950
Fixed assets, net of depreciation	<u>5,698</u>
 Total assets	 <u><u>\$ 22,160,900</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued liabilities	\$ 1,002,329
Notes payable	<u>38,000</u>
Total liabilities	<u>1,040,329</u>

Commitments and Contingencies (Note 6)

Net Assets

Net assets without donor restrictions	251,928
Net assets with donor restrictions	<u>20,868,643</u>
Total net assets	<u>21,120,571</u>
 Total liabilities and net assets	 <u><u>\$ 22,160,900</u></u>

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 10,306	\$ 39,904,010	\$ 39,914,316
Fee income	1,030,251	—	1,030,251
In-kind donations	600,000	76	600,076
Investment losses, net	(3,568)	(1,251,761)	(1,255,329)
Miscellaneous income	251,041	—	251,041
Net assets released from restrictions	53,247,733	(53,247,733)	—
Total revenues and support	<u>55,135,763</u>	<u>(14,595,408)</u>	<u>40,540,355</u>
FUNCTIONAL EXPENSES			
Program services	53,247,733	—	53,247,733
Management and general	2,235,588	—	2,235,588
Total functional expenses	<u>55,483,321</u>	<u>—</u>	<u>55,483,321</u>
CHANGE IN NET ASSETS	(347,558)	(14,595,408)	(14,942,966)
NET ASSETS – beginning of year	<u>599,486</u>	<u>35,464,051</u>	<u>36,063,537</u>
NET ASSETS – end of year	<u>\$ 251,928</u>	<u>\$ 20,868,643</u>	<u>\$ 21,120,571</u>

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	<u>Program Expense</u>	<u>Management and General</u>	<u>Total</u>
PERSONNEL EXPENSES			
Salaries and wages	\$ 919,218	\$ 245,461	\$ 1,164,679
Payroll taxes and employee benefits	50,690	52,275	102,965
In-kind donations	76	600,000	600,076
Total personnel expenses	<u>969,984</u>	<u>897,736</u>	<u>1,867,720</u>
OTHER EXPENSES			
Awareness campaign expenses	8,738,891	—	8,738,891
Bank and investment charges and refunds	42,055	(4,053)	38,002
Food for volunteers and staff	65	—	65
External grants	37,463,360	73,983	37,537,343
Insurance	63,671	49,071	112,742
Licenses and fees	11,565	27,859	39,424
Marketing expenses	78,587	—	78,587
Other program expense	1,131,033	5,239	1,136,272
Platforms and charitable donation software	438,974	21,778	460,752
Postage and printing	5,409	3,514	8,923
Professional services and consulting	4,098,063	1,119,757	5,217,820
Program office expense and supplies	40,988	3,913	44,901
Rent	165,088	36,791	201,879
Total other expenses	<u>52,277,749</u>	<u>1,337,852</u>	<u>53,615,601</u>
Total functional expenses	<u>\$ 53,247,733</u>	<u>\$ 2,235,588</u>	<u>\$ 55,483,321</u>

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

CASH FLOW FROM OPERATING ACTIVITIES

Change in net assets	\$ (14,942,966)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	3,352
Realized and unrealized loss on investments	1,351,179
Changes in operating assets and liabilities:	
Contributions and accounts receivable	(230,837)
Accounts payable and accrued liabilities	14,273
Other assets	200
Net cash used in operating activities	<u>(13,804,799)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Proceeds from sale of investments	13,393,346
Purchase of investments	(15,469,143)
Capital expenditures	(9,050)
Net cash used in investing activities	<u>(2,084,847)</u>

NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH (15,889,646)

CASH, CASH EQUIVALENTS AND RESTRICTED CASH – beginning of year 35,255,060

CASH, CASH EQUIVALENTS AND RESTRICTED CASH – end of year \$ 19,365,414

CASH AND RESTRICTED CASH RECONCILIATION

Cash	\$ 151,740
Restricted cash	<u>19,213,674</u>
 Total cash and restricted cash	 <u>\$ 19,365,414</u>

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. FOUNDATION

Edward Charles Foundation (“the Foundation”), a California nonprofit, public benefit corporation, acts as a fiscal sponsor on behalf of high-net-worth individuals, families, corporations, celebrities, and athletes who are looking to engage in philanthropy. The mission of the Foundation is to provide a legal framework with the utmost in flexibility to help philanthropists run their charitable activities underneath an umbrella of trust, stewardship, and impact.

To accept a project for fiscal sponsorship, the Foundation vets each applicant’s nonprofit purpose to the Internal Revenue Service 501(c)(3) standard and determines its viability for securing funding. At any given time, the Foundation is sponsoring approximately 100 projects, the majority of which reside in the Los Angeles area. The projects represent nonprofit activities in all areas of the nonprofit sector, e.g., arts and culture, education, environment, health and human services, and public affairs. These include projects of limited duration, start-up nonprofit organizations, public/private partnerships, and multiple funder collaborations.

All the financial activity of the Foundation’s fiscally sponsored projects (“FSPs”) is aggregated for financial statement purposes. Their funds, however, are kept strictly segregated in individual fund accounts as restricted cash. The majority of its FSP’s (those in a comprehensive fiscal sponsorship relationship) are legally a part of the Edward Charles Foundation.

By the nature of the business of fiscal sponsorship, the Foundation’s portfolio of fiscally sponsored projects is volatile with time-limited projects completing, with maturing nonprofits spinning off into their own 501©(3) organizations, and with new start-ups signing up throughout each year. As a result, individual budget line items may vary considerably from year to year, and typical financial analyses are not always meaningful.

Funding

The projects of the Foundation are funded primarily by foundations, corporate and government grants, and donations from individuals. The management and general operations of the Foundation are funded primarily by the administrative fee ranging from one to ten percent charged on project revenues, which range is based on agreement and amount of contributions received. Additional funds are earned from consulting services and earnings on investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Reporting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Foundation considers investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of money market funds. The carrying amount approximates fair value because of the short maturity of those instruments.

Restricted Cash

Restricted cash includes cash held on behalf of the Foundation's philanthropists.

Investments

Investments in equities are measured at fair value in the accompanying statement of financial position. Investment income (including interest and dividends) and unrealized gains and losses have been reflected in the statement of activities as income without donor restrictions or income with donor restrictions based upon the existence and nature of any donor restrictions.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Property and Equipment

At the project level, cost of assets purchased under \$5,000 are charged to expense. At June 30, 2022, there were \$9,050 of capitalized assets purchased by the projects, net of accumulated depreciation totaling \$3,352.

Property and equipment over \$5,000 that have been acquired with unrestricted funds that remain the property of the Foundation are capitalized on the Foundation's books at cost. At June 30, 2022, there were no capitalized assets purchased with unrestricted funds.

Net Assets

Revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Contributions

Contributions consist principally of donations from individuals and organizations. Contributions are recognized as revenue when received or unconditionally promised. Contributions received on behalf of projects are recorded as with donor restrictions support when they are awarded. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported as net assets released from restrictions in the statement of activities.

If project funds are not spent before a project separates from the Foundation, these funds are recorded as a fund transfer expense at the time of separation. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the period of time and risks involved. An allowance for uncollectible contributions receivable is provided, if necessary, based on management's judgment, including such factors as prior collection history, type, and nature of contribution, and when contributions are anticipated to be received.

Program Services

The Foundation contributes funds to help philanthropists run their projects in nonprofit activities in all areas of the nonprofit sector including arts and culture, education, environment, health and human services, and public affairs. Program services expense is represented by the line item external grants in the statement of functional expenses. Project expenses and program expenses of the Foundation's head office are charged to program services.

Functional Allocation of Expense

The costs of program, and management and general expenses have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited.

Management and general expenses are comprised principally of administrative expenses, portfolio fees, professional fees, taxes and licenses and excise taxes.

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Foundation has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the Revenue and Taxation Code, respectively.

The Foundation recognizes the financial statement benefit of tax positions, such as its filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Management's estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimated Fair Value of Financial Instruments

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated Fair Value of Financial Instruments (continued)

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

Donated Services and In-Kind Support

The Foundation may receive services, equipment and material without payment or compensation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Material and other noncash donations are recorded at cost or estimate fair value determine at the date of donation. For the year ended June 30, 2022, the Foundation recorded donated services that totaled \$600,076 which are included in in-kind donations in the statement of activities.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents and investments.

The Foundation places its cash and cash equivalents with high-credit, quality financial institutions. At times, such cash may be in excess of the FDIC insurance limit. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

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 statement of financial position 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. In June 2020, the FASB issued ASU 2020-05, which defers the effective date for this standard to annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment.

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance was effective for fiscal years beginning after June 15, 2021, and for interim periods within annual periods beginning after June 15, 2022. The adoption of ASU 2020-07 did not have a significant impact on the Foundation's financial statements.

3. LIQUIDITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the expenditures undertaken to support those activities to be general expenditures.

The Foundation's financial assets available within one year of June 30, 2022 to meet general expenditures include:

Financial assets at fiscal year-end:	
Cash, restricted cash and cash equivalents	\$ 19,365,414
Contributions and accounts receivable	770,526
Investments	<u>2,016,312</u>
Total financial assets and other liquidity resources	22,152,252
Less amounts unavailable for general expenditure within one year:	
Donor-imposed restrictions:	
Investments and cash held in donor advised funds	<u>(173,068)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 21,979,184</u>

The Foundation's donor advised funds are restricted for specific charitable purposes designated by the non-profit and are not available for general expenditure.

4. CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Contributions and accounts receivable, at June 30, 2022, aggregate \$770,526 and are expected to be received by June 30, 2023.

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

5. INVESTMENTS

Investments are stated at fair value. Fair values as of June 30, 2022 and unrealized appreciation by type are summarized as follows:

	<u>Market</u>	<u>Cost basis</u>	<u>Unrealized gains (loss)</u>
Equity funds	\$ 144,713	\$ 79,525	\$ 65,188
Bond funds	62,658	74,354	(11,696)
Mutual funds	888,941	942,478	(53,537)
Closely held stock	<u>920,000</u>	<u>2,073,000</u>	<u>(1,153,000)</u>
Total investments	<u>\$ 2,016,312</u>	<u>\$ 3,169,357</u>	<u>\$ (1,153,045)</u>

The investment returns are classified as With Donor Restrictions and Without Donor Restrictions. The following schedule summarizes investment return.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 3,129	\$ 92,721	\$ 95,850
Realized capital gains (losses)	48,205	(5,857)	42,348
Change in unrealized gains (losses)	<u>(54,902)</u>	<u>(1,338,625)</u>	<u>(1,393,527)</u>
Total investment returns	<u>\$ (3,568)</u>	<u>\$ (1,251,761)</u>	<u>\$ (1,255,329)</u>

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

5. INVESTMENTS (continued)

Fair Value Measurement

The following table sets forth by level, within the fair value hierarchy, assets measured at fair value on a recurring basis and non-recurring at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value on a recurring basis:				
Equity funds	\$ 144,713	\$ –	\$ –	\$ 144,713
Bond funds	62,658	–	–	62,658
Mutual funds	888,941	–	–	888,941
Totals	<u>\$ 1,096,312</u>	<u>\$ –</u>	<u>\$ –</u>	<u>1,096,312</u>
Investments measured at net asset value (a)				<u>920,000</u>
Total investments at fair value				<u>\$ 2,016,312</u>

(a) In accordance with ASC Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Financial Position.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Foundation and those it sponsors lease building and certain office space under noncancelable operating lease agreements expiring between January 2023 and December 2023, respectively. Monthly lease payments under these non-cancelable leases total \$3,100 and \$3,000, respectively, and is included in rent expenses in the accompanying statements of financial position.

As of June 30, 2022 future minimum lease commitments for the years ending June 30, 2023 and June 30, 2024 were approximately \$54,444, and \$18,000, respectively.

Rental expense for noncancelable operating leases and various month-to-month leases was \$201,879 for the year ended June 30, 2022, and is included in rent expense in the accompanying statement of functional expenses.

Litigation

In the normal course of business, the Foundation may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of the Foundation as of June 30, 2022.

7. RETIREMENT PLAN

The Foundation has a defined benefit plan (the Plan) for eligible employees. The benefits are based on years of service and average monthly earnings. The Foundation's plan is funded annually at an amount sufficient to cover the normal cost.

The Foundation recognizes the funded status of the benefit plan in the statement of financial position and gains and losses that arise during the period that are deferred under pension accounting rules in the statement of activities as a change to net assets.

No contributions are required by employees. The benefit plan obligation as of June 30, 2022 amounted to \$336,029.

At June 30, 2022, the fair market value of the Plan's assets was \$1,040,578 and were held in mutual funds. The present value of the benefit obligation was fully funded as required under the terms of the Plan.

The expected long-term return on plan assets rate assumption is based on the expected market performance of the Plan's asset portfolio as determined by an actuarial analyst and is subject to fluctuation based on foreseeable market conditions.

No benefits were paid by the Plan to participants during the year ended June 30, 2022. Benefit payments provided by the Plan are expected to be paid in 2032.

EDWARD CHARLES FOUNDATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RELATED PARTIES

An entity controlled by the Foundation's CEO provides operational services to the Foundation. For the year ended June 30, 2022, payments to the entity totaled \$715,220.

9. SUBSEQUENT EVENTS

Management has evaluated significant events or transactions that have occurred since the statement of financial position date and through December 19, 2022 which represents the date the financial statements were available for issue.