

**Carrington Charitable Foundation
and Subsidiary**

Consolidated Financial Statements

December 31, 2021

Carrington Charitable Foundation and Subsidiary

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Carrington Charitable Foundation

Opinion

We have audited the consolidated financial statements of Carrington Charitable Foundation (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, 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 Consolidated 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 audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary financial information (Details of Major Fundraising Activities) is presented for purposes of additional analysis 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 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

BAKER TILLY US, LLP

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Irvine, California
July 11, 2022

Carrington Charitable Foundation and Subsidiary

Consolidated Statement of Financial Position
December 31, 2021

ASSETS

ASSETS

Cash	\$ 2,470,819
Donations receivable	216,597
Prepaid expenses	<u>115,000</u>
Total assets	<u>\$ 2,802,416</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued expenses	\$ 556,232
Grants payable	12,500
Other liabilities	<u>14,763</u>
Total liabilities	<u>583,495</u>

NET ASSETS

Without donor restrictions	<u>2,218,921</u>
Total net assets	<u>2,218,921</u>
Total liabilities and net assets	<u>\$ 2,802,416</u>

The accompanying notes are an integral part of these consolidated financial statements.

Carrington Charitable Foundation and Subsidiary

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Fundraising	\$ 1,044,397	\$ 44,518	\$ 1,088,915
Contributed services	367,247	-	367,247
Auction proceeds	631,589	-	631,589
Other	3,773	-	3,773
Total revenues	<u>2,047,006</u>	<u>44,518</u>	<u>2,091,524</u>
Expenses			
Donations and grants	868,333	24,071	892,404
Fundraising activities	139,053	-	139,053
Program activities	956,808	20,447	977,255
Allocated administrative	367,247	-	367,247
Other	122,061	-	122,061
Total expenses	<u>2,453,502</u>	<u>44,518</u>	<u>2,498,020</u>
Change in Net Assets	(406,496)	-	(406,496)
Net Assets – beginning of year	<u>2,625,417</u>	<u>-</u>	<u>2,625,417</u>
Net Assets – end of year	<u>\$ 2,218,921</u>	<u>\$ -</u>	<u>\$ 2,218,921</u>

The accompanying notes are an integral part of these consolidated financial statements.

Carrington Charitable Foundation and Subsidiary

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (406,496)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Donations receivable	298,489
Grants payable	12,500
Accrued expenses	127,030
Prepaid expenses	52,834
Other liabilities	<u>(352,093)</u>
Net cash used in operating activities	<u>(267,736)</u>
Net decrease in cash	(267,736)
CASH – beginning of year	<u>2,738,555</u>
CASH – end of year	<u><u>\$ 2,470,819</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS	
Contributed services	<u><u>\$ 367,247</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Carrington Charitable Foundation and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2021

1. ORGANIZATION AND CHARITABLE MISSION

Carrington Charitable Foundation (the "Foundation" or "CCF") was incorporated in Delaware on March 9, 2010 and is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code. The Foundation is a nonprofit organization classified under Section 501(c)(3) as a public charity and has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(vi). The financial support for the Foundation is derived through contributions from individuals and corporations and through fundraising activities.

The Foundation's objective is to partner with associates of the Carrington family of companies to reach out to those in need. CCF will support charities through the collective efforts of the CCF Board of Directors and associates of the Carrington family of companies in an effort to encourage associate participation and maximize contributions to those charities. CCF seeks to promote giving back to the community through support of the chosen charities which reflect the interests and passions of Carrington associates.

The Foundation's donations are primarily focused toward other 501(c)(3) organizations based on the interests of Carrington associates. All donations are determined through the combined efforts of the Foundation's Board of Directors and Advisory Board Members.

Carrington House Property Donation Company, LLC ("CHPDC") was formed in Delaware on January 22, 2014 and is a wholly owned subsidiary of the Foundation. The objective of CHPDC is to partner with institutions that will support the efforts of CCF in connection with wounded military veteran causes. CHPDC's primary contributor has been a large financial institution that has donated primarily single-family properties for rehabilitation and resale. From the inception of the Foundation through December 31, 2021, the proceeds from the sale of all contributed real property totaled \$2,544,166.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of Presentation

The Foundation follows authoritative guidance for financial reporting for not-for-profit organizations. This guidance requires that net assets, revenues, gains, expenses and losses be classified as without donor restrictions and with donor restrictions as applicable. The Foundation reports gifts and other donated assets as donor restrictions if they are received with donor stipulations that limit the use of the donated gifts and assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statement of activities as net assets released from restrictions.

A summary of the net asset categories included in the accompanying consolidated financial statements is as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. 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 the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Carrington Charitable Foundation and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Donor restricted contributions for which the restriction has been satisfied in the same reporting period as the contribution was received are recorded as net assets without donor restrictions support. Conditional contributions are recorded as support in the period the condition is met. Such contributions are required to be reported as net assets with donor restrictions support and are then reclassified to net assets without donor restrictions upon expiration of the restrictions, usually when the funds are spent.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires the Foundation to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include accounts of the Foundation and its wholly owned subsidiary, CHPDC. All inter-company balances and transactions have been eliminated in consolidation.

Cash

The Foundation considers those investments that are highly liquid, readily convertible to cash and which mature within three months from the original date of purchase, to be cash equivalents. There were no cash equivalents as of December 31, 2021. The estimated fair market value of cash is equal to its carrying amounts as of December 31, 2021.

Donations Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value ("NRV"). At December 31, 2021, donations receivable were \$216,597. There were no unconditional promises to give expected to be collected beyond one year.

Grants Payable

Unconditional promises to give that are expected to be paid within one year are recorded at their estimated net realizable value. At December 31, 2021, grants payable were \$12,500.

Concentrations of Credit Risk

The Foundation currently maintains substantially all of its cash with one major financial institution. At times, the cash balance may be in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Financial instruments which potentially subject the Foundation to concentrations of credit risk consist solely of cash, although the Foundation's policy allows for investments, which would be managed within guidelines established by the Foundation's Board of Directors. This policy limits the amounts which may be invested in any one issue.

Carrington Charitable Foundation and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support and Revenue Recognition

The Foundation records revenues and contributions on the accrual basis of accounting. Contributions are recognized as public support pursuant to the terms of the gifts. Unless specifically restricted by the donor, all contributions are considered available for the Foundation's discretionary use.

The Foundation typically holds two major fundraising events each year for which various businesses and individuals are solicited for donations of goods and/or services and participation.

Other major sources of revenue include Carrington employee and corporate donations.

Designated Donations and Functional Allocation of Expenses

The Foundation's Board of Directors approves specific donations, scholarships and grants.

The Foundation receives donated services from the Carrington family of companies for various administrative and corporate support services. The Foundation records these donated services at their fair market value based on an allocation of cost as determined by management of the Foundation and the Carrington family of companies. Management of the Foundation believes these allocations to be reasonable.

The Carrington family of companies also provides support to the Foundation's fundraising activities through direct payment of fundraising expenses. These amounts are considered revenues and expenses of the Foundation.

All other expenses of the Foundation are considered operating expenses incurred in fundraising, providing financial and other beneficial support to various charitable programs and in administering the Foundation.

Income Taxes

The Foundation is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state revenue and taxation statutes. Accordingly, no provision for income taxes has been made. However, in accordance with GAAP, the Foundation is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Foundation recording a tax liability that would reduce net assets. The Foundation does not believe it has any unrecognized tax benefits at December 31, 2021.

Subsequent Events

The Foundation has evaluated subsequent events through July 11, 2022, the date these consolidated financial statements were available to be issued. Subsequent events are events or transactions that occur after the date of the consolidated statement of financial position but before consolidated financial statements are issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Foundation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the date of financial position and before consolidated financial statements are available to be issued.

Carrington Charitable Foundation and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2021

3. EXPENSES BY NATURE AND FUNCTION AND AVAILABLE LIQUIDITY

The table below presents expenses by both their nature and their function for the year ended December 31, 2021.

	<u>Program- Related Expenses</u>	<u>Support Services</u>	<u>Total</u>
Donations and grants	\$ 892,404	\$ -	\$ 892,404
Fundraising activities	139,053	-	139,053
Building supplies and construction	970,159	-	970,159
Administrative	334,909	32,338	367,247
Office	42,256	4,451	46,707
Information technology	-	18,430	18,430
Other	50,000	-	50,000
Insurance	434	-	434
Professional services	-	2,160	2,160
License fees and taxes	6,662	4,764	11,426
	<u>\$ 2,435,877</u>	<u>\$ 62,143</u>	<u>\$ 2,498,020</u>
Total functional expenses	<u>\$ 2,435,877</u>	<u>\$ 62,143</u>	<u>\$ 2,498,020</u>

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 2,470,819
Donations receivable	<u>216,597</u>
Total	<u>\$ 2,687,416</u>

The Foundation's cash is held in a combination of checking accounts. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The donations receivable are subject to implied time restrictions but are expected to be collected within one year.

4. DESCRIPTION OF PROGRAM SERVICES AND MAJOR ACTIVITIES

The Foundation's military veteran-focused Signature Programs offer diverse support for U.S. military veterans by providing support under the principles of Mobility, Stability, Purpose and Prosperity. CCF provides Mobility by financially supporting the Veteran's Airlift Command, ensuring Stability by building and/or retrofitting custom, adaptive homes for injured military veterans through Carrington House, and promotes Purpose and Prosperity by providing military veterans with new entrepreneurship opportunities and supporting other nonprofit organizations focused on assisting military veterans' return to civilian life.

Mobility - Veterans Airlift Command

CCF supports the Veterans Airlift Command ("VAC"). Working with a network of volunteer aircraft owners and pilots, the VAC provides free private air transportation for military veterans of the Iraq and Afghanistan conflicts and their families. For the past ten years, Carrington Aviation has participated on missions with aircraft and crew, transporting heroes to medical facilities for treatment and reuniting them with their loved ones.

Carrington Charitable Foundation and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2021

4. DESCRIPTION OF PROGRAM SERVICES AND MAJOR ACTIVITIES (continued)

Stability - Carrington House

Carrington House strives to provide wounded military veterans of the Iraq and Afghanistan conflicts a home to make their own and modified to their particular needs. The program includes contributed real properties, which are rehabilitated and sold. Beginning in early 2017, the Foundation launched a program to grant new or substantially modified and individually adapted retrofitted homes to qualifying wounded military veteran families, to enable the wounded military veterans and their families to live independently and overcome the new challenges in their lives resulting from their injuries sustained while serving our country.

Each home is designed to meet the special needs of each severely wounded military veteran and their family. All of the money raised for Carrington House is allocated directly toward home construction. To date, Carrington House has helped build twelve adaptive homes for severely wounded military veterans across the United States.

Stability - Property Donations

Property donations consist primarily of single-family dwellings that are rehabilitated and sold. The proceeds from the sale of these properties are used to construct new homes for severely wounded military veterans.

Prior to 2020, a majority of properties held by the Foundation were donated by Bank of America. As of the end of 2017, all acquired properties were sold.

Purpose and Prosperity - Veteran Support Programs

The Veterans Support Program provides military veterans with guidance and support needed to rejoin civilian life through job-search assistance, business-plan consulting, counseling, and treatment referrals. CCF's Purpose and Prosperity programs provide grants to veteran-focused nonprofits such as The Honor Foundation, which aids U.S. Navy SEALs and U.S. Special Operations service member's transition to a life after service; and The SSG Travis Mills Foundation, a retreat which encourages post 9/11 combat wounded Veteran's suffering from amputations and spinal cord injuries to participate in outdoor activities on and around the retreat's property.

Other Donations and Grants

These proceeds include general donations received outside of the major programs described above, and donations and grants made by the Foundation to other non-profit organizations and community charities.

5. RELATED PARTY TRANSACTIONS

The Foundation receives certain administrative and corporate support from the Carrington family of companies in the form of personnel, office space and office equipment. Such amounts are allocated to the Foundation and recorded as contributed services, revenues, and allocated administrative expenses in the accompanying consolidated statement of activities and changes in net assets. During the year ended December 31, 2021, the Foundation recorded contributed services of \$367,247 from the Carrington family of companies. In addition, the Foundation receives cash donations from the Carrington family of Companies in connection with major fundraising activities. During the year ended December 31, 2021, the Foundation received \$418,088 from Carrington employees. Of these donations, \$100,000 is included under auction proceeds and the remaining amount is included in fundraising revenues on the accompanying consolidated statement of activities and changes in net assets.

Carrington Charitable Foundation and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2021

6. IMPACT FROM COVID-19 PANDEMIC

The COVID-19 global pandemic had developed rapidly in early 2020 and its impact has remained in effect through the end of fiscal 2021. The lingering effects of the pandemic have resulted in an overall decline in operating activity. Due to federal, state and local governments issued mandates, the pandemic caused the Foundation to shift its in-person fundraising events to virtual events impacting donor connections. The impact was a reduction of 35% of fundraising revenue for the year ended in December 31, 2021, as compared to the event prior to the pandemic. The Foundation's expenses were reduced to focus on the least disruption to its community until the effects of the pandemic lessen.

SUPPLEMENTARY FINANCIAL INFORMATION

Carrington Charitable Foundation and Subsidiary

Details of Major Fundraising Activities
For the Year Ended December 31, 2021

	VIRTUAL REACT Event	Auction
REVENUES		
Sponsor and fundraising	\$ 576,770	\$ -
Auction proceeds	-	275,080
Donations	-	356,509
Total revenues	<u>576,770</u>	<u>631,589</u>
EXPENSES		
Merchandise and gifts	42,037	-
Photography	3,825	-
Auction expenses	-	93,191
Total expenses	<u>45,862</u>	<u>93,191</u>
NET FUNDS RAISED BY VIRTUAL REACT EVENT AND AUCTION	<u><u>\$ 530,908</u></u>	<u><u>\$ 538,398</u></u>

See accompanying independent auditor's report.