

Vanguard Charitable Endowment Program

Financial Statements

**For the Years Ended
June 30, 2023 and 2022**



Report of Independent Auditors

To the Board of Trustees of Vanguard Charitable Endowment Program

Opinion

We have audited the accompanying financial statements of Vanguard Charitable Endowment Program (the “Company”), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the changes in net assets and its 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 audit in accordance with auditing standards generally accepted in the United States of America (US 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 Company 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 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 Company’s ability to continue as a going concern for one year after the date the financial statements are 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 US 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 US 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.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
September 28, 2023

Vanguard Charitable Endowment Program
Statements of Financial Position

	As of June 30,	
	2023	2022
Assets		
Cash and cash equivalents	\$ 44,172,159	\$ 50,195,263
Investments; at market value	15,779,914,652	14,049,422,940
Contributed assets held; at market value	741,811,200	617,909,359
Dividends receivable	17,038,758	12,826,344
Receivable for securities sold	11,569,230	14,105,486
Earnout receivable	360,000,000	425,832,165
Other assets	59,621,930	14,274,826
Total Assets	\$ 17,014,127,929	\$ 15,184,566,383
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 20,696,703	\$ 30,708,025
Payable for securities purchased	17,540,452	17,693,306
Total Liabilities	38,237,155	48,401,331
Net Assets Without Donor Restrictions	16,975,890,774	15,136,165,052
Total Liabilities and Net Assets	\$ 17,014,127,929	\$ 15,184,566,383

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

Vanguard Charitable Endowment Program
Statements of Activities

	For the Years Ended June 30,	
	2023	2022
Revenues		
Donor contributions	\$ 2,359,829,814	\$ 3,020,845,368
Investment income	372,028,247	268,358,935
Net realized and unrealized gains (losses) on investments	1,301,646,936	(2,200,354,354)
Change in value of earnout receivable	(55,120,597)	(75,167,835)
Contribution of goods and services	865,495	1,330,467
Total Revenues	3,979,249,895	1,015,012,581
Grants and Expenses		
Grants to charitable organizations	2,104,305,084	1,892,820,235
Management and general expenses	7,055,387	7,369,391
Program expenses	24,577,229	21,022,649
Fundraising expenses	3,586,473	3,142,513
Total Grants and Expenses	2,139,524,173	1,924,354,788
Change in Net Assets Without Donor Restrictions	1,839,725,722	(909,342,207)
Net Assets Without Donor Restrictions, beginning of year	15,136,165,052	16,045,507,259
Net Assets Without Donor Restrictions, end of year	\$ 16,975,890,774	\$ 15,136,165,052

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

Vanguard Charitable Endowment Program
Statements of Cash Flows

	For the Years Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,839,725,722	\$ (909,342,207)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Non-cash contributions	(408,145,588)	(244,051,877)
Net realized and unrealized (gains) losses on investments	(1,301,646,936)	2,200,353,354
Increase in assets:		
Dividends receivable	(4,212,414)	(8,606,061)
Other assets	(45,347,104)	(9,972,275)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(10,011,322)	8,281,138
Net cash provided by operating activities	<u>70,362,358</u>	<u>1,036,662,072</u>
Cash flows from investing activities:		
Proceeds from the sale of non-cash contributions	353,274,881	126,594,967
Proceeds from the sale of investments	2,069,279,450	1,857,232,174
Purchases of investments	(2,556,443,793)	(3,072,974,969)
Decrease in assets:		
Receivable for securities sold	2,536,256	19,049,514
Change in value of earnout receivable	55,120,597	75,167,835
Decrease in liabilities:		
Payable for securities purchased	(152,854)	(30,442,142)
Net cash used in investing activities	<u>(76,385,462)</u>	<u>(1,025,372,621)</u>
Net Increase (decrease) in cash and cash equivalents	(6,023,104)	11,289,451
Cash and cash equivalents, beginning of year	50,195,263	38,905,812
Cash and cash equivalents, end of year	<u><u>\$ 44,172,159</u></u>	<u><u>\$ 50,195,263</u></u>

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

Vanguard Charitable Endowment Program Notes to Financial Statements

Note 1 - Organization and Operations:

The Vanguard Charitable Endowment Program ("Vanguard Charitable") is an independent charitable organization that is organized and operated for the purpose of supporting and increasing philanthropy. Vanguard Charitable is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Section 509(a)(1) of the Internal Revenue Code.

Donors to Vanguard Charitable may contribute to its donor-advised funds, Vanguard Charitable's Philanthropic Impact Fund or the Sustainable Disaster-Recovery Fund. All gifts are irrevocable and unconditional and therefore become the exclusive property of Vanguard Charitable. Through the donor-advised funds, assets are invested in a choice of thirty-seven investment pools ("Pools"). Thirty-five pools are comprised of mutual funds and exchange traded funds offered by The Vanguard Group, Inc. ("Vanguard"), a related party, one pool is comprised of a mutual fund offered by The Investment Fund for Foundations ("TIFF"), and one pool is comprised of units in a portfolio of securities managed by Rhumblin Advisors LP ("Rhumblin"). The composition of the Pools is determined by the Board of Trustees of Vanguard Charitable ("Trustees"). Vanguard Charitable has granted donors the privilege of making recommendations to Vanguard Charitable about the investment allocation and grant distributions from their donor-advised accounts; however, all such recommendations are subject to review and approval by Vanguard Charitable.

Vanguard Charitable provides grants to organizations that operate in seven broad areas: health and human services; culture, religion, arts, and the humanities; children, youth, and families; civic and community affairs; social welfare; the environment and wildlife; and educational and scientific research.

Vanguard Charitable contributes to a defined contribution plan for its employees. Contribution expense for the years ended June 30, 2023 and 2022 was \$1,135,419 and \$1,039,084, respectively. These amounts are included in the three functional expense categories (Management, Fundraising and Program) on the Statements of Activities. See "Functional Allocation of Expenses" in Note 2 for details of allocation.

Related Party Transactions

Vanguard Charitable has contracted Vanguard to provide certain support services including investment recordkeeping and administrative services. Vanguard provides such services in exchange for a fee. The fees incurred for the years ended June 30, 2023 and 2022 were \$3,640,881 and \$3,071,612, respectively. These fees are included in the three functional expense categories (Management, Fundraising and Program) on the Statements of Activities. See "Functional Allocation of Expenses" in Note 2 for details of allocation.

In-kind contributions of professional services received from Vanguard for the years ended June 30, 2023 and 2022 were \$865,495 and \$1,330,467, respectively. These amounts are included in Contribution of Goods and Services on the Statement of Activities.

Vanguard has provided Vanguard Charitable funding in the form of a non-interest bearing financing arrangement. See Note 6.

Vanguard Charitable invests in units of RhumbLine Low Carbon Index Fund LLC ("Low Carbon Fund"), a custom global equity investment partnership. Vanguard Charitable owns a majority interest in the Low Carbon Fund, and RhumbLine Advisors LP ("RhumbLine") serves as Managing Member and Investment Manager for the Low Carbon Fund. For the years ended June 30, 2023 and 2022 Vanguard Charitable's purchases into the Low Carbon Fund were \$0 and \$0, respectively, and Vanguard Charitable's interest in the Low Carbon Fund generated net income (loss) of \$140,343,201 and (\$138,415,783), respectively.

Vanguard Charitable Endowment Program Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates and such differences could be material.

Functional Allocation of Expenses

Vanguard Charitable allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural classification. Costs that are common to several functions are allocated among the program and supporting services based on time records, head count, and estimates made by management.

Cash and Cash Equivalents

Vanguard Charitable considers short-term, highly liquid investments with a maturity of three months or less at the time of their purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates fair market value.

Investments

Transactions in the underlying mutual funds, exchange traded funds, and units ("Funds") of the Pools are accounted for on the trade date. The cost used in determining realized gains and losses on sales of the Funds' shares is on the basis of specific identification. Vanguard Charitable's investment in each mutual fund and exchange traded fund is valued at each fund's net asset value as of the close of the New York Stock Exchange (generally 4 p.m., Eastern Standard Time) on the valuation date.

Low Carbon Fund units are valued by dividing the aggregate net asset value of the fund by the number of units outstanding as of the close of the New York Stock Exchange (generally 4 p.m., Eastern Standard Time) on the valuation date.

Vanguard Charitable holds contributed private equity investments which are described as "Contributed Assets Held" in Note 4. These private equity investments are valued using the Cost Approach (net underlying assets) and significant unobservable inputs include projected revenue growth rate, valuation multiples, and an adjustment for lack of marketability.

Vanguard Charitable is entitled to payments under an earnout agreement described as "Earnout Receivable" in Note 5. The earnout receivable is presented at fair value using the discounted cash flows method and significant unobservable inputs include projected revenue growth rate and an adjustment for lack of marketability.

Authoritative guidance on fair value measurements and disclosure under GAAP requires that the fair value of investments be presented in a hierarchy that prioritizes the inputs to valuation technique used to measure fair value. These inputs are summarized in three broad levels for financial statement purposes.

Vanguard Charitable Endowment Program Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The determination of what constitutes "observable," however, requires significant judgment by management. Management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to management's perceived risk of that investment.

Level 1 – Quoted prices in active markets for identical investments as of the reporting date.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) as of the reporting date. In accordance with authoritative guidance, the fair value of investments that permit redemptions quarterly or more frequently are generally classified as Level 2.

Level 3 – Significant unobservable inputs. Generally, investments with unexpired lock-up periods or that permit redemptions less frequently than quarterly, are classified as Level 3.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The aggregate fair value by input level, as of June 30, 2023 and 2022, for Vanguard Charitable's investments, as well as a reconciliation of assets and liabilities for which significant unobservable inputs (Level 3) were used in determining value, is included with the disclosure of Vanguard Charitable's investments (see Note 3). Valuation techniques used to value the Charitable's investments by major category are as follows:

Investments in mutual funds are valued at their closing net asset value ("NAV") per share each business day. Registered investment companies are categorized as Level 1 in the hierarchy.

Equity securities, for which market quotations are readily available, are valued at the last reported sale price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy. Management may apply a discount to the fair value for equity securities which are restricted from resale. In considering a fair value discount, management considers one or more of several factors including any trading in unrestricted stock of the same issuer, the type of restrictions that the investment is subject to, the market and trading factors of investees in the same industry and any other factors deemed appropriate. Such securities are classified as Level 2 in the hierarchy. In the event there were no sales during the day or closing prices are not available, securities are valued at the last quoted bid price or may be valued using the last available price and are generally categorized as Level 2 in the hierarchy.

Level 3 investments may include equity securities, fixed income securities, and other privately issued securities. When observable prices are not available for these securities, management uses one or more valuation techniques for which sufficient and reliable data is available. The selection of appropriate valuation techniques may be affected by the availability of relevant inputs as well as the relative reliability of the inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. In some situations, management may determine it appropriate to evaluate and weigh the results, as appropriate, to develop a range of possible values, with the fair value based on management's assessment of the most representative point within the range.

Vanguard Charitable Endowment Program Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued):

Computer Equipment and Related Software

Computer equipment is recorded at cost at date of acquisition and software is recorded at cost at in-service date. Equipment and related software costs for the years ended June 30, 2023 and 2022 were \$0. For items placed in service, depreciation expense is computed using the straight-line method over the asset's estimated three-year useful life. Depreciation expense on computer equipment and software for the years ended June 30, 2023 and 2022 was \$0.

Donor Contributions

All gifts are subject to acceptance by Vanguard Charitable. Contribution revenue is recorded when Vanguard Charitable accepts an 'in good order' unconditional promise to give from a donor.

Grants

Grants are recorded as an expense and must be authorized by the Trustees and Vanguard Charitable management under methods approved by the Trustees for payment.

Net Assets Without Donor Restrictions

Vanguard Charitable's net assets without donor restrictions, including the donor-advised funds, the Philanthropic Impact Fund, and the Sustainable Disaster-Recovery Fund, are unrestricted and as such are free from donor-imposed stipulations. Revenues are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, respectively. Net assets without donor restrictions are maintained and distributed at the discretion of the Trustees.

Liquidity

Vanguard Charitable structures its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations come due. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, which includes all Level 3 assets and investments as described in Note 3. As of June 30, 2023, the financial assets available to meet cash needs for general expenditures within one year of the balance sheet date are \$15,824,086,811.

Reclassifications

Certain prior year amounts have been reclassified for consistency with current year presentation.

New Accounting Pronouncements

On June 30, 2022, the FASB issued ASU No. 2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The new guidance clarifies the guidance in ASC 820 regarding fair value measurement of equity securities subject to contractual sale restrictions, and also calls for additional disclosures regarding such securities. The updated requirements are effective for annual periods beginning after December 15, 2024, and interim periods within those fiscal years, with early adoption permitted. Management is currently evaluating the impact of this guidance on Vanguard Charitable's financial statements and related disclosures.

Vanguard Charitable Endowment Program Notes to Financial Statements

Note 3 - Investments:

Contributions to Vanguard Charitable are allocated to Pools based on input from donors or the Trustees.

	As of June 30,	
	2023	2022
<u>The Vanguard Group Inc.</u>		
Total Bond Pool	\$ 460,717,449	\$ 480,965,779
Moderate Growth Pool	1,923,269,971	1,728,140,611
Growth Pool	1,594,366,385	1,456,905,405
Total Equity Pool	1,678,064,479	1,450,831,870
Money Market Pool	1,999,718,621	1,823,035,658
Total U.S. Stock Pool	2,975,855,169	2,494,294,804
Total International Stock Pool	631,877,435	528,446,672
Conservative Growth Pool	1,403,706,557	1,314,883,837
Pacific Stock Pool	38,646,088	29,035,928
European Stock Pool	56,153,013	57,312,463
Emerging Markets Stock Pool	151,417,173	159,120,984
Short-Term Bond Pool	535,151,461	560,752,563
S&P 500 Index Pool	78,045,866	-
Extended Market Index	5,470,343	-
Growth Index Pool	12,058,425	-
Value Index Pool	24,707,613	-
Short-Term Inflation Protected Securities Pool	27,390,281	-
ESG Global Stock Pool	131,559,560	103,402,475
Income Pool	423,793,142	450,525,661
Total International Bond Pool	30,358,353	30,699,001
Balanced Pool	141,754,545	111,804,273
Wellington Pool	150,212,658	135,827,639
ESG U.S. Stock Pool	220,789,668	202,145,146
ESG International Stock Pool	85,218,787	102,068,691
Ultra-Short-Term Bond	6,578,411	-
Real Estate	1,788,526	-
Global Positive Impact	58,035	-
Core Bond	3,199,519	-
International Core Stock	560,960	-
Dividend Growth	6,130,566	-
U.S. Growth	372,307	-
Windsor II	230,346	-
Explorer	257,725	-
High-Yield Corporate	5,128,797	-
Commodity Strategy	919,837	-
Short Term Investments (non-pooled)	28,138,842	27,556,488
<u>The Investment Fund for Foundations</u>		
Multi-Asset Pool	58,195,875	53,958,328
<u>Rhumblin Advisers LP</u>		
Low Carbon Fund	888,051,865	747,708,664
Total Investments	\$ 15,779,914,652	\$ 14,049,422,940

Vanguard Charitable Endowment Program Notes to Financial Statements

Note 3 – Investments (continued):

Other than TIFF and the Low Carbon Fund, the Pools are not separate funds or legal entities. Donors have no legal or beneficial interest in assets maintained in the Pools, including TIFF and the Low Carbon Fund. Income earned by investments in a particular Pool is retained and reinvested within that Pool.

Considering that the Pools are not separate legal entities, but serve as vehicles to hold investments in one or more underlying mutual funds and exchange traded funds, Vanguard Charitable has determined that it is appropriate to look through the Pools for purposes of classifying the investments in the fair value hierarchy. Other than the Low Carbon Fund, for the years ended June 30, 2023 and 2022, all of the Funds that underlie each Pool are classified as Level 1 investments because the NAVs constitute quoted prices in an active market. Low Carbon Fund units are classified as Level 2 investments because the units are not traded in active markets.

In addition to the Pools, Vanguard Charitable holds Investments (non-pooled) to support its operations. Investments include Vanguard mutual funds which seek to provide current income while maintaining limited price volatility by investing primarily in corporate bonds, pooled consumer loans, fixed income securities and U.S. government bonds. Investments (non-pooled) are classified as Level 1 investments because the Funds' NAVs constitute quoted prices in active markets.

The following tables summarize the Level within the fair value hierarchy at which Vanguard Charitable's investments and other financial instruments are measured at June 30, 2023 and 2022:

<u>at June 30, 2023</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Mutual Funds and Exchange Traded Funds	\$ 14,891,862,787	\$ 14,891,862,787	\$ -	\$ -
Low Carbon Fund	888,051,865	-	888,051,865	-
Total Investments	<u>15,779,914,652</u>	<u>14,891,862,787</u>	<u>888,051,865</u>	<u>-</u>
Contributed Assets held:				
Private Equity	741,811,200	-	-	741,811,200
Earnout Receivable	360,000,000	-	-	360,000,000
Total	<u>\$ 16,881,725,852</u>	<u>\$ 14,891,862,787</u>	<u>\$ 888,051,865</u>	<u>\$ 1,101,811,200</u>
<u>at June 30, 2022</u>				
Investments:				
Mutual Funds and Exchange Traded Funds	\$ 13,301,714,276	\$ 13,301,714,276	\$ -	\$ -
Low Carbon Fund	747,708,664	-	747,708,664	-
Total Investments	<u>14,049,422,940</u>	<u>13,301,714,276</u>	<u>747,708,664</u>	<u>-</u>
Contributed Assets held:				
Private Equity	610,253,387	-	-	610,253,387
Publicly Traded Stock	7,655,972	7,655,972	-	-
Earnout Receivable	425,832,165	-	-	425,832,165
Total	<u>\$ 15,093,164,464</u>	<u>\$ 13,309,370,248</u>	<u>\$ 747,708,664</u>	<u>\$ 1,036,085,552</u>

**Vanguard Charitable Endowment Program
Notes to Financial Statements**

Note 3 – Investments (continued):

The following tables present the activity of financial instruments classified as Level 3 throughout the years ended June 30, 2023 and June 30, 2022 with values presented based upon the date of the transaction.

<u>2023</u>	Contributions	Transfers in to Level 3	Transfers out of Level 3	Exchanges/ Restructuring	Total
Private Equity	\$ 408,145,588	\$ -	\$ -	\$ -	\$ 408,145,588
Total	\$ 408,145,588	\$ -	\$ -	\$ -	\$ 408,145,588

<u>2022</u>	Contributions	Transfers in to Level 3	Transfers out of Level 3	Exchanges/ Restructuring	Total
Private Equity	\$ 225,351,877	\$ -	\$ -	\$ -	\$ 225,351,877
Total	\$ 225,351,877	\$ -	\$ -	\$ -	\$ 225,351,877

Note 4 – Contributed Assets Held:

At June 30, 2023, Vanguard Charitable held contributed private equity investments of \$741,811,200 which had not been sold. The private equity investments are classified as Level 3 investments in the fair value hierarchy.

At June 30, 2022, Vanguard Charitable held contributed private equity investments of \$610,253,387 and contributed restricted stock of \$7,655,972 which had not been sold. The private equity investments are classified as Level 3 investments in the fair value hierarchy and the restricted stock investments are classified as Level 1 investments in the fair value hierarchy.

Certain contributed assets may have a restriction as to resale, which typically does not exceed one year. These investments with a restriction are reported at fair value and are included in net assets without donor restrictions since they are not subject to donor-imposed stipulations.

Note 5 – Earnout Receivable

In November 2020, Vanguard Charitable received donated securities of a private company which were subsequently cancelled in exchange for an earnout agreement entitling Vanguard Charitable to annual payments equal to a percentage of the private company's net revenue. The agreement provides for annual payments over seven years, and the earnout receivable is presented at fair value using the discounted cash flows method. Future receipt of payments under the earnout agreement will be presented as investing cash flows on the Statement of Cash Flows, and subsequent changes in fair value of the earnout receivable are included on the Statement of Activities as change in value of earnout receivable. For the years ended June 30, 2023 and 2022 the earnout receivable was valued at \$360,000,000 and \$425,832,165, respectively, and the change in value was (\$55,120,597) and (\$75,167,835), respectively.

Vanguard Charitable Endowment Program Notes to Financial Statements

Note 6 - Long-Term Payable:

Vanguard has agreed to provide funding to Vanguard Charitable in the form of an interest-free financing arrangement of up to \$6,500,000. The financing arrangement is provided on an unsecured basis and the timing of the repayment is at the discretion of the Trustees. There were no draws during the fiscal years ending June 30, 2023 and 2022. The balance was \$0 at June 30, 2023 and 2022.

Note 7 - Net Assets Released for Administrative Fee:

Vanguard Charitable charges an administrative fee to all donor-advised accounts. The base fee is an annual charge of 0.60% of the net assets of the Pools and is wrapped in with investment income on these related financial statements. Accounts with amounts exceeding the \$500,000 level may be eligible for reduced administrative fees. Accounts with balances below a specified threshold may be charged an additional annual maintenance fee.

The administrative fee is accrued daily and reduces the net asset values of the Pools held in the donor-advised accounts. These administrative fees are then transferred monthly to the operating account. The administrative and maintenance fees were \$35,025,634 and \$35,588,061 for the years ended June 30, 2023 and 2022, respectively and is included in Investment income on the Statement of Activities. The administrative fee assessed is used to pay the operating expenses of Vanguard Charitable.

Note 8 - Income Taxes:

Vanguard Charitable has made no provision for federal income taxes for the years ended June 30, 2023 and 2022 since it has received a tax determination letter, dated May 3, 2002, from the Internal Revenue Service classifying it as a public charity exempt from federal income tax. Vanguard Charitable does pay federal income tax on unrelated business income related to certain contributions of illiquid assets. Management has noted no uncertain tax positions and has concluded no provision is required.

Note 9 – Subsequent Events:

Vanguard Charitable has determined that no material events or transactions occurred through September 28, 2023 that would require recognition or disclosure in these financial statements.