

**Vanguard Charitable Endowment Program**

**Financial Statements**

**For the Years Ended  
June 30, 2022 and 2021**



## **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, 2022 and 2021, 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, 2022 and 2021, 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, PA  
September 28, 2022

**Vanguard Charitable Endowment Program**  
**Statements of Financial Position**

	As of June 30,	
	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 50,195,263	\$ 38,905,812
Investments; at market value	14,049,422,940	15,119,716,754
Contributed assets held; at market value	617,909,359	414,769,193
Dividends receivable	12,826,344	4,220,283
Receivable for securities sold	14,105,486	33,155,000
Earnout receivable	425,832,165	501,000,000
Other assets	14,274,826	4,302,551
<b>Total Assets</b>	<b>\$ 15,184,566,383</b>	<b>\$ 16,116,069,593</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 30,708,025	\$ 22,426,886
Payable for securities purchased	17,693,306	48,135,448
<b>Total Liabilities</b>	48,401,331	70,562,334
Net Assets Without Donor Restrictions	15,136,165,052	16,045,507,259
<b>Total Liabilities and Net Assets</b>	<b>\$ 15,184,566,383</b>	<b>\$ 16,116,069,593</b>

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

**Vanguard Charitable Endowment Program**  
**Statements of Activities**

	<b>For the Years Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenues</b>		
Donor contributions	\$ 3,020,845,368	\$ 4,254,463,026
Investment income	268,358,935	212,498,178
Net realized and unrealized gains (losses) on investments	(2,200,354,354)	2,671,169,137
Change in value of earnout receivable	(75,167,835)	(24,000,000)
Contribution of goods and services	1,330,467	1,269,078
<b>Total Revenues</b>	<b>1,015,012,581</b>	<b>7,115,399,419</b>
<b>Grants and Expenses</b>		
Grants to charitable organizations	1,892,820,235	1,845,626,381
Management and general expenses	7,369,391	4,770,740
Program expenses	21,022,649	19,829,396
Fundraising expenses	3,142,513	2,684,215
<b>Total Grants and Expenses</b>	<b>1,924,354,788</b>	<b>1,872,910,732</b>
Change in Net Assets Without Donor Restrictions	(909,342,207)	5,242,488,687
Net Assets Without Donor Restrictions, beginning of year	16,045,507,259	10,803,018,572
<b>Net Assets Without Donor Restrictions, end of year</b>	<b>\$ 15,136,165,052</b>	<b>\$ 16,045,507,259</b>

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

**Vanguard Charitable Endowment Program**  
**Statements of Cash Flows**

	<b>For the Years Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (909,342,207)	\$ 5,242,488,687
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Non-cash contributions	(244,051,877)	(1,084,524,929)
Net realized and unrealized (gains) losses on investments	2,200,353,354	(2,671,169,137)
 (Increase) decrease in assets:		
Dividends receivable	(8,606,061)	188,319
Other assets	(9,972,275)	(1,418,608)
 Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	8,281,138	7,017,049
 Net cash provided by operating activities	<u>1,036,662,072</u>	<u>1,492,581,381</u>
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of non-cash contributions	126,594,967	191,153,686
Proceeds from the sale of investments	1,857,232,174	1,815,107,855
Purchases of investments	(3,072,974,969)	(3,524,013,975)
 (Increase) decrease in assets:		
Receivable for securities sold	19,049,514	(15,406,571)
Change in value of earnout receivable	75,167,835	24,000,000
 Increase (decrease) in liabilities:		
Payable for securities purchased	(30,442,142)	29,119,607
 Net cash used in investing activities	<u>(1,025,372,621)</u>	<u>(1,480,039,398)</u>
 Net Increase in cash and cash equivalents	11,289,451	12,541,983
Cash and cash equivalents, beginning of year	38,905,812	26,363,829
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 50,195,263</u></u>	<u><u>\$ 38,905,812</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 fund, 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 fund, assets are invested in a choice of twenty-one investment pools ("Pools"). Nineteen 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 Rhumbline Advisers LP ("Rhumbline"). 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, 2022 and 2021 was \$1,039,084 and \$857,944, 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, 2022 and 2021 were \$3,071,612 and \$2,687,932, 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, 2022 and 2021 were \$1,330,467 and \$1,269,078, 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 designed to contribute to climate change mitigation and adaption efforts whilst reducing climate change related investment risks. Vanguard Charitable owns a majority interest in the Low Carbon Fund, and RhumbLine Advisers LP ("RhumbLine") serves as Managing Member and Investment Manager for the Low Carbon Fund. For the years ended June 30, 2022 and 2021 Vanguard Charitable's purchases into the Low Carbon Fund were \$0 and \$737,987,228, respectively, and Vanguard Charitable's interest in the Low Carbon Fund generated net income(loss) of (\$138,415,783) and \$148,137,220, 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).

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.

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. The inputs or methodologies used to value investments are not necessarily an indication of the risk associated with investing in those investments.



## Vanguard Charitable Endowment Program Notes to Financial Statements

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

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.

#### 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, 2022 and 2021 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, 2022 and 2021 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 fund, 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.

#### Reclassifications

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

### Note 3 - Investments:

Contributions to Vanguard Charitable are allocated to Pools based on input from donors or the Trustees, including:

- **Money Market Pool** seeks to provide income while maintaining liquidity and a stable share price, primarily through exposure to U.S. government agency obligations.
- **Short-Term Bond Pool** seeks current income with limited price volatility and provides exposure to short-term, investment grade fixed income securities.

## Vanguard Charitable Endowment Program Notes to Financial Statements

### Note 3 – Investments (continued):

- **Conservative Growth Pool** seeks to provide current income and low to moderate capital appreciation through a target allocation of 60% bond funds and 40% stock funds.
- **Total Bond Pool** seeks to provide broad exposure to the investment-grade U.S. bond market.
- **Moderate Growth Pool** seeks to provide growth of capital and a reasonable level of current income through a target allocation of roughly 60-65% stock and 35-40% bonds.
- **Total U.S. Stock Pool** seeks to provide exposure to large-, mid-, and small-cap equities diversified across growth and value styles.
- **Growth Pool** seeks to provide capital appreciation and some current income through a target allocation of 80% stocks and 20% bonds.
- **Total Equity Pool** seeks to provide growth of capital through a 100% allocation to U.S. and international stocks.
- **Total International Stock Pool** seeks to provide broad exposure across developed and emerging non-U.S. equity markets.
- **European Stock Pool** targets European common stocks and is diversified across developed markets.
- **Pacific Stock Pool** targets Pacific-region common stocks.
- **Emerging Markets Stock Pool** targets emerging markets common stocks.
- **Income Pool** seeks to provide current income and some capital appreciation through a target allocation of 20% stocks and 80% bonds.
- **Total International Bond Pool** seeks to provide a diversified portfolio of U.S. dollar hedged, high-quality international bonds.
- **Balanced Pool** seeks capital appreciation, current income, and long-term growth of income.
- **Wellington Pool** seeks long-term capital appreciation and reasonable current income, with moderate risk.
- **ESG U.S. Stock Pool** seeks to track the performance of a benchmark index that measures the investment return of large-, mid-, and small-capitalization stocks of U.S. companies, while adhering to certain environmental, social, and corporate governance criteria.
- **ESG International Stock Pool** seeks to track the performance of a benchmark index that measures the investment return of large-, mid-, and small-capitalization companies located in developed and emerging markets outside of the United States, while adhering to certain environmental, social, and corporate governance criteria.
- **ESG Global Stock Pool** seeks to provide exposure to U.S. and International stocks screened for certain environmental, social, and corporate governance criteria through a targeted, professionally rebalanced allocation of 70% U.S. and 30% International equity.
- **Multi-Asset Pool** seeks to produce a total return that, over a majority of market cycles, exceeds inflation plus 5% per annum through exposure to a mutual fund which invests in a globally diversified portfolio of equity oriented, diversifying strategies (hedge fund and others), and fixed income securities.
- **Low Carbon Fund** seeks to provide exposure to U.S. and International stocks for companies which generate below-median carbon emissions within their respective sector.

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

**Note 3 – Investments (continued):**

<u>Total Investments</u>	<u>As of June 30,</u>	
	<u>2022</u>	<u>2021</u>
<b><u>The Vanguard Group Inc.</u></b>		
Money Market Pool	\$ 1,823,035,658	\$ 1,471,570,781
Short-Term Bond Pool	560,752,563	627,630,783
Conservative Growth Pool	1,314,883,837	1,518,930,623
Total Bond Pool	480,965,779	528,296,009
Moderate Growth Pool	1,728,140,611	2,009,342,292
Total U.S. Stock Pool	2,494,294,804	2,706,880,860
Growth Pool	1,456,905,405	1,470,641,315
Total Equity Pool	1,450,831,870	1,670,827,907
Total International Stock Pool	528,446,672	626,971,649
European Stock Pool	57,312,463	69,135,474
Pacific Stock Pool	29,035,928	36,614,389
Emerging Markets Stock Pool	159,120,984	196,094,004
Income Pool	450,525,661	544,725,076
Total International Bond Pool	30,699,001	29,233,703
Balanced Pool	111,804,273	106,824,982
Wellington Pool	135,827,639	123,281,363
ESG U.S. Stock Pool	202,145,146	217,747,195
ESG International Stock Pool	102,068,691	121,757,273
ESG Global Stock Pool	103,402,475	63,634,076
Short Term Investments (non-pooled)	27,556,488	26,419,352
<b><u>The Investment Fund for Foundations</u></b>		
Multi-Asset Pool	53,958,328	67,033,201
<b><u>Rhumblin Advisers LP</u></b>		
Low Carbon Fund	747,708,664	886,124,447
<b>Total Investments</b>	<b><u>\$ 14,049,422,940</u></b>	<b><u>\$ 15,119,716,754</u></b>

## 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, 2022 and 2021, 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, 2022 and 2021:

<u>at June 30, 2022</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</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	-
<b>Total Investments</b>	<b>14,049,422,940</b>	<b>13,301,714,276</b>	<b>747,708,664</b>	<b>-</b>
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
<b>Total</b>	<b>\$ 15,093,164,464</b>	<b>\$ 13,309,370,248</b>	<b>\$ 747,708,664</b>	<b>\$ 1,036,085,552</b>
<u>at June 30, 2021</u>				
Investments:				
Mutual Funds and Exchange Traded Funds	\$ 14,233,592,307	\$ 14,233,592,307	\$ -	\$ -
Low Carbon Fund	886,124,447	-	886,124,447	-
<b>Total Investments</b>	<b>15,119,716,754</b>	<b>14,233,592,307</b>	<b>886,124,447</b>	<b>-</b>
Contributed Assets held:				
Private Equity	414,769,193	-	-	414,769,193
Earnout Receivable	501,000,000	-	-	501,000,000
<b>Total</b>	<b>\$ 16,035,485,947</b>	<b>\$ 14,233,592,307</b>	<b>\$ 886,124,447</b>	<b>\$ 915,769,193</b>

**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, 2022 and June 30, 2021 with values presented based upon the date of the transaction.

<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

2021

Private Equity	\$ 1,084,524,929	\$ -	\$ -	\$ (525,000,000)	\$ 559,524,929
Earnout Receivable	-			525,000,000	525,000,000
Total	\$ 1,084,524,929	\$ -	\$ -	\$ -	\$ 1,084,524,929

**Note 4 – Contributed Assets Held:**

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.

At June 30, 2021, Vanguard Charitable held contributed private equity investments of \$414,769,193 which had not been sold. These private equity investments are classified as Level 3 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, 2022 and 2021 the earnout receivable was valued at \$425,832,165 and \$501,000,000, respectively, and the change in value was (\$75,167,835) and (\$24,000,000), 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, 2022 and 2021. The balance was \$0 at June 30, 2022 and 2021.

### **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 \$35,588,061 and \$30,438,525 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 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, 2022 that would require recognition or disclosure in these financial statements.