

# Charity Navigator

***FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT***

***YEARS ENDED JUNE 30, 2023 AND 2022***

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## INDEPENDENT AUDITORS' REPORT

To The Trustees  
Charity Navigator  
Saddle Brook, New Jersey

### **Opinion**

We have audited the accompanying financial statements of Charity Navigator (a nonprofit organization), which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charity Navigator as of June 30, 2023 and 2022, and the changes in its 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 Charity Navigator 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 Charity Navigator'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 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Charity Navigator'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 Charity Navigator'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.

*Dorfman Abrams Music, LLC*

Saddle Brook, New Jersey  
December 4, 2023

CHARITY NAVIGATOR

BALANCE SHEETS

ASSETS

	June 30,	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 762,731	\$ 538,837
Investments (Notes 2, 3, 4, 5 and 6)	7,270,198	9,327,582
Accounts receivable (Notes 2 and 3)		8,764
Contributions receivable (Notes 2, 4 and 7)	962,634	1,577,668
Prepaid expenses and other assets	269,566	255,368
Security deposits	21,991	21,991
Operating lease right-of-use assets, net (Notes 2 and 9)	194,196	
Property and equipment, net (Notes 2 and 8)	<u>39,765</u>	<u>49,133</u>
 Total assets	 <u>\$ 9,521,081</u>	 <u>\$ 11,779,343</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 181,123	\$ 316,573
Accrued expenses	365,223	480,040
Operating lease obligation (Notes 2 and 9)	196,590	
 Total liabilities	 <u>742,936</u>	 <u>796,613</u>
Net assets (Notes 2, 4 and 11):		
Without donor restrictions	7,968,958	9,478,355
With donor restrictions	<u>809,187</u>	<u>1,504,375</u>
 Total net assets	 <u>8,778,145</u>	 <u>10,982,730</u>
 Total liabilities and net assets	 <u>\$ 9,521,081</u>	 <u>\$ 11,779,343</u>

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

CHARITY NAVIGATOR  
STATEMENTS OF ACTIVITIES

	Year ended June 30, 2023			Year ended June 30, 2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating activities:						
Support (Note 2):						
Contributions and support:						
Founders and board members	\$ 120,956	\$	\$ 120,956	\$ 116,875	\$	\$ 116,875
Individuals	4,333,354	105,000	4,438,354	4,431,789		4,431,789
Foundations	890,929	28,750	919,679	6,470,819	2,059,521	8,530,340
Contributions of nonfinancial assets - donated professional services	9,500		9,500	14,000		14,000
Contributions of nonfinancial assets - donated advertising	497,707		497,707	458,748		458,748
Contributions of nonfinancial assets - donated goods	10,000		10,000	15,350		15,350
Total support	<u>5,862,446</u>	<u>133,750</u>	<u>5,996,196</u>	<u>11,507,581</u>	<u>2,059,521</u>	<u>13,567,102</u>
Other revenues:						
Data sale	13,672		13,672	44,631		44,631
Dividends and interest	139,002		139,002	409,819		409,819
Total other revenues	<u>152,674</u>		<u>152,674</u>	<u>454,450</u>		<u>454,450</u>
Net assets released from restrictions	<u>828,938</u>	<u>(828,938)</u>		<u>1,241,346</u>	<u>(1,241,346)</u>	
Total support and other revenues	<u>6,844,058</u>	<u>(695,188)</u>	<u>6,148,870</u>	<u>13,203,377</u>	<u>818,175</u>	<u>14,021,552</u>
Expenses:						
Program services:						
Charity ratings	7,064,291		7,064,291	5,887,217		5,887,217
Total program services	<u>7,064,291</u>		<u>7,064,291</u>	<u>5,887,217</u>		<u>5,887,217</u>
Supporting services:						
General and administration	952,587		952,587	821,694		821,694
Development and fundraising	844,390		844,390	720,925		720,925
Total supporting services	<u>1,796,977</u>		<u>1,796,977</u>	<u>1,542,619</u>		<u>1,542,619</u>
Total expenses	<u>8,861,268</u>		<u>8,861,268</u>	<u>7,429,836</u>		<u>7,429,836</u>
Change in net assets from operations	<u>(2,017,210)</u>	<u>(695,188)</u>	<u>(2,712,398)</u>	<u>5,773,541</u>	<u>818,175</u>	<u>6,591,716</u>
Nonoperating activities:						
Realized and unrealized gains (losses) on investments	507,813		507,813	(1,374,480)		(1,374,480)
Total nonoperating activities	<u>507,813</u>		<u>507,813</u>	<u>(1,374,480)</u>		<u>(1,374,480)</u>
Change in net assets	(1,509,397)	(695,188)	(2,204,585)	4,399,061	818,175	5,217,236
Net assets, beginning of year	<u>9,478,355</u>	<u>1,504,375</u>	<u>10,982,730</u>	<u>5,079,294</u>	<u>686,200</u>	<u>5,765,494</u>
Net assets, end of year	<u>\$ 7,968,958</u>	<u>\$ 809,187</u>	<u>\$ 8,778,145</u>	<u>\$ 9,478,355</u>	<u>\$ 1,504,375</u>	<u>\$ 10,982,730</u>

CHARITY NAVIGATOR  
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (2,204,585)	\$ 5,217,236
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Stock donations	(41,334)	(70,370)
Depreciation	18,074	14,002
Amortization of operating lease right-of-use assets	82,860	
Discount on contributions receivable		15,825
Realized and unrealized (gains) losses on investments	(507,813)	1,374,480
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	8,764	(3,977)
Contributions receivable	615,034	(1,117,975)
Prepaid expenses and other assets	(14,198)	(172,810)
Increase (decrease) in:		
Accounts payable	(135,450)	243,181
Accrued expenses	(114,817)	106,771
Operating lease obligation	(80,466)	
Net cash provided (used) by operating activities	(2,373,931)	5,606,363
Cash flows from investing activities:		
Purchase of investments	(7,068,110)	(6,409,557)
Proceeds from sale of investments	9,674,641	70,759
Purchase of property and equipment	(8,706)	(28,937)
Net cash provided (used) by investing activities	2,597,825	(6,367,735)
Net increase (decrease) in cash and cash equivalents	223,894	(761,372)
Cash and cash equivalents, beginning of year	538,837	1,300,209
Cash and cash equivalents, end of year	\$ 762,731	\$ 538,837

Supplemental Disclosure of Non-Cash Operating Activities

Right-of-use asset acquired from incurring lease obligation	\$ 277,056	\$
In-kind contributions	\$ 517,207	\$ 488,098

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

CHARITY NAVIGATOR

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2023 and 2022

	Program services expenses		Supporting services expenses						Total program and supporting services expenses	
	Charity ratings		General and administration		Development and fundraising		Total		2023	2022
	2023	2022	2023	2022	2023	2022	2023	2022		
Salaries and wages	\$ 2,594,877	\$ 2,265,923	\$ 395,074	\$ 297,020	\$ 468,697	\$ 429,913	\$ 863,771	\$ 726,933	\$ 3,458,648	\$ 2,992,856
Payroll taxes	202,963	178,930	30,810	22,186	37,598	35,291	68,408	57,477	271,371	236,407
Employee benefits and pension	284,040	247,163	78,559	36,750	59,536	44,844	138,095	81,594	422,135	328,757
<b>Total personnel costs</b>	<b>3,081,880</b>	<b>2,692,016</b>	<b>504,443</b>	<b>355,956</b>	<b>565,831</b>	<b>510,048</b>	<b>1,070,274</b>	<b>866,004</b>	<b>4,152,154</b>	<b>3,558,020</b>
Contracted services	2,237,126	2,019,834	126,599	108,455	96,221	64,872	222,820	173,327	2,459,946	2,193,161
Outreach and education	497,706	458,748				6,600		6,600	497,706	465,348
Equipment maintenance	457,754	315,813	9,688	15,989	28,075	27,037	37,763	43,026	495,517	358,839
Marketing costs	513,523	204,335	8,452	5,411	17,053	2,805	25,505	8,216	539,028	212,551
Bank fees			110,039	173,143	500		110,539	173,143	110,539	173,143
Professional fees	116,153	48,557	62,396	81,097			62,396	81,097	178,549	129,654
Occupancy	77,749	78,603	12,042	935	14,504	18,621	26,546	19,556	104,295	98,159
Postage and shipping	126	6,482	11,517	2,289	25,039	37,699	36,556	39,988	36,682	46,470
Staff training and development	1,721	17,158	12,038	20,695	350	780	12,388	21,475	14,109	38,633
Printing and publication	1,057	1,569	6,130	41	60,874	32,864	67,004	32,905	68,061	34,474
Travel and transportation	25,240	9,364	30,558	19,130	7,432		37,990	19,130	63,230	28,494
Insurance	27,096	10,334	6,407	10,622	5,096	1,778	11,503	12,400	38,599	22,734
Office and miscellaneous expenses	6,121	3,613	20,025	14,307	4,012	1,951	24,037	16,258	30,158	19,871
Telephone and cable	13,096	11,921	5,899	2,647	2,455	2,808	8,354	5,455	21,450	17,376
Depreciation	3,101	4,523	14,973	9,479			14,973	9,479	18,074	14,002
Registration fees and taxes					13,148	12,328	13,148	12,328	13,148	12,328
Meetings and conferences	4,842	4,347	11,381	1,498	3,800	734	15,181	2,232	20,023	6,579
<b>Total expenses</b>	<b>\$ 7,064,291</b>	<b>\$ 5,887,217</b>	<b>\$ 952,587</b>	<b>\$ 821,694</b>	<b>\$ 844,390</b>	<b>\$ 720,925</b>	<b>\$ 1,796,977</b>	<b>\$ 1,542,619</b>	<b>\$ 8,861,268</b>	<b>\$ 7,429,836</b>

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 and 2022

1. Nature of the Organization

Charity Navigator (the Organization) was established in 2000. For over 20 years, it has promoted informed philanthropy, providing donors with free unbiased ratings, tools, and resources to find and support charities that align with their passions and values.

Through its website (www.charitynavigator.org), the Organization maintains a database of all 1.6 million U.S. registered nonprofits. Charity Navigator achieves its mission of making impactful giving easier for all by evaluating charities, shining a light on the cost-effectiveness of their programs, and reviewing overall organizational health. As of June 30, 2023, there are more than 200,000 rated charities with assessments on Accountability & Finance (208,156), Culture & Community (23,781), Leadership & Adaptability (9,887), and Impact & Results (1,654). In addition to ratings, the Organization issues Alerts for reported and confirmed charity misconduct, creates and maintains topical "Give Now" lists for world events, and facilitates donations through its Giving Basket, with more than \$45,000,000 donated to 27,000+ charities during the year ended on June 30, 2023.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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 Organization's management and its trustees.

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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to realized and unrealized gains (losses) on investments, and other activities considered to be of a more unusual or nonrecurring nature.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of significant accounting policies (continued)

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of demand deposit accounts with maturities of three months or less and money market funds.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values on the balance sheet. Unrealized gains and losses are included in the change in net assets without donor restriction for the gains and losses that are unrestricted, and in the change in net assets with donor restriction for the gains and losses that are restricted for the support of certain programs. Investment fees are netted against the investment income.

Fair value measurement

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. 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. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, 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 the Organization's perceived risk of that investment.

## CHARITY NAVIGATOR

### NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### 2. Summary of significant accounting policies (continued)

##### Accounts and contributions receivable

Accounts receivable consists of amounts unpaid from data sales. Contributions receivable consists of unconditional promises to give that are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

##### Allowance for doubtful accounts

The Organization uses the allowance method to account for uncollectible accounts and contributions receivable. The allowance is based on prior years' experience and management's analysis of possible bad debt. As of June 30, 2023 and 2022, the Organization determined that an allowance was not necessary.

##### Property and equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Depreciation is provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives on a straight-line basis.

Software	3 - 5 years
Furniture and equipment	3 - 5 years
Leasehold improvements	10 - 11 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to expenses as incurred; replacements and betterments that extend the useful lives are capitalized.

##### Recently adopted accounting standards - Leases

In 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of \$277,056 and lease liabilities totaling \$277,056 in its balance sheet as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of income for the year ended June 30, 2022.

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less) and leases below the ROU assets capitalization policy of \$50,000. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 and 2022

2. Summary of significant accounting policies (continued)

Revenue recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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-imposed restrictions. 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 reported in the statement of activities as net assets released from restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Organization recognizes revenue from sales during the year in which the goods (data) are provided to its customers. The performance obligation of delivering data is simultaneously received, consumed and paid for by the customers at the point of sale; therefore, revenue is recognized at the point of sale.

Contributions of nonfinancial assets - contributed goods and services

Contributions of nonfinancial assets are reflected as contributions at their fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. During the years ended June 30, 2023 and 2022, the Organization received contributions of stock without donor restrictions valued at \$41,334 and \$70,370, respectively. These contributions are included within individual and board member contributions on the statement of activities.

Donated specialized services have been recognized on the accompanying financial statements. These donated services require professional skills and would typically be purchased if not provided by donation and are valued based on current rates for similar services. During the year ended June 30, 2023, the Organization benefited from donated legal services from an independent attorney valued at \$9,500 and donated software valued at \$10,000. During the year ended June 30, 2022, the Organization benefited from donated legal services from an independent attorney valued at \$14,000, a donated web services subscription valued at \$8,750, and donated stationery valued at \$6,600. These services are recognized as donated professional fees and services and the stationery and software are recognized as donated goods on the statement of activities. The services are included within professional fees and contracted services and the stationery and software is included within office and miscellaneous expenses on the statement of functional expenses, as follows.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of significant accounting policies (continued)

Contributions of nonfinancial assets - contributed goods and services (continued)

	2023			
	Program services	Management and general	Fundraising	Total
<u>Donated services:</u>				
Professional fees	\$	\$ 9,500	\$	\$ 9,500
<u>Donated goods:</u>				
Office and miscellaneous expenses	_____	10,000	_____	10,000
	\$	\$ 19,500	\$	\$ 19,500
	2022			
	Program services	Management and general	Fundraising	Total
<u>Donated services:</u>				
Professional fees	\$	\$ 14,000	\$	\$ 14,000
Contracted services	8,750			8,750
<u>Donated goods:</u>				
Office and miscellaneous expenses	_____	6,600	_____	6,600
	\$ 8,750	\$ 20,600	\$	\$ 29,350

Contributions of nonfinancial assets - donated advertising

During the years ended June 30, 2023 and 2022, a significant amount of Google AdWords were donated to the Organization via the Google Ad Grant program. Google AdWords provides online advertising by displaying a message to people who are searching for Charity Navigator's services. As a qualifying nonprofit, Charity Navigator normally receives up to \$45,000 of in-kind AdWords advertising every month.

The Organization received a total of 94,937 and 171,810 ad clicks with a total value of \$497,707 and \$458,748, respectively. The Organization recognized the contributions on the statement of activities and also as Outreach and education expense on the statement of functional expenses, totaling \$497,707 and \$458,748 for the years ended June 30, 2023 and 2022, respectively, as follows.

	2023			
	Program services	Management and general	Fundraising	Total
Outreach and education	\$ 497,707	\$	\$	\$ 497,707
	2022			
	Program services	Management and general	Fundraising	Total
Outreach and education	\$ 458,748	\$	\$	\$ 458,748

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of significant accounting policies (continued)

Functional allocation of expenses

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort and square footage.

Income taxes

The Organization is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

3. Risks and uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and accounts and contributions receivable. The Organization maintains its cash in bank deposit accounts, the balance, of which, at times, may exceed federally insured limits. Investment securities are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported on the financial statements. Concentrations of credit risk with respect to accounts and contributions receivable are limited due to the accounts receivable balance is small and from various customers and the contributions are from various contributors and private foundations. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

4. Availability and liquidity

The following represents the Organization's financial assets at June 30, 2023:

Financial assets at year end

Cash and cash equivalents	\$ 762,731
Investments	7,270,198
Contributions receivable	<u>962,634</u>
 Total financial assets	 <u>8,995,563</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	809,187
Less net assets with time and purpose restrictions to be met in less than a year	<u>(709,187)</u>
	<u>100,000</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,895,563</u>
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The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses, net of in-kind contributions. As part of its liquidity plan, excess cash is invested in short-term investments, including a money market account. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including grants, fees for services, and contributions.

5. Investments

Investment securities are stated at fair value and summarized as follows at June 30:

	2023		2022	
	Cost	Carrying value	Cost	Carrying value
Mutual funds	<u>\$ 7,097,017</u>	<u>\$ 7,270,198</u>	<u>\$ 11,066,822</u>	<u>\$ 9,327,582</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	2023	2022
Dividends and interest	\$ 139,002	\$ 409,819
Realized and unrealized gains (losses)	<u>507,813</u>	<u>(1,374,480)</u>
	<u>\$ 646,815</u>	<u>\$ (964,661)</u>

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6. Fair value measurement

The classification of the Organization's investment securities at fair value are as follows at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 7,270,198	\$ _____	\$ _____	\$ 7,270,198
	\$ 7,270,198	\$ _____	\$ _____	\$ 7,270,198

The classification of the Organization's investment securities at fair value are as follows at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 9,327,582	\$ _____	\$ _____	\$ 9,327,582
	\$ 9,327,582	\$ _____	\$ _____	\$ 9,327,582

7. Contributions receivable

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rates at the time of the contribution, ranging from 1% to 3%. Contributions receivable consisted of the following at June 30, 2023 and 2022:

	2023	2022
One year or less	\$ 913,495	\$ 1,255,993
Two to five years	50,000	337,500
	963,495	1,593,493
Less discount on contributions receivable	861	15,825
	\$ 962,634	\$ 1,577,668

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8. Property and equipment

A summary of property and equipment is as follows at June 30:

	2023	2022
Furniture	\$ 24,963	\$ 24,963
Software	6,050	6,050
Equipment	133,457	124,751
Leasehold improvements	17,980	17,980
	182,450	173,744
Less accumulated depreciation	142,685	124,611
	\$ 39,765	\$ 49,13:

Depreciation expense for the years ended June 30, 2023 and 2022 was \$18,074 and \$14,002, respectively.

9. Commitments and contingencies

Operating leases

The Organization's operating lease consists of a real estate leases for its office space. The Organization evaluated the current contract to determine if it met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liability represent the Organization's obligation to make lease payments arising from the lease. The ROU asset and lease liability which arises from this operating lease was calculated based on the present value of the future lease payments over the lease term. It does not include a renewal period because it is not considered reasonably certain. The Organization has made an accounting policy election to use the SOFR (Secured Overnight Financing Rate) rate to discount future lease payments. Rent expense related to the Organization's office facility for the years ended June 30, 2023 and 2022 was \$94,494 and \$89,895, respectively.

The Organization leases its office under an operating lease expiring on August 31, 2025. For the years ended June 30, 2023 and 2022, total operating lease cost for this space was \$96,094 and \$89,895, respectively. Operating lease cost is included in Occupancy on the statement of functional expenses.

The following summarizes the line items in the balance sheet which include amounts for the operating lease as of June 30, 2023:

Operating lease right-of-use asset	\$ 194,196
Operating lease obligation	\$ 196,590

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9. Commitments and contingencies (continued)

Operating leases (continued)

The components of the operating lease expense that are included in the statement of activities for the year ended June 30, 2023 are as follows:

Operating lease cost	<u>\$ 94,494</u>
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The following summarizes the cash flow information related to the operating lease for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	<u>\$ 92,100</u>
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The weighted-average lease term and discount rate applied to calculate lease liabilities as of June 30, 2023 are as follows:

Weighted average remaining lease term	26 months
Weighted average discount rate	5.00%

Future minimum commitments due under the lease are as follows:

Year ending June 30:	
2024	\$ 94,355
2025	96,611
2026	<u>16,164</u>
Total lease payments	207,130
Less present value discount	<u>(10,540)</u>
	<u>\$ 196,590</u>

10. Retirement plan

The Organization sponsors an IRA Savings Plan which covers eligible employees. The Plan requires a matching contribution equal to the employee's contribution up to 3% of the employee's salary. The amount contributed for the years ended June 30, 2023 and 2022 was \$89,856 and \$42,934, respectively.

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11. Net assets

Net assets were as follows for the years ended June 30, 2023 and 2022:

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restriction	Total
Undesignated	\$ 7,968,958	\$	\$7,968,958	\$ 9,478,355	\$	\$ 9,478,355
Specific purpose:						
Development of new nonprofit ratings system		556,352	556,352		1,251,192	1,251,192
Causeway acquisition		100,000	100,000			
Equitable internship opportunities		2,835	2,835		3,183	3,183
Managed services program to guide donors in decision-making		150,000	150,000		200,000	200,000
Passage of time:						
For periods after June 30					50,000	50,000
Total net assets	<u>\$ 7,968,958</u>	<u>\$ 809,187</u>	<u>\$8,778,145</u>	<u>\$ 9,478,355</u>	<u>\$ 1,504,375</u>	<u>\$10,982,730</u>

Releases from net assets with donor restrictions are as follows at June 30:

	2023	2022
Satisfaction of purpose restrictions		
Development of new nonprofit ratings system	\$ 694,840	\$ 793,796
Building nonprofit portal		8,962
Pilot identifying BIPOC-led charities through machine learning		28,846
Search and discovery	20,000	
Impact Matters integration and development of digital portal		80,337
Development of Encompass Rating System Culture & Community Beacon		270,396
Equitable internship opportunities	9,098	9,009
Irritants for change activities	5,000	
Managed services program to guide donors in decision making	100,000	50,000
	<u>\$ 828,938</u>	<u>\$ 1,241,346</u>

12. Significant source of support

For the year ended June 30, 2023, one donor accounted for 11% of the Organization's total support and revenue. For the year ended June 30, 2022, two donors accounted for 55% of the Organization's total support and revenue.

13. Subsequent events

Subsequent events have been evaluated through December 4, 2023, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.