



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

YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Charity Navigator
Saddle Brook, New Jersey

We have audited the accompanying financial statements of Charity Navigator, which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020 and 2019, 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.

Emphasis of Matters

As discussed in Note 2 to the financial statements, in fiscal year 2020 the Organization adopted Accounting Standards Update (ASU) No. 2018-08 Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606). Our opinion is not modified with respect to these matters.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

November 18, 2020

CHARITY NAVIGATOR

BALANCE SHEETS

ASSETS

	June 30,	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents (Notes 2 and 3)	\$ 1,496,141	\$ 699,320
Investments (Notes 2, 3, 4 and 5)	2,651,494	2,620,625
Contributions receivable (Notes 2 and 7)	3,800	255,221
Prepaid expenses and other assets	75,122	69,175
Security deposits	31,698	9,707
Property and equipment, net (Notes 2 and 8)	<u>19,804</u>	<u>31,959</u>
 Total assets	 <u>\$ 4,278,059</u>	 <u>\$ 3,686,007</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 72,133	\$ 108,837
Accrued expenses	180,538	152,356
Refundable advance - Paycheck Protection Program	<u>358,606</u>	<u> </u>
 Total liabilities	 <u>611,277</u>	 <u>261,193</u>
 Net assets (Note 2):		
Without donor restrictions	3,436,893	3,128,160
With donor restrictions	<u>229,889</u>	<u>296,654</u>
 Total net assets	 <u>3,666,782</u>	 <u>3,424,814</u>
 Total liabilities and net assets	 <u>\$ 4,278,059</u>	 <u>\$ 3,686,007</u>

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

CHARITY NAVIGATOR
STATEMENTS OF ACTIVITIES

	Year ended June 30, 2020			Year ended June 30, 2019		
	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	\$ 111,982	\$	\$ 111,982	\$ 108,498	\$	\$ 108,498
Individuals	3,159,395		3,159,395	2,478,419		2,478,419
Foundations	259,392	335,371	594,763	219,600	688,000	907,600
Donated professional services	213,072		213,072	71,625		71,625
Donated advertising	534,178		534,178	475,978		475,978
Gifts in-kind - goods	3,752		3,752			
Total support	<u>4,281,771</u>	<u>335,371</u>	<u>4,617,142</u>	<u>3,354,120</u>	<u>688,000</u>	<u>4,042,120</u>
Other revenues:						
Other income:						
Data sale	41,700		41,700	23,347		23,347
Dividends	61,731		61,731	77,319		77,319
Total other revenues	<u>103,431</u>		<u>103,431</u>	<u>100,666</u>		<u>100,666</u>
Net assets released from restrictions	<u>402,136</u>	<u>(402,136)</u>		<u>801,780</u>	<u>(801,780)</u>	
Total support and other revenues	<u>4,787,338</u>	<u>(66,765)</u>	<u>4,720,573</u>	<u>4,256,566</u>	<u>(113,780)</u>	<u>4,142,786</u>
Expenses:						
Program services:						
Charity ratings	3,629,133		3,629,133	3,480,229		3,480,229
Total program services	<u>3,629,133</u>		<u>3,629,133</u>	<u>3,480,229</u>		<u>3,480,229</u>
Supporting services:						
General and administration	540,840		540,840	441,114		441,114
Development and fundraising	334,703		334,703	406,312		406,312
Total supporting services	<u>875,543</u>		<u>875,543</u>	<u>847,426</u>		<u>847,426</u>
Total expenses	<u>4,504,676</u>		<u>4,504,676</u>	<u>4,327,655</u>		<u>4,327,655</u>
Change in net assets from operations	282,662	(66,765)	215,897	(71,089)	(113,780)	(184,869)
Nonoperating activities:						
Realized and unrealized gains on investments	26,071		26,071	84,706		84,706
Total nonoperating activities	<u>26,071</u>		<u>26,071</u>	<u>84,706</u>		<u>84,706</u>
Change in net assets	308,733	(66,765)	241,968	13,617	(113,780)	(100,163)
Net assets, beginning of year	<u>3,128,160</u>	<u>296,654</u>	<u>3,424,814</u>	<u>3,114,543</u>	<u>410,434</u>	<u>3,524,977</u>
Net assets, end of year	<u>\$ 3,436,893</u>	<u>\$ 229,889</u>	<u>\$ 3,666,782</u>	<u>\$ 3,128,160</u>	<u>\$ 296,654</u>	<u>\$ 3,424,814</u>

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

CHARITY NAVIGATOR
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 241,968	\$ (100,163)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Stock donations	(44,536)	(28,199)
Depreciation	12,155	14,192
Realized and unrealized gains on investments	(26,071)	(84,706)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	251,421	(103,674)
Prepaid expenses and other assets	(5,947)	(26,785)
Security deposits	(21,991)	
Increase (decrease) in:		
Accounts payable	(36,704)	8,507
Accrued expenses	28,182	(47,287)
Refundable advance - Paycheck Protection Program	358,606	
	757,083	(368,115)
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Purchase of securities	(916,245)	(690,287)
Proceeds from sale of investments	955,983	159,550
Purchase of property and equipment		(5,686)
	39,738	(536,423)
Net cash provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	796,821	(904,538)
Cash and cash equivalents, beginning of year	699,320	1,603,858
	\$ 1,496,141	\$ 699,320
Cash and cash equivalents, end of year		

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

CHARITY NAVIGATOR

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2020 and 2019

	Program services expenses		Supporting services expenses						Total program and supporting services expenses	
	Charity ratings		General and administration		Development and fundraising		Total		2020	2019
	2020	2019	2020	2019	2020	2019	2020	2019		
Salaries and wages	\$ 1,497,761	\$ 1,250,733	\$ 240,021	\$ 154,642	\$ 155,631	\$ 175,553	\$ 395,652	\$ 330,195	\$ 1,893,413	\$ 1,580,928
Payroll taxes	132,106	104,242	18,971	15,239	13,646	15,666	32,617	30,905	164,723	135,147
Employee benefits and pension	170,931	130,308	7,981	8,904	17,455	19,636	25,436	28,540	196,367	158,848
Total personnel costs	1,800,798	1,485,283	266,973	178,785	186,732	210,855	453,705	389,640	2,254,503	1,874,923
Contracted services	721,275	1,089,513	52,525	70,480	18,395	90,147	70,920	160,627	792,195	1,250,140
Outreach and education	534,178	475,978							534,178	475,978
Professional fees	184,778	65,745	52,516	34,526			52,516	34,526	237,294	100,271
Equipment maintenance	124,699	79,208	4,456	3,195	19,637	17,172	24,093	20,367	148,792	99,575
Marketing costs	143,258	122,866	678	1,697	1,073	1,452	1,751	3,149	145,009	126,015
Bank fees			116,120	98,994			116,120	98,994	116,120	98,994
Occupancy	68,686	76,381	9,579	7,269	6,728	7,352	16,307	14,621	84,993	91,002
Printing and publication	28	385	501		59,498	38,246	59,999	38,246	60,027	38,631
Postage and shipping			146	172	24,343	19,855	24,489	20,027	24,489	20,027
Telephone and cable	19,121	18,389	2,826	1,779	1,901	1,621	4,727	3,400	23,848	21,789
Insurance	12,754	14,653	3,638	3,517	1,805	1,932	5,443	5,449	18,197	20,102
Meetings and conferences	6,680	12,788	7,794	3,310	1,400	3,044	9,194	6,354	15,874	19,142
Depreciation	1,905	474	10,250	13,718			10,250	13,718	12,155	14,192
Registration fees and taxes				157	11,635	11,394	11,635	11,551	11,635	11,551
Staff training and development	1,461	3,053	8,343	12,559	200	138	8,543	12,697	10,004	15,750
Travel and transportation	7,018	31,274	764	3,293	685	2,340	1,449	5,633	8,467	36,907
Office and miscellaneous expenses	2,494	4,239	3,731	7,663	671	764	4,402	8,427	6,896	12,666
Total expenses	\$ 3,629,133	\$ 3,480,229	\$ 540,840	\$ 441,114	\$ 334,703	\$ 406,312	\$ 875,543	\$ 847,426	\$ 4,504,676	\$ 4,327,655

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

CHARITY NAVIGATOR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

1. Nature of the Organization

Charity Navigator (the Organization) was founded in 2000 and has become the nation's largest and most-utilized evaluator of charities. Specifically, the Organization's rating system examines two facets of a charity's performance: their financial health and their governance practices (accountability and transparency). These ratings provide donors with a picture of how well a charity has sustained its programs and services over time and their level of commitment to good governance, best practices and openness with information. The Organization believes these behaviors are indicators of how a charity will use donors' contributions. In 2017, the Organization adopted an ambitious five-year strategic plan which includes plans to expand the number of ratings it provides and create a methodology that will account for a charity's impact.

The Organization provides charity ratings so that donors and social investors can make more informed and impactful giving decisions. Its ratings are also intended for individual charities and the entire nonprofit sector, providing them with benchmarks and information on best practices to improve their performance. The Organization had over 10 million visits to its website during the year ended June 30, 2020, and estimates that it impacts billions of dollars of charitable giving decisions each year. The Organization does not receive any contributions from any of the charities it evaluates or the government and offers its basic services to users at no cost.

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 the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the 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, 2020 and 2019

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 consists 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 changes in net assets without donor restriction for the gains and losses that are unrestricted, and in the changes 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, 2020 and 2019

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. All accounts and contributions receivable both years are expected to be collected within one year. 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 pledges receivable. The allowance is based on prior years' experience and management's analysis of possible bad debt. As of June 30, 2020 and 2019, 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	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.

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 statements 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.

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

The Organization has adopted Accounting Standards Update No. 2018-08 Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606) as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of these standards resulted in no significant change in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Contributed goods and services

In-kind contributions 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, 2020 and 2019, the Organization received contributions of stock without donor restrictions valued at \$44,536 and \$28,199, 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. During the year ended June 30, 2020, the Organization benefited from donated legal services from Pro Bono Partnerships valued at \$17,728, donated consulting services from International Business Machines Corp. of \$162,544, donated consulting services from an executive coach of \$800, donated cloud computing services from Amazon valued at \$32,000 and a donated software subscription valued at \$3,752. During the year ended June 30, 2019, the Organization benefited from donated legal services from Pro Bono Partnerships valued at \$24,105 and donated consulting services from International Business Machines Corp. of \$47,520. These services are recognized as donated professional fees and services on the statement of activities and included within professional fees and contracted services on the statement of functional expenses.

Donated advertising

During the years ended June 30, 2020 and 2019, 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 \$42,000 of in-kind AdWords advertising every month. Google increased this limit by 75% for May and June 2020, to \$73,500 per month, to help support nonprofits during the COVID-19 pandemic.

During the years ended June 30, 2020 and 2019, the Organization received a total of 295,258 and 371,263 ad clicks with a total value of \$534,178 and \$475,978, 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 \$534,178 and \$475,978 for the years ended June 30, 2020 and 2019, respectively.

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 2019 financial statements have been reclassified to conform to the 2020 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 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 contributions receivable are limited due to the fact the pledges are from various contributors and private foundations. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

The Organization has reviewed its operations in light of the COVID-19 pandemic. Based on that review, it does not anticipate that the COVID-19 pandemic will have a material impact on its operations. However, events surrounding the Federal and State responses to the COVID-19 virus, and changes to those responses could change that analysis, and that change could be material.

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

4. Availability and liquidity

The following represents the Organization's financial assets at June 30, 2020:

Financial assets at year end

Cash and cash equivalents	\$ 1,496,141
Investments	2,651,494
Contributions receivable	<u>3,800</u>
 Total financial assets	 <u>4,151,435</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	229,889
Less net assets with purpose restrictions to be met in less than a year	<u>(229,889)</u>

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Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,151,435</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 (approximately \$940,000). 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:

	2020		2019	
	Cost	Carrying value	Cost	Carrying value
Mutual funds	<u>\$ 2,727,675</u>	<u>\$ 2,651,494</u>	<u>\$ 2,586,722</u>	<u>\$ 2,620,625</u>
	<u>\$ 2,727,675</u>	<u>\$ 2,651,494</u>	<u>\$ 2,586,722</u>	<u>\$ 2,620,625</u>

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

	2020	2019
Dividends	\$ 61,731	\$ 77,319
Realized and unrealized gains	<u>26,071</u>	<u>84,706</u>
	<u>\$ 87,802</u>	<u>\$ 162,025</u>

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

6. Fair value measurement

The classification of the Organization's investment securities at fair value are as follows at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 2,651,494	\$	\$	\$ 2,651,494
	<u>\$ 2,651,494</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,651,494</u>

The classification of the Organization's investment securities at fair value are as follows at June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 2,620,625	\$	\$	\$ 2,620,625
	<u>\$ 2,620,625</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,620,625</u>

7. Property and equipment

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

	<u>2020</u>	<u>2019</u>
Furniture	\$ 24,963	\$ 24,963
Software	6,050	6,050
Equipment	81,986	81,986
Leasehold improvements	<u>22,421</u>	<u>22,421</u>
	135,420	135,420
Less accumulated depreciation	<u>115,616</u>	<u>103,461</u>
	<u>\$ 19,804</u>	<u>\$ 31,959</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$12,155 and \$14,192, respectively.

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

8. Refundable advance - Paycheck Protection Program

On April 28, 2020, the Organization was granted a loan in the amount of \$358,606 pursuant to the Paycheck Protection Program (the PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and related interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The Organization has determined the PPP to be a conditional contribution and, as such, it has recorded the proceeds of the loan as a refundable advance and has not included it in revenues as of June 30, 2020. The Organization will not recognize income until all conditions are met and the loan is fully forgiven by the Small Business Administration. Any unforgiven portion of the PPP loan would be payable over two years at an interest rate of 1% and would mature on April 28, 2022. The application for forgiveness has not yet been made available by the Organization lending institution. At the time of the issuance of this report, the Organization believes that they will meet the requirements resulting in full forgiveness of the PPP loan.

9. Commitments and contingencies

The Organization had a six year lease for its office facility that expired on February 28, 2019. The Organization renewed this lease up to June 30, 2020. On July 1, 2020, the Organization signed a sixty-two month lease for a new office facility that expires on August 31, 2025. Rent expense related to the Organization's office facilities, for the years ended June 30, 2020 and 2019, was \$67,200 and \$65,268, respectively.

In addition, the Organization entered into a lease of a copier machine in August 2018. This operating lease will expire in August 2022. Rent expense related to the Organization's copier machine, for the years ended June 30, 2020 and 2019 was \$2,349 and \$1,957, respectively.

Future minimum commitments due under these leases are as follows:

Year ending June 30:	
2021	\$ 75,653
2022	90,235
2023	92,100
2024	94,355
2025	96,611
Thereafter	<u>16,164</u>
	<u>\$ 465,118</u>

10. Pension

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, 2020 and 2019 was \$37,647 and \$34,667, respectively.

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11. Net assets

Net assets were as follows for the years ended June 30, 2020 and 2019:

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$3,436,893	\$	\$3,436,893	\$3,128,160	\$	\$3,128,160
Specific purpose:						
Testing impact evaluation methodologies					221,654	221,654
Organizational research					75,000	75,000
Development of new nonprofit ratings system		186,488	186,488			
Building nonprofit portal		43,401	43,401			
Total net assets	\$3,436,893	\$ 229,889	\$3,666,782	\$3,128,160	\$ 296,654	\$3,424,814

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

	2020	2019
Satisfaction of purpose restrictions		
Organizational research	\$ 75,000	\$
Rate new charities		12,887
Testing impact valuation methodologies	221,654	178,893
Technical Infrastructure Improvements		600,000
Self-Assessment Tool		10,000
Development of new nonprofit ratings system	38,883	
Building nonprofit portal	66,599	
	<u>\$ 402,136</u>	<u>\$ 801,780</u>

12. Significant source of support

The Organization received approximately 14% of its total support and other revenues from one contributor during the year ended June 30, 2019. There were no major contributors during the year ended June 30, 2020.

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13. Subsequent events

Subsequent events have been evaluated through November 18, 2020, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events, except as noted below.

On September 1, 2020, the Organization acquired certain assets from another charity, ImpactMatters. Charity Navigator viewed this acquisition as an opportunity to bolster its program team and its capabilities to assess impact. This was timely, as the Organization was working on the follow-up release to their July 2020 launch of a new rating and methodology called Encompass, which would include impact as a future evaluation metric to be developed over the following year. ImpactMatters' mission was committed to making impact evaluation a factor in giving made by the general public. Rather than try to develop an audience for their approach, they decided to bring their approach to where people are already going to, for similar analysis, and teamed up with Charity Navigator, who has that audience.

The agreement was structured as a grant by ImpactMatters that would transfer to Charity Navigator all of its intellectual property, including methodology, brand assets, tools, data, and donor/user lists, as well as \$250,000 in cash. Charity Navigator committed to ImpactMatters to add an impact assessment to their ratings by the summer of 2021, hire their three employees as Charity Navigator staff to form an impact unit and include two of their board members on the Nonprofit Ratings Expert Group. As of October 2020, Charity Navigator met the commitment to add an impact component to its ratings methodology. Both Charity Navigator and ImpactMatters applied for additional funding to the Bill & Melinda Gates Foundation to help pay for the completion of the acquisition. Charity Navigator received \$100,000 in August 2020 to this end.