



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

***YEARS ENDED NOVEMBER 30, 2015 AND 2014***

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6 - 12

## INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
Charity Navigator  
Glen Rock, New Jersey

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Charity Navigator, which comprise the statements of financial position as of November 30, 2015 and 2014, 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 audits 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 November 30, 2015 and 2014, 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.

*Dorfman Abrams Music, LLC*

Saddle Brook, New Jersey  
March 23, 2016

CHARITY NAVIGATOR  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	November 30,	
	2015	2014
Cash and cash equivalents (Notes 1 and 2)	\$ 747,229	\$ 1,051,985
Investments (Notes 1, 3 and 4)	1,640,619	1,637,071
Accounts and other receivables, net (Note 1)	52,233	39,942
Contribution receivable (Note 1)		30,000
Prepaid expenses	43,378	21,040
Security deposits	9,707	9,707
Property and equipment, net (Notes 1 and 5)	59,685	62,600
Total assets	\$ 2,552,851	\$ 2,852,345

LIABILITIES AND NET ASSETS

Accounts payable	\$ 20,941	\$ 60,527
Accrued expenses	62,346	70,727
Deferred revenue	6,091	
Total liabilities	89,378	131,254
Net assets (Note 1):		
Unrestricted	2,463,473	2,710,091
Temporarily restricted (Note 8)		11,000
Total net assets	2,463,473	2,721,091
Total liabilities and net assets	\$ 2,552,851	\$ 2,852,345

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

CHARITY NAVIGATOR

STATEMENTS OF ACTIVITIES

	Year ended November 30, 2015		Year ended November 30, 2014	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Support (Note 1):				
Contributions:				
Founders and board members	\$ 96,632	\$ 850	\$ 219,569	\$ 850
Individuals	1,392,513	16,000	1,098,745	145,500
Foundations	48,100	2,939	64,028	
Corporations	2,939	5,090,746		
Donated billboard space	5,090,746			
Total support	6,630,930	16,850	1,382,342	146,350
Revenues:				
Other Income				
Advertising	97,306	97,306	122,432	122,432
Data sale	33,714	33,714	54,560	54,560
Speaking fee	13,000	13,000	36,810	36,810
Consulting	2,047	2,047		
Investment income	447	447	102,067	102,067
Total revenues	146,514	146,514	315,869	315,869
Net assets released from restrictions	27,850	(27,850)	168,350	(168,350)
Total support and revenues	6,805,294	(11,000)	1,866,561	(22,000)
Expenses:				
Program services:				
Charity ratings	6,339,393		1,206,131	
Total program services	6,339,393		1,206,131	
Supporting services:				
General and administration	409,501	409,501	182,052	182,052
Development and fundraising	303,018	303,018	305,610	305,610
Total supporting services	712,519	712,519	487,662	487,662
Total expenses	7,051,912		1,693,793	
Change in net assets	(246,618)	(11,000)	172,768	(22,000)
Net assets, beginning of year	2,710,091	11,000	2,537,323	33,000
Net assets, end of year	\$ 2,463,473	\$	\$ 2,710,091	\$ 11,000
				\$ 2,721,091

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

CHARITY NAVIGATOR  
STATEMENTS OF CASH FLOWS

	Year ended November 30,	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (257,618)	\$ 150,768
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Stock donations	(12,056)	
Depreciation	16,427	13,633
Realized and unrealized (gain) loss on investments	107,620	(69,998)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and other receivables	(12,291)	7,371
Contribution receivable	30,000	(30,000)
Prepaid expenses	(22,338)	(12,950)
Increase (decrease) in:		
Accounts payable	(39,586)	34,847
Accrued expenses	(8,381)	12,184
Deferred revenue	6,091	
Net cash provided (used) in operating activities	(192,132)	105,855
Cash flows from investing activities:		
Purchase of securities	(112,888)	(1,541,904)
Proceeds from sale of investments	13,776	1,414,903
Purchase of property and equipment	(13,512)	(16,350)
Net cash used by investing activities	(112,624)	(143,351)
Net decrease in cash and cash equivalents	(304,756)	(37,496)
Cash and cash equivalents, beginning of year	1,051,985	1,089,481
Cash and cash equivalents, end of year	\$ 747,229	\$ 1,051,985

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

CHARITY NAVIGATOR  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended November 30, 2015 and 2014

	Program services		General and administration		Supporting services expenses		Total		Total program and supporting services expenses	
	Charity ratings		2014		2014		2014		2015	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Salaries and wages	\$ 828,164	\$ 747,906	\$ 158,074	\$ 68,511	\$ 130,686	\$ 81,443	\$ 288,760	\$ 149,954	\$ 1,116,924	\$ 897,860
Payroll taxes	67,803	63,727	12,828	6,142	10,995	6,910	23,823	13,052	91,626	76,779
Fringe benefits	141,770	126,379	29,711	11,458	17,483	9,615	47,194	21,073	188,964	147,452
Total personnel costs	1,037,737	938,012	200,613	86,111	159,164	97,968	359,777	184,079	1,397,514	1,122,091
Outreach and education	5,090,746	29,150	73,934	31,794	20,403	21,549	73,934	31,794	5,090,746	60,944
Professional fees	17,865		1,921	2,020			22,324	23,569	22,324	23,569
Bank fees			71,705	19,342	65,248	140,962	136,953	160,304	191,012	253,428
Contracted services	54,059	93,124	16,427	13,633			16,427	13,633	16,427	13,633
Depreciation			2,488	2,741	5,663	1,962	8,151	4,703	11,728	4,703
Equipment maintenance	3,577		12,758	1,478	518	1,663	13,276	3,141	22,274	18,474
Insurance	8,998	15,333	1,296	1,490	1,803		3,099	1,490	4,183	5,170
Marketing costs	1,084	3,680	9,712	5,358	8,324	6,023	18,036	11,381	69,370	66,972
Occupancy	51,334	55,591	9,768	10,293	3,195	6,807	12,963	17,100	21,404	27,471
Office supplies and expenses	8,441	10,371			9,997	7,062	10,993	7,783	10,993	7,783
Postage and shipping	3,890		996	721			16,716	12,406	20,606	12,406
Printing and publication	2,972	312	88	769	16,628	11,637	1,758	510	4,730	822
Staff training and development			1,359	255	399	255	6,107	4,529	6,107	4,529
Registration fees and taxes			746	717	5,361	3,812				
Telephone and cable	13,770	10,658	2,605	1,064	2,233	1,141	4,838	2,205	18,608	12,863
Travel and transportation	4,835	10,293	2,237	1,883	3,243	4,162	5,480	6,045	10,315	16,338
Website related costs	40,085	39,607	848	2,383	839	607	1,687	2,990	41,772	42,597
Total expenses	\$ 6,339,393	\$ 1,206,131	\$ 409,501	\$ 182,052	\$ 303,018	\$ 305,610	\$ 712,519	\$ 487,662	\$ 7,051,912	\$ 1,693,793

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

## CHARITY NAVIGATOR

### NOTES TO FINANCIAL STATEMENTS

November 30, 2015 and 2014

#### 1. Summary of significant accounting policies

This summary of significant accounting policies of Charity Navigator (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as promulgated in *FASB Accounting Standards Codification* (the Codification), and have been consistently applied in the preparation of the financial statements.

##### Nature of the Organization

The Organization was founded in 2000 and has become one of the nation's largest and most-utilized evaluator of charities. Specifically, the Organization's rating system examines two broad areas of a charity's performance; their financial health and their accountability and transparency. The ratings show givers how efficiently a charity will use their support today, how well it has sustained its programs and services over time and their level of commitment to good governance, best practices and openness with information. In the not-too-distant future, the Organization plans to also rate charities' reporting of their results. The Organization took its first step towards that goal in January 2013 when it publicly released its new methodology for measuring Results Reporting.

The Organization provides charity ratings so that charitable givers and social investors can make intelligent giving decisions, and so that the not-for-profit sector can improve its performance. The Organization had over 8.8 million and 7.4 million visits to its website during the years ended November 30, 2015 and 2014, respectively, and estimates that it impacts billions of dollars of charitable giving decisions each year. The Organization does not receive any contributions from any charities it evaluates and offers its basic services to users at no cost.

##### Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of any income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at November 30, 2015 or 2014.

##### Cash and cash equivalents

Cash and cash equivalents consist primarily of demand deposit, money market and savings accounts.



CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

November 30, 2015 and 2014

1. Summary of significant accounting policies (continued)

Investments

Investments are carried at fair value. The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect the Organization's statement of financial position.

Support

Contributions, including unconditional pledges, are recorded at fair value as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided principally on the straight-line method at rates based on the following estimated useful lives:

Property 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 income as incurred; replacements and betterments that extend the useful lives are capitalized.

Functional allocation of expenses

The costs of providing the Organization's programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations

The Organization received approximately 14% of its support from three donors for the year ended November 30, 2014. There were no major donors in the year ended November 30, 2015.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

November 30, 2015 and 2014

1. Summary of significant accounting policies (continued)

Contributed services

Contributed services are reported at fair value in the financial statements for voluntary donations of service when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills, and would be typically purchased if not provided by donation. The Organization benefited from donated legal services valued at \$48,280 and \$36,419 during the years ended November 30, 2015 and 2014, respectively, mostly in support of its Donor Advisories/Watch List items.

Donated billboard space

During the year ended November 30, 2015, a significant amount of digital billboard advertising space was donated to the Organization by a national company. The Organization utilized this donated billboard space to encourage donors to find a charity they can trust through the Organization's rating system. During the period, 26,793,400 individual digital billboard impressions were donated and appeared throughout the United States. Based upon the donor's national average rate of \$0.19 per impression, the Organization recognized \$5,090,746 as donated billboard space in the accompanying statement of activities and also as Outreach and Education expense on that statement and on the statement of functional expenses. The Organization utilized the advertisements to achieve and extend its mission of guiding intelligent giving, advancing a more efficient and responsive philanthropic marketplace, and strengthening confidence between donors and the charities they support.

Income taxes

Founded as a private operating foundation, the Organization made an application to the Internal Revenue Service to be classified as a public charity instead of a private operating foundation and was informed by the Internal Revenue Service that the Organization will be treated as a public charity for an advance ruling period of 60 months beginning December 1, 2007 and ending November 30, 2012. The Organization completed its transition to public charity status at the end of its 2012 fiscal year and was notified by the Internal Revenue Service in May 2013 that it is classified as an organization exempt from federal income tax under Section 501(c)(3) of the code. Accordingly no provision has been made for income taxes.

Uncertain tax positions

As of November 30, 2015, management believes that based on evaluation of the Organization's tax positions that any liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in tax law, and new authoritative rulings to assist in evaluating the Organization's tax positions. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax provision. Income tax returns are filed in the U.S. federal jurisdiction and state jurisdictions. U.S. federal and state income tax returns prior to fiscal year 2012 are closed.

Allowance for doubtful accounts

The Organization determines whether an allowance for uncollectible receivables should be provided. Such estimates are based on management's assessments of the aged basis of the Organization's receivables, current economic conditions and historical experience. The Organization recorded an allowance of \$408 as of November 30, 2014. The Organization determined that an allowance was not necessary at November 30, 2015.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

November 30, 2015 and 2014

1. Summary of significant accounting policies (continued)

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

2. Risk and uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, accounts receivable and investments. The Organization maintains its cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Cash equivalents and investments are maintained at brokerage institutions. Exposure to credit risk is reduced by placing such deposits and investments in high quality financial institutions and insured brokerage houses. Concentration of credit risk with respect to receivables is limited due to the fact they are mainly derived from established companies and have short payment terms.

3. Investments

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

	2015		2014	
	Cost	Fair value	Cost	Fair value
Mutual funds:				
Diversified Balanced Mutual Fund	\$ 1,668,865	\$ 1,635,439	\$ 1,562,864	\$ 1,637,071
Corporate stocks	5,180	5,180		
	<u>\$ 1,674,045</u>	<u>\$ 1,640,619</u>	<u>\$ 1,562,864</u>	<u>\$ 1,637,071</u>

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

	2015	2014
Investments:		
Interest and dividends	\$ 106,000	\$ 30,186
Net realized and unrealized gain (loss) on investments	(107,620)	69,998
	(1,620)	100,184
Cash:		
Interest	2,067	1,883
	<u>\$ 447</u>	<u>\$ 102,067</u>

CHARITY NAVIGATOR

NOTES TO FINANCIAL STATEMENTS

November 30, 2015 and 2014

4. Fair value measurement

The Codification 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the Codification 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.

The classification of the Organization's investment securities at fair value are as follows at November 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Diversified Balanced Mutual Fund	\$ 1,635,439	\$	\$	\$ 1,635,439
Corporate stocks	<u>5,180</u>			<u>5,180</u>
	<u>\$ 1,640,619</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,640,619</u>

The classification of the Organization's investment securities at fair value are as follows at November 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Diversified Balanced Mutual Fund	\$ 1,637,071			\$ 1,637,071
	<u>\$ 1,637,071</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,637,071</u>

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS  
November 30, 2015 and 2014

5. Property and equipment

Property and equipment consists of the following at November 30:

	2015	2014
Furniture	\$ 14,706	\$ 138,215
Equipment	73,027	99,128
Leasehold improvements	22,421	22,421
	110,154	259,764
Less accumulated depreciation	50,469	197,164
	\$ 59,685	\$ 62,600

Depreciation expense for the years ended November 30, 2015 and 2014 was \$16,427 and \$13,633, respectively. In the fiscal year ended November 30, 2015, the Organization wrote off \$163,122 of fully depreciated assets that were no longer in service consisting of \$123,509 of furniture and \$39,613 of equipment.

6. Lease commitment

Office

The Organization entered into a six year lease expiring May 31, 2019. The monthly rent payments are approximately \$5,100 per month with a 1.96% increase each year. Additionally, the Organization is responsible for a proportionate share of the building's operating expenses. Minimum lease payments for the subsequent years are as follows:

Year ending November 30:		
2016	\$	61,199
2017		62,423
2018		63,671
2019		32,151
	\$	219,444

Rent expense for the years ended November 30, 2015 and 2014 was \$62,971 and \$60,577, respectively.

Copier lease

The Organization entered into a four year lease expiring June 30, 2018. The monthly lease payments are \$164. Minimum lease payments for the subsequent years are as follows:

Year ending November 30:		
2016	\$	1,968
2017		1,968
2018		984
	\$	4,920

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

November 30, 2015 and 2014

7. 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 November 30, 2015 and 2014 was \$22,461 and \$23,441, respectively.

8. Temporarily restricted net assets/net assets released from restrictions

Temporarily restricted net assets are available for the following purposes at November 30:

	2015	2014
Development of performance management system	\$ _____	\$ 11,000
	\$ _____	\$ 11,000

Temporarily restricted net assets were released from donor restrictions for the following purposes at November 30:

	2015	2014
Development of performance management system	\$ 11,000	\$ 7,000
Rate new charities	13,850	13,850
To fund new analyst		2,500
General operating support		100,000
Development of CN 3.0 methodology	3,000	45,000
	\$ 27,850	\$ 168,350

9. Employment agreement

On August 1, 2015, the Organization entered into a two year employment agreement with its President and CEO, thereafter renewable on a yearly basis.

10. Subsequent events

Subsequent events have been evaluated through March 23, 2016, which is the date the financial statements were available to be issued.