



***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORT***

***YEARS ENDED  
NOVEMBER 30, 2010 AND 2009***

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 9
Supplementary Information:	
Schedules of Functional Expenses	10

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Charity Navigator as of November 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Charity Navigator as of November 30, 2009 were audited by other auditors whose report dated June 7, 2010 expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the November 30, 2010 financial statements referred to above present fairly, in all material respects, the financial position of Charity Navigator as of November 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Dorfman Abrams Music, LLC*

Saddle Brook, New Jersey

April 15, 2011



CHARITY NAVIGATOR  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	November 30,	
	2010	2009
Cash and cash equivalents (Notes 1 and 2)	\$ 505,175	\$ 159,111
Accounts receivable (Note 1)	38,261	8,358
Pledges receivable (Notes 1 and 3)	1,513,065	
Prepaid expenses	4,876	13,075
Security deposits	4,028	10,640
Furniture and equipment, net (Notes 1 and 4)	8,095	11,279
Total assets	\$ 2,073,500	\$ 202,463

LIABILITIES AND NET ASSETS

Accounts payable	\$ 14,158	\$ 7,627
Total liabilities	14,158	7,627
Net assets (Note 1):		
Unrestricted	540,877	194,836
Temporarily restricted (Note 7)	1,518,465	
Total net assets	2,059,342	194,836
Total liabilities and net assets	\$ 2,073,500	\$ 202,463

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

CHARITY NAVIGATOR

STATEMENTS OF ACTIVITIES

	Year ended November 30, 2010		Year ended November 30, 2009	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Support (Note 1):				
Contributions:				
Founders and board				
Individual	\$ 607,150	\$ 1,513,065	\$ 886,794	\$ 886,794
Foundation	483,057	483,057	226,526	226,526
	3,000	117,500	17,000	17,000
Total support	1,093,207	1,630,565	1,130,320	1,130,320
Revenue:				
Program service fees:				
Advertising	110,627	110,627	19,883	19,883
Data sale	15,538	15,538	45,995	45,995
Consulting	1,405	1,405		
Other	4,713	4,713	5,145	5,145
Total revenue	132,283	132,283	71,023	71,023
Net assets released from restrictions	112,100	(112,100)		
Total support and revenues	1,337,590	1,518,465	1,201,343	1,201,343
Expenses:				
Program services	835,047	835,047	895,580	895,580
Total program services	835,047	835,047	895,580	895,580
Supporting services:				
General and administration	103,776	103,776	108,415	108,415
Development and fundraising	52,726	52,726	132,436	132,436
Total supporting services	156,502	156,502	240,851	240,851
Total expenses	991,549	991,549	1,136,431	1,136,431
Change in net assets	346,041	1,518,465	64,912	64,912
Net assets, beginning of year	194,836	194,836	129,924	129,924
Net assets, end of year	\$ 540,877	\$ 1,518,465	\$ 194,836	\$ 194,836

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

CHARITY NAVIGATOR  
STATEMENTS OF CASH FLOWS

	Year ended November 30,	
	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 1,864,506	\$ 64,912
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,897	5,256
Loss on abandonment of leasehold improvements	5,287	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(29,903)	(5,603)
Pledges receivable	(1,513,065)	
Prepaid expenses	8,199	
Security deposits	6,612	(13,075)
Increase (decrease) in:		
Accounts payable	6,531	(5,767)
Net cash provided by operating activities	352,064	45,723
Cash flows from investing activities:		
Purchase of property and equipment	(6,000)	
Net cash used by investing activities	(6,000)	
Net increase in cash and cash equivalents	346,064	45,723
Cash and cash equivalents, beginning	159,111	113,388
Cash and cash equivalents, ending	\$ 505,175	\$ 159,111

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

## CHARITY NAVIGATOR

### NOTES TO FINANCIAL STATEMENTS

November 30, 2010 and 2009

#### 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 2001 and has become one of the nation's largest and most-utilized evaluator of charities. Since its inception, the Organization's team of professional analysts has examined tens of thousands of non-profit financial documents. As a result, they know as much about the true fiscal operations of charities as anyone. The Organization has used this knowledge to develop an unbiased, objective, numbers-based rating system to assess the financial health and accountability/transparency of over 5,000 of America's best-known charities. Charity Navigator's rating system examines two broad areas of a charity's financial health - how responsibly it functions day to day, as well as how well positioned it is to sustain its programs over time. Its accountability/transparency standards examine whether or not the charity follows good governance and other best practices, as well as how open the charity is with information to its donors and other key stakeholders. Each charity is then awarded an overall rating, ranging from zero to four stars. To help donors avoid becoming victims of mailing-list appeals, each charity's commitment to keeping donors' personal information confidential is assessed. The ratings are available on the Organization's website, which is easily navigable by charity name, location or type of activity and also features opinion pieces by Charity Navigator experts, donation tips, and top 10 and bottom 10 lists, which rank efficient and inefficient organizations in a number of categories. The Organization does not receive any contributions from any charities it evaluates and offers its basic services to users at no cost. The Organization had over 3 million distinct visitors to its website during the year ended November 30, 2010, and estimates that it impacts billions of dollars of charitable giving decisions each year.

##### 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, 2010 or 2009.

##### Cash and cash equivalents

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

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

November 30, 2010 and 2009

1. Summary of significant accounting policies (continued)

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.

Furniture 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.

Furniture and equipment 5 - 7 years

The costs 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 schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations

The Organization received approximately 70% and 60% of its support from a single donor for the years ended November 30, 2010 and 2009, respectively.

Income taxes

The Organization is a private operating foundation exempt from federal income taxes pursuant to Section 501(c)(3) of the United States Internal Revenue Code and to the extent applicable subject to an excise tax on net investment income. The Organization has 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.



CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

November 30, 2010 and 2009

1. Summary of significant accounting policies (continued)

Uncertain tax positions

The Organization adopted the uncertainty in income taxes guidance on December 1, 2008. The adoption of that guidance resulted in no change to financial statements of prior periods. As of November 30, 2010, management believes that based on evaluation of the Organization's tax positions that any additional 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 2007 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. As of 2010 and 2009, the Organization determined that an allowance was not necessary.

Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

2. Risk and uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. The Organization maintains its cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Cash equivalents are maintained at brokerage institutions. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions and insured brokerage houses.

3. Pledges receivable

Pledges receivable at November 30 consists of the following:

	<u>2010</u>	<u>2009</u>
Due in one year to support the ongoing operations of the Organization	\$ <u>1,513,065</u>	\$ <u>          </u>

The pledge was collected in December 2010 and the amount was released to unrestricted net assets.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS  
November 30, 2010 and 2009

4. Furniture and equipment

At November 30, furniture and equipment consists of the following:

	2010	2009
Furniture	\$ 129,509	\$ 123,509
Equipment	47,261	53,136
	176,770	176,645
Less accumulated depreciation	168,675	165,366
	\$ 8,095	\$ 11,279

Depreciation expense for the years ended November 30, 2010 and 2009 was \$3,897 and \$5,256, respectively.

5. Lease commitment

The Organization entered into a five year lease expiring June 30, 2015. The monthly rent payments are approximately \$2,000 per month with a 2% increase each year. Additionally, the Organization is responsible for a proportionate share of building operating expenses. Minimum lease payments for the subsequent years are as follows:

Year ending November 30:	
2011	\$ 24,369
2012	24,856
2013	25,353
2014	25,860
2015	15,260
	\$ 115,698

Rent expense for the years ended November 30, 2010 and 2009 were \$45,841 and \$73,035, respectively.

6. 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, 2010 and 2009 was \$16,208 and \$25,762, respectively.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS  
November 30, 2010 and 2009

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

Temporarily restricted net assets are available for the following purposes:

	2010	2009
Restricted by time	\$ 1,513,065	\$
Student Rating Project	5,400	
	\$ 1,518,465	\$

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

	2010	2009
Student Rating Project	\$ 69,600	\$
Strategic Planning	40,000	
Charity Rating	2,500	
	\$ 112,100	\$

8. Employment agreement

The Organization is engaged in an employment agreement with its President and CEO. Employment under this agreement is a two-year term from January 1, 2010 through December 31, 2011 and can be renewed by the mutual agreement of the parties.

9. Unrelated business income taxes

The Organization's newsletter advertising produces minimal amounts of unrelated business income. The Organization incurred \$271 and \$0 of federal tax liability from unrelated business income for the years ended November 30, 2010 and 2009, respectively.

10. Subsequent events

Subsequent events have been evaluated through April 15, 2011, which is the date the financial statements were available to be issued. The \$1,513,065 pledge receivable (see Note 3) was collected in December 2010.

**SUPPLEMENTARY INFORMATION**

CHARITY NAVIGATOR

SCHEDULES OF FUNCTIONAL EXPENSES

	Year ended November 30, 2010				Year ended November 30, 2009				
	Program services expenses	Supporting services expenses		Total	Program services expenses	Supporting services expenses		Total	
		General and administration	Development and fundraising			General and administration	Development and fundraising		
Salaries and wages	\$ 532,622	\$ 55,332	\$ 31,825	\$ 87,157	\$ 619,779	\$ 621,338	\$ 94,191	\$ 162,800	\$ 784,138
Payroll taxes	36,528	3,823	2,124	5,947	42,475	51,826	7,872	13,776	65,602
Fringe benefits	71,382	7,470	4,150	11,620	83,002	96,036	14,588	25,529	121,565
Professional fees	8,313	11,892		11,892	20,205	2,495	379	11,543	14,038
Bank fees		5,177		5,177	5,177				
Contracted services	103,948	1,500		1,500	105,448				
Depreciation		3,897		3,897	3,897	4,165	631	1,091	5,256
Equipment maintenance		4,116		4,116	4,116	3,282	615	820	4,102
Insurance		740		1,151	4,204	4,941	281	674	5,615
Marketing costs	3,053		411		95	5,060			5,060
Meeting and conferences	524	459		459	983	517			517
Miscellaneous expense	1,505	118		204	1,709				
Occupancy	39,423	4,126	86	6,418	45,841	73,245	4,162	9,988	83,233
Office supplies and expenses	10,861	2,041	2,292	3,203	14,064	8,371	951	2,444	10,815
Postage and shipping	1,335	891	1,162	3,118	4,453	1,607	2,679	3,751	5,358
Printing and publication	911	608	1,520	2,128	3,039	646	1,077	1,508	2,154
Staff training and development	92				92	147	195	285	432
Registration fees			4,108	4,108	4,108		3,570	3,655	3,655
Taxes		433		433	433				
Telephone and cable	5,839	611	339	950	6,789	5,643	321	770	6,413
Travel and transportation	8,897	214	1,608	1,822	10,719	6,693	380	912	7,605
Website related costs	9,719	328	874	1,202	10,921	9,568	544	1,305	10,873
	<u>\$ 835,047</u>	<u>\$ 103,776</u>	<u>\$ 52,726</u>	<u>\$ 156,502</u>	<u>\$ 991,549</u>	<u>\$ 895,580</u>	<u>\$ 132,436</u>	<u>\$ 240,851</u>	<u>\$ 1,136,431</u>