



CHARITY  
NAVIGATOR

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

***YEARS ENDED JUNE 30, 2021 AND 2020***

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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, 2021 and 2020, 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, 2021 and 2020, 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

December 7, 2021

CHARITY NAVIGATOR

BALANCE SHEETS

ASSETS

	June 30,	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents (Notes 3 and 4)	\$ 1,300,209	\$ 1,496,141
Investments (Notes 3, 4, 5 and 6)	4,292,894	2,651,494
Accounts receivable (Note 3)	4,787	3,800
Contributions receivable (Notes 3 and 8)	475,518	
Prepaid expenses and other assets	82,558	75,122
Security deposits	21,991	31,698
Property and equipment, net (Notes 3 and 9)	<u>34,198</u>	<u>19,804</u>
 Total assets	 <u>\$ 6,212,155</u>	 <u>\$ 4,278,059</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 73,392	\$ 72,133
Accrued expenses	373,269	180,538
Refundable advance - Paycheck Protection Program		<u>358,606</u>
 Total liabilities	 <u>446,661</u>	 <u>611,277</u>
Net assets (Notes 3 and 13):		
Without donor restrictions	5,079,294	3,436,893
With donor restrictions	<u>686,200</u>	<u>229,889</u>
 Total net assets	 <u>5,765,494</u>	 <u>3,666,782</u>
 Total liabilities and net assets	 <u>\$ 6,212,155</u>	 <u>\$ 4,278,059</u>

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

CHARITY NAVIGATOR  
STATEMENTS OF ACTIVITIES

	Year ended June 30, 2021		Year ended June 30, 2020	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
<b>Operating activities:</b>				
Support (Note 3):				
Contributions and support:				
Founders and board members	\$ 103,868	\$	\$ 111,982	\$
Individuals	3,723,367		3,159,395	3,159,395
Foundations	163,042	1,234,404	259,392	335,371
Paycheck Protection Program - government grant		358,606		
Donated professional services	11,181		213,072	213,072
Donated advertising	885,037		534,178	534,178
Donated goods	341		3,752	3,752
Total support	4,886,836	1,593,010	4,281,771	335,371
Other revenues:				
Other income:				
Data sale	66,560		41,700	41,700
Dividends and interest	68,456		61,731	61,731
Total other revenues	135,016		103,431	103,431
Net assets released from restrictions	1,136,699	(1,136,699)	402,136	(402,136)
Total support and other revenues	6,158,551	456,311	4,787,338	(66,765)
Expenses:				
Program services:				
Charity ratings	3,843,601		3,629,133	
Total program services	3,843,601		3,629,133	
Supporting services:				
General and administration	580,927		540,840	540,840
Development and fundraising	654,899		334,703	334,703
Total supporting services	1,235,826		875,543	875,543
Total expenses	5,079,427		4,504,676	4,504,676
Change in net assets from operations	1,079,124	456,311	282,662	(66,765)
Nonoperating activities:				
Realized and unrealized gains on investments	571,335		26,071	26,071
Loss on disposal of equipment	(8,058)			
Total nonoperating activities	563,277		26,071	26,071
Change in net assets	1,642,401	456,311	308,733	(66,765)
Net assets, beginning of year	3,436,893	229,889	3,129,160	296,654
Net assets, end of year	\$ 5,079,294	\$ 686,200	\$ 3,436,893	\$ 229,889
				\$ 3,666,782

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

CHARITY NAVIGATOR  
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,098,712	\$ 241,968
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Stock donations	(58,881)	(44,536)
Depreciation	11,035	12,155
Discount on contributions receivable	5,806	
Realized and unrealized gains (losses) on investments	(571,335)	(26,071)
Loss on disposal of assets	8,058	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(987)	(3,800)
Contributions receivable	(481,324)	255,221
Prepaid expenses and other assets	(7,436)	(5,947)
Security deposits	9,707	(21,991)
Increase (decrease) in:		
Accounts payable	1,259	(36,704)
Accrued expenses	192,731	28,182
Refundable advance - Paycheck Protection Program	(358,606)	358,606
<b>Net cash provided by operating activities</b>	<u>848,739</u>	<u>757,083</u>
Cash flows from investing activities:		
Purchase of securities	(1,214,988)	(916,245)
Proceeds from sale of investments	203,804	955,983
Purchase of property and equipment	(33,487)	
<b>Net cash provided (used) by investing activities</b>	<u>(1,044,671)</u>	<u>39,738</u>
Net increase (decrease) in cash and cash equivalents	(195,932)	796,821
Cash and cash equivalents, beginning of year	1,496,141	699,320
Cash and cash equivalents, end of year	<u>\$ 1,300,209</u>	<u>\$ 1,496,141</u>

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

CHARITY NAVIGATOR  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended June 30, 2021 and 2020

	Program services expenses			Supporting services expenses			Total program and supporting services expenses	
	Charity ratings		General and administration	Development and fundraising		Total	2021	2020
	2021	2020		2021	2020			
Salaries and wages	\$ 1,770,614	\$ 1,497,761	\$ 240,021	\$ 155,631	\$ 665,151	\$ 2,435,765	\$ 1,893,413	
Payroll taxes	145,028	132,106	18,971	13,646	50,007	195,035	164,723	
Employee benefits and pension	195,851	170,931	7,981	17,455	65,904	261,755	196,367	
<b>Total personnel costs</b>	<b>2,111,493</b>	<b>1,800,798</b>	<b>266,973</b>	<b>186,732</b>	<b>781,062</b>	<b>2,892,555</b>	<b>2,254,503</b>	
Outreach and education	885,037	534,178				885,037	534,178	
Contracted services	343,286	721,275	52,525	18,395	97,540	440,826	792,195	
Equipment maintenance	188,402	124,699	4,456	19,637	38,957	227,359	148,792	
Marketing costs	139,017	143,258	678	1,073	3,797	142,814	145,009	
Professional fees	73,742	184,778	52,516		41,977	115,719	237,294	
Bank fees			112,813		112,813	112,813	116,120	
Occupancy	68,644	68,686	9,579	6,728	15,354	83,998	84,993	
Postage and shipping	24		146	24,343	50,575	50,599	24,489	
Printing and publication	1,343	28	501	59,498	22,922	24,265	60,027	
Insurance	7,651	12,754	3,638	1,805	13,268	20,919	18,197	
Office and miscellaneous expenses	3,375	2,494	3,731	671	15,914	19,289	6,896	
Telephone and cable	12,620	19,121	2,826	1,901	5,511	18,131	23,848	
Staff training and development	5,800	1,461	8,343	200	9,169	14,969	10,004	
Registration fees and taxes			11,508	11,635	11,508	11,508	11,635	
Depreciation	2,111	1,905	10,250		8,924	11,035	12,155	
Meetings and conferences	1,056	6,680	7,794	1,400	6,458	7,514	15,874	
Travel and transportation		7,018	764	685	77	77	8,467	
<b>Total expenses</b>	<b>\$ 3,843,601</b>	<b>\$ 3,629,133</b>	<b>\$ 580,927</b>	<b>\$ 334,703</b>	<b>\$ 1,235,826</b>	<b>\$ 5,079,427</b>	<b>\$ 4,504,676</b>	

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

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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. As of June 30, 2021, Charity Navigator's database has more than 1.6 million U.S. registered nonprofits included, with nearly 200,000 nonprofits evaluated through our Star Rating and Encompass Rating Systems. The Encompass Rating System, launched in July 2020, provides donors with comprehensive evaluations of the total impact of nonprofits rated via four beacons: Finance & Accountability (187,858), Impact & Results (1,229), Leadership & Adaptability (2,785) and Culture & Community (13,478).

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, 2021, 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. Acquisition of ImpactMatters

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. In return, Charity Navigator added an impact assessment to their ratings in October of 2020, hired ImpactMatters' three employees as Charity Navigator staff to form an impact unit and included two of their board members on the Nonprofit Ratings Expert Group.



CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

3. 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.

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.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

3. Summary of significant accounting policies (continued)

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.

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 pledges receivable. The allowance is based on prior years' experience and management's analysis of possible bad debt. As of June 30, 2021 and 2020, the Organization determined that an allowance was not necessary.

## CHARITY NAVIGATOR

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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

##### 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.

##### 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, 2021 and 2020, the Organization received contributions of stock without donor restrictions valued at \$58,881 and \$44,536, 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, 2021, the Organization benefited from donated legal services from Pro Bono Partnerships valued at \$6,681 and from an independent attorney valued at \$4,500, and a donated software subscription valued at \$341. 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. These services are recognized as donated professional fees and services and the subscription is recognized as donated goods on the statement of activities. The services are included within professional fees and contracted services and the subscription is included within office and miscellaneous expenses on the statement of functional expenses.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

3. Summary of significant accounting policies (continued)

Donated advertising

During the years ended June 30, 2021 and 2020, 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 \$85,000 of in-kind AdWords advertising every month.

The Organization received a total of 364,003 and 295,258 ad clicks with a total value of \$885,037 and \$534,178, 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 \$885,037 and \$534,178 for the years ended June 30, 2021 and 2020, respectively.

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 2020 financial statements have been reclassified to conform to the 2021 presentation.

4. 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.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

4. Risks and uncertainties (continued)

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.

5. Availability and liquidity

The following represents the Organization's financial assets at June 30, 2021:

Financial assets at year end

Cash and cash equivalents	\$ 1,300,209
Investments	4,292,894
Accounts receivable	4,787
Contributions receivable	<u>475,518</u>
 Total financial assets	 <u>6,073,408</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	686,200
Less net assets with purpose restrictions to be met in less than a year	<u>(150,000)</u>
	<u>536,200</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,537,208</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 \$1,045,000). 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.

6. Investments

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

	2021		2020	
	Cost	Carrying value	Cost	Carrying value
Mutual funds	<u>\$ 3,937,805</u>	<u>\$ 4,292,894</u>	<u>\$ 2,727,675</u>	<u>\$ 2,651,494</u>
	<u>\$ 3,937,805</u>	<u>\$ 4,292,894</u>	<u>\$ 2,727,675</u>	<u>\$ 2,651,494</u>

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

6. Investments (continued)

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

	2021	2020
Dividends and interest	\$ 68,456	\$ 61,731
Realized and unrealized gains	571,335	26,071
	\$ 639,791	\$ 87,802

7. Fair value measurement

The classification of the Organization's investment securities at fair value are as follows at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 4,292,894	\$ _____	\$ _____	\$ 4,292,894
	\$ 4,292,894	\$ _____	\$ _____	\$ 4,292,894

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

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,651,494	\$ _____	\$ _____	\$ 2,651,494
	\$ 2,651,494	\$ _____	\$ _____	\$ 2,651,494

8. 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 rate of 2%. There were no contributions receivable at June 30, 2020 and contributions receivable consists of the following at June 30, 2021:

	2021
One year or less	\$ 331,324
Two to five years	150,000
	481,324
Less discount on contributions receivable	5,806
	\$ 475,518

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

9. Property and equipment

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

	2021	2020
Furniture	\$ 24,963	\$ 24,963
Software	6,050	6,050
Equipment	97,492	81,986
Leasehold improvements	17,980	22,421
	146,485	135,420
Less accumulated depreciation	112,287	115,616
	\$ 34,198	\$ 19,804

Depreciation expense for the years ended June 30, 2021 and 2020 was \$11,035 and \$12,155, respectively.

10. Paycheck Protection Program loan

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. As of June 30, 2020, the Organization determined the PPP loan to be a conditional contribution and, as such, it has recorded the proceeds of the loan as a refundable advance.

In December 2020, all conditions were met and the loan was fully forgiven by the Small Business Administration (SBA). Consequently, the Organization recharacterized the refundable advance as government grant income and has included it in revenues as of June 30, 2021.

11. 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, 2021 and 2020, was \$73,304 and \$67,200, 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 was \$2,349 for each of the years ended June 30, 2021 and 2020.

CHARITY NAVIGATOR  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

11. Commitments and contingencies (continued)

Future minimum commitments due under these leases are as follows:

Year ending June 30:	
2022	\$ 90,235
2023	92,100
2024	94,355
2025	96,611
2026	<u>16,164</u>
	<u>\$ 389,465</u>

12. 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, 2021 and 2020 was \$42,982 and \$37,647, respectively.

13. Net assets

Net assets were as follows for the years ended June 30, 2021 and 2020:

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restriction	Total
Undesignated	\$5,079,294	\$	\$5,079,294	\$3,436,893	\$	\$3,436,893
Specific purpose:						
Development of new nonprofit ratings system		39,988	39,988		186,488	186,488
Building nonprofit portal		8,962	8,962		43,401	43,401
Pilot identifying BIPOC-led charities through machine learning		28,846	28,846			
Development of Encompass Rating System culture & Community Beacon		270,396	270,396			
Equitable internship opportunities		7,671	7,671			
Impact Matters integration and development of digital portal		80,337	80,337			
Managed services program to guide donors in decision-making		<u>250,000</u>	<u>250,000</u>			
Total net assets	<u>\$5,079,294</u>	<u>\$ 686,200</u>	<u>\$5,765,494</u>	<u>\$3,436,893</u>	<u>\$ 229,889</u>	<u>\$3,666,782</u>



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13. Net assets (continued)

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

	2021	2020
Satisfaction of purpose restrictions		
Organizational research	\$	\$ 75,000
Testing impact valuation methodologies		221,654
Development of new nonprofit ratings system	404,500	38,883
Building nonprofit portal	44,439	66,599
Pilot identifying BIPOC-led charities through machine learning	1,154	
Impact Matters acquisition	100,080	
Impact Matters integration and development of digital portal	219,663	
Development of Encompass Rating System culture & Community Beacon	5,928	
Equitable internship opportunities	2,329	
Paycheck Protection Program expenses	358,606	
	\$ 1,136,699	\$ 402,136

14. Significant source of support

For the years ended June 30, 2021 and 2020, one donor accounted for 13% and 11% of the Organization's total donations, respectively.

15. Subsequent events

Subsequent events have been evaluated through December 7, 2021, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.