

CHARITY NAVIGATOR

Financial Statements (Cash Basis)

November 30, 2008

(With Independent Auditors' Report)

CHARITY NAVIGATOR

Financial Statements (Cash Basis)

November 30, 2008

Contents

Independent Auditors' Report	1-2
Statement of Assets, Liabilities and Net Assets	3
Statement of Support, Revenue, and Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8
Supplemental Schedule of Functional Expenses	9

Independent Auditors' Report

The Board of Directors
Charity Navigator

We have audited the accompanying statement of assets, liabilities, and net assets (cash basis) of Charity Navigator as of November 30, 2008, and the related statement of support, revenue, and expenses (cash basis) 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 prior year comparative information has been derived from the Organization's November 30, 2007 financial statements and, in our report dated March 7, 2008, we expressed an unqualified opinion on those financial 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As described in note 2, these financial statements were prepared on a cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and unrestricted net assets of Charity Navigator, and its support, revenue and expenses, and cash flows for the year then ended, on the basis of accounting described in note 2.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of functional expenses (cash basis) for the year ended November 30, 2008, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rogoff & Company P.C.

March 17, 2009

CHARITY NAVIGATOR
Statement of Assets, Liabilities and Net Assets
(Cash Basis)
November 30, 2008
(with comparative figures for 2007)

	2008	2007
<u>Assets</u>		
Cash and cash equivalents	\$ 113,388	\$ 197,966
Equipment, furniture and leasehold improvements, net of accumulated depreciation of \$160,110	16,536	9,767
Total assets	\$ 129,924	\$ 207,733
<u>Liabilities and Net Assets</u>		
Liabilities	\$ -	\$ -
Unrestricted net assets	129,924	207,733
Total liabilities and net assets	\$ 129,924	\$ 207,733

See accompanying Notes to Financial Statements.

CHARITY NAVIGATOR

Statement of Support, Revenue, and Expenses (Cash Basis)

For the year ended November 30, 2008
(with comparative figures for 2007)

	<u>2008</u>	<u>2007</u>
Unrestricted support and revenue		
Contributions	\$ 972,203	\$ 746,104
Program service fees	26,940	36,511
Interest and dividends	<u>736</u>	<u>15,848</u>
Total unrestricted support and revenue	<u>999,879</u>	<u>798,463</u>
Expenses		
Program services	928,129	970,185
Supporting services		
Management and general	72,381	61,216
Fund raising	<u>77,178</u>	<u>25,524</u>
Total expenses	<u>1,077,688</u>	<u>1,056,925</u>
Decrease in unrestricted net assets	(77,809)	(258,462)
Unrestricted net assets, beginning of year	<u>207,733</u>	<u>466,195</u>
Unrestricted net assets, end of year	<u>\$ 129,924</u>	<u>\$ 207,733</u>

See accompanying Notes to Financial Statements.

CHARITY NAVIGATOR

Statement of Cash Flows

(Cash Basis)

For the year ended November 30, 2008

(with comparative figures for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Decrease in unrestricted net assets	\$ (77,809)	\$ (258,462)
Adjustments to reconcile decrease in unrestricted net assets to net cash used by operating activities:		
Depreciation	<u>7,128</u>	<u>6,334</u>
Net cash used by operating activities	(70,681)	(252,128)
Cash flows from investing activities:		
Purchase of equipment	<u>(13,897)</u>	<u>(7,646)</u>
Decrease in cash and cash equivalents	(84,578)	(259,774)
Cash and cash equivalents, beginning of year	<u>197,966</u>	<u>457,740</u>
Cash and cash equivalents, end of year	<u>\$ 113,388</u>	<u>\$ 197,966</u>
Supplemental data:		
Federal excise tax paid	<u>\$ 292</u>	<u>\$ 238</u>

See accompanying Notes to Financial Statements.

CHARITY NAVIGATOR

Notes to Financial Statements

November 30, 2008

(1) Organization

Founded in 2001, Charity Navigator ("Organization") has become the nation's largest and most-utilized evaluator of charities. In the quest to help donors, a team of professional analysts has examined tens of thousands of non-profit financial documents. This knowledge is used to develop an unbiased, objective, numbers-based rating system to assess the financial health 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. The website www.charitynavigator.org 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.

Program service revenue represents revenue from the sale of customized listings of charities primarily to researchers, university professors, and vendors specializing in nonprofit services.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the cash basis of accounting. Under that basis, revenues and the related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when obligation is incurred.

The cash basis of accounting differs from generally accepted accounting principles primarily because the Organization has not recognized contributions and program service fees receivable; and accounts payable to vendors, and their related effects on the change in net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank and money market funds.

Fixed Assets

The Organization's fixed assets, consisting primarily of equipment, furniture and leasehold improvements, are stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated lives of the assets.

CHARITY NAVIGATOR

Notes to Financial Statements

November 30, 2008

(2) Summary of Significant Accounting Policies - continued

Taxes

The Organization is a private operating foundation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). However, the Organization is subject to Federal excise tax based on net investment income.

The Internal Revenue Service informed the Organization by a letter dated September 11, 2007, that the Organization will be treated as a public charity for an advance ruling period of 60 months beginning December 1, 2007. During that period the Organization will not pay Federal excise tax. If the Organization fails to meet the public support test, the Organization will be liable for Federal excise tax on net investment income for that period.

During advance ruling period the Organization will undertake to increase its base of public support so as to achieve permanent public charity status under the Internal Revenue Code.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, which, at times, may exceed federally insured limits. The Directors of the Organization place cash and cash equivalents in high quality financial institutions that they believe will minimize the Organization's risk.

Comparative Financial Information

The financial statements include certain prior-year comparative information. That information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended November 30, 2007, from which the comparative information was derived.

CHARITY NAVIGATOR

Notes to Financial Statements

November 30, 2008

(3) Equipment and Furniture

The components of equipment and furniture are as follows:

Equipment	\$ 47,261
Furniture	123,510
Leasehold improvements	<u>5,875</u>
	176,646
Less: accumulated depreciation	<u>(160,110)</u>
	<u><u>\$ 16,536</u></u>

(4) Lease Commitment

The Organization rents office space under a lease that expires November 30, 2010. Scheduled minimum rental payments are as follows:

2009	\$ 81,396
2010	<u>81,396</u>
	<u><u>\$ 162,792</u></u>

(5) Pension Plan

The Organization has a Savings Incentive Match Plan (SIMPLE IRA) covering all eligible employees. The Organization makes a matching contribution to each participant account equal to the employee's contribution up to 3% of employee's salary. The Organization contributed \$15,970 for the year ended November 30, 2008.

(6) 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 support, revenue, and expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(7) Concentrations

During the year ended November 30, 2008, the Organization received \$600,000 and \$250,000 contributions from two donors. The Organization expects that the support of these donors will continue.

The Organization is undertaking an effort to establish broadly based public support so as to achieve public charity status (vs. private operating foundation status) under the Internal Revenue Code (see note 2 – Taxes).

CHARITY NAVIGATOR
Supplemental Schedule of Functional Expenses
(Cash Basis)
Year ended November 30, 2008
(with comparative total figures for 2007)

	Program Services	Supporting Services		2008 Total	2007 Total
		Management and General	Fund Raising		
Payroll	\$ 597,146	\$ 32,887	\$ 48,345	\$ 678,378	\$ 703,543
Payroll taxes	52,188	2,847	4,269	59,304	56,820
Employee benefits	119,410	6,513	9,770	135,693	132,369
Occupancy	69,102	3,769	5,654	78,525	75,744
Telephone	4,388	239	359	4,986	5,239
Postage and shipping	1,397	76	115	1,588	1,359
Printing and publications	4,880	266	400	5,546	8,281
Equipment rental and maintenance	3,829	209	313	4,351	9,178
Supplies	4,993	272	409	5,674	5,738
Office expenses	3,026	165	248	3,439	3,355
Insurance	9,963	543	816	11,322	11,224
Travel	1,663	91	136	1,890	6,128
Website	3,421	187	280	3,888	4,157
Meetings and conferences	2,012	638	-	2,650	7,115
Professional Development	2,653	145	217	3,015	-
Marketing	12,516	-	2,939	15,455	9,340
Legal	-	1,816	-	1,816	966
Accounting	-	9,800	-	9,800	3,800
Professional fees	35,542	1,939	2,908	40,389	2,914
Miscellaneous	-	2,851	-	2,851	3,321
Depreciation	-	7,128	-	7,128	6,334
	<u>\$ 928,129</u>	<u>\$ 72,381</u>	<u>\$ 77,178</u>	<u>\$ 1,077,688</u>	<u>\$ 1,056,925</u>