



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

YEARS ENDED NOVEMBER 30, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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

April 10, 2015



CHARITY NAVIGATOR
STATEMENTS OF FINANCIAL POSITION

ASSETS

	November 30,	
	2014	2013
Cash and cash equivalents (Notes 1 and 2)	\$ 1,051,985	\$ 1,089,481
Investments (Notes 1 and 3)	1,637,071	1,440,072
Accounts and other receivables (Note 1)	39,942	47,313
Contribution receivable (Notes 1 and 4)	30,000	
Prepaid expenses	21,040	8,090
Security deposits	9,707	9,707
Furniture and equipment, net (Notes 1 and 5)	62,600	59,883
Total assets	\$ 2,852,345	\$ 2,654,546

LIABILITIES AND NET ASSETS

Accounts payable	\$ 60,527	\$ 25,680
Accrued expenses	70,727	58,543
Total liabilities	131,254	84,223
Net assets (Note 1):		
Unrestricted	2,710,091	2,537,323
Temporarily restricted (Note 8)	11,000	33,000
Total net assets	2,721,091	2,570,323
Total liabilities and net assets	\$ 2,852,345	\$ 2,654,546

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

CHARITY NAVIGATOR
STATEMENTS OF ACTIVITIES

	Year ended November 30, 2014		Year ended November 30, 2013	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Support (Note 1):				
Contributions:				
Founders and board	\$ 219,569	\$ 219,569	\$ 284,893	\$ 284,893
Individual	1,098,745	1,099,595	871,120	871,970
Foundation	64,028	209,528	165,000	235,500
Total support	1,382,342	1,528,692	1,321,013	1,392,363
Revenue:				
Program service fees:				
Advertising	122,432	122,432	153,150	153,150
Data sale	54,560	54,560	26,428	26,428
Speaking fee	36,810	36,810	8,500	8,500
Investment income	102,067	102,067	51,304	51,304
Total revenue	315,869	315,869	239,382	239,382
Net assets released from restrictions	168,350	(168,350)	138,350	(138,350)
Total support and revenues	1,866,561	1,844,561	1,698,745	1,631,745
Expenses:				
Charity ratings	1,206,131	1,206,131	1,059,080	1,059,080
Total program services	1,206,131	1,206,131	1,059,080	1,059,080
Supporting services:				
General and administration	182,052	182,052	147,275	147,275
Development and fundraising	305,610	305,610	206,643	206,643
Total supporting services	487,662	487,662	353,918	353,918
Total expenses	1,693,793	1,693,793	1,412,998	1,412,998
Change in net assets	172,768	(22,000)	285,747	(67,000)
Net assets, beginning of year	2,537,323	33,000	2,251,576	100,000
Net assets, end of year	\$ 2,710,091	\$ 11,000	\$ 2,537,323	\$ 33,000
				\$ 2,570,323

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

CHARITY NAVIGATOR
STATEMENTS OF CASH FLOWS

	Year ended November 30,	
	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 150,768	\$ 218,747
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,633	9,761
Realized and unrealized gain on investments	(69,998)	(11,032)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and other receivables	7,371	22,451
Contribution receivable	(30,000)	
Prepaid expenses	(12,950)	(942)
Security deposits		(5,679)
Increase in:		
Accounts payable	34,847	20,722
Accrued expenses	12,184	
	105,855	254,028
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of securities	(1,541,904)	(44,653)
Proceeds from sale of investments	1,414,903	
Purchase of property and equipment	(16,350)	(53,068)
	(143,351)	(97,721)
Net cash used by investing activities		
Net increase (decrease) in cash and cash equivalents	(37,496)	156,307
Cash and cash equivalents, beginning	1,089,481	933,174
Cash and cash equivalents, ending	\$ 1,051,985	\$ 1,089,481

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

CHARITY NAVIGATOR
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended November 30, 2014 and 2013

	Program services		General and administration		Supporting services expenses		Total program and supporting services expenses	
	Charity ratings		Development and fundraising		Total			
	2014	2013	2014	2013	2014	2013	2014	2013
Salaries and wages	\$ 747,906	\$ 707,991	\$ 68,511	\$ 61,515	\$ 81,443	\$ 91,587	\$ 149,954	\$ 153,102
Payroll taxes	63,727	60,245	6,142	5,143	6,910	8,082	13,052	13,225
Fringe benefits	126,379	113,580	11,458	10,023	9,615	13,593	21,073	23,616
Total personnel costs	938,012	881,816	86,111	76,681	97,968	113,262	184,079	189,943
Professional fees	29,150	21,009	31,794	19,447	21,549	6,016	31,794	19,447
Bank fees			2,020	1,330	140,962	53,919	23,569	7,346
Contracted services	93,124	58,258	19,342	17,277	13,633		160,304	71,196
Depreciation			13,633	9,761	1,962		13,633	9,761
Equipment maintenance			2,741	3,029	1,663		4,703	3,029
Insurance	15,333	13,281	1,478	1,134	1,782		3,141	2,916
Marketing costs	3,680	708	1,490	140	208		1,490	348
Meetings and conferences		195	86	337	299		86	636
Miscellaneous expense			1,602	426			1,602	426
Occupancy	55,591	38,244	5,358	3,265	6,023	5,130	11,381	8,395
Office supplies and expenses	10,333	4,000	8,691	9,880	6,807	5,233	15,498	15,113
Postage and shipping	38	15	721	241	7,062	6,290	7,783	6,531
Printing and publication			769	813	11,637	7,243	12,406	8,056
Staff training and development	312	89	169	229	255		424	736
Registration fees			74	229	3,812	3,176	3,886	3,405
Taxes			643			353	643	353
Telephone and cable	10,658	9,857	1,064	1,096	1,141	1,322	2,205	2,418
Travel and transportation	10,293	8,914	1,883	960	4,162	2,221	6,045	3,181
Website related costs	39,607	22,694	2,383	1,229	607	189	2,990	1,418
Total expenses	\$ 1,206,131	\$ 1,059,080	\$ 182,052	\$ 147,275	\$ 305,610	\$ 206,643	\$ 487,662	\$ 353,918
							\$ 1,693,793	\$ 1,412,998

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

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS

November 30, 2014 and 2013

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 nonprofit sector can improve its performance. The Organization had over 7.4 million and 6.8 million visits to its website during the years ended November 30, 2014 and 2013, 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, 2014 or 2013.

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS
November 30, 2014 and 2013

1. Summary of significant accounting policies (continued)

Cash and cash equivalents

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

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.

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
Leasehold improvements	5 – 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 and 21% from two donors for the year ended November 30, 2013.

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS
November 30, 2014 and 2013

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 \$36,419 during the year ended November 30, 2014, mostly in support of its Donor Advisories/WatchList items.

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, 2014, 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 2011 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 and \$0 as of November 30, 2014 and 2013, respectively.

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 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 are maintained at brokerage institutions. Exposure to credit risk is reduced by placing such deposits 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.

CHARITY NAVIGATOR

NOTES TO FINANCIAL STATEMENTS

November 30, 2014 and 2013

3. 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.

Investment securities are carried at fair value based on quoted prices in active markets (all level 1 measurements) and consist of the following at November 30, 2014 and 2013:

	2014		2013	
	Cost	Fair value	Cost	Fair value
Mutual funds	\$	\$	\$	\$
Emerging market corporate bond funds			516,197	495,749
Balanced fund / growth income	1,562,864	1,637,071	845,011	939,947
Corporate stocks			361	4,376
	<u>\$ 1,562,864</u>	<u>\$ 1,637,071</u>	<u>\$ 1,361,569</u>	<u>\$ 1,440,072</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended November 30, 2014 and 2013:

	2014	2013
Investments:		
Interest and dividends	\$ 30,186	\$ 40,271
Net realized and unrealized gain on investments	<u>69,998</u>	<u>11,032</u>
	100,184	51,303
Cash:		
Interest	<u>1,883</u>	<u>1</u>
	<u>\$ 102,067</u>	<u>\$ 51,304</u>

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS
November 30, 2014 and 2013

4. Contribution receivable

Contribution receivable is expected to be collected within one year and is recorded at its net realizable value. The amount of contributions receivable for the year ended November 30, 2014 was \$30,000. There was no such receivable at November 30, 2013.

5. Furniture and equipment

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

	2014	2013
Furniture	\$ 138,215	\$ 137,709
Equipment	99,128	85,459
Leasehold improvements	22,421	20,246
	259,764	243,414
Less accumulated depreciation	197,164	183,531
	\$ 62,600	\$ 59,883

Depreciation expense for the years ended November 30, 2014 and 2013 was \$13,633 and \$9,761, respectively.

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 building operating expenses. Minimum lease payments for the subsequent years are as follows:

Year ending November 30:	
2015	\$ 59,999
2016	61,199
2017	62,423
2018	63,671
Thereafter	32,151
	\$ 279,443

Rent expense for the years ended November 30, 2014 and 2013 was \$60,577 and \$42,058, respectively.

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS

November 30, 2014 and 2013

6. Lease commitment (continued)

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:			
2015	\$	1,968	
2016		1,968	
2017		1,968	
2018		984	
		6,888	
	\$	6,888	

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, 2014 and 2013 was \$23,441 and \$21,357, respectively.

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

Temporarily restricted net assets are available for the following purposes:

	2014	2013
Development of performance management system	\$ 11,000	\$ 18,000
Development of CN 3.0 methodology		15,000
	\$ 11,000	\$ 33,000
	\$ 11,000	\$ 33,000

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

	2014	2013
Development of performance management system	\$ 7,000	\$ 7,000
Rate new charities	13,850	13,850
To fund new analyst	2,500	2,500
General operating support	100,000	
Development of CN 3.0 methodology	45,000	115,000
	\$ 168,350	\$ 138,350
	\$ 168,350	\$ 138,350

CHARITY NAVIGATOR
NOTES TO FINANCIAL STATEMENTS

November 30, 2014 and 2013

9. Employment agreement

The Organization had an employment agreement with its President and CEO. On March 30, 2015, the Organization entered into a separation and release agreement with the President and CEO. The agreement contained a severance package to acknowledge his years of service to the Organization.

10. Unrelated business income taxes

The Organization's newsletter advertising produces minimal amounts of unrelated business income. The Organization incurred \$616 and \$564 of federal tax liability from unrelated business income for the years ended November 30, 2014 and 2013, respectively.

11. Subsequent events

Subsequent events have been evaluated through April 10, 2015, which is the date the financial statements were available to be issued.