CHARITY NAVIGATOR

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITORS' REPORT

YEARS ENDED NOVEMBER 30, 2013 AND 2012

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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, 2013 and 2012, and the related statements of activities and cash flows 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, 2013 and 2012, 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.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 12 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 audit 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 4, 2014

CHARITY NAVIGATOR

STATEMENTS OF FINANCIAL POSITION

ASSETS

	November 30, 2013	November 30, 2012
Cash and cash equivalents (Notes 1 and 2)	$ 1,089,481	$ 933,174
Investments (Notes 1 and 3)	1,440,072	1,384,387
Accounts receivable (Note 1)	47,313	69,764
Prepaid expenses	8,090	7,148
Security deposits	9,707	4,028
Furniture and equipment, net (Notes 1 and 4)	59,883	16,576
Total assets	$ 2,654,546	$ 2,415,077

LIABILITIES AND NET ASSETS

	2013	2012
Accounts payable	$ 84,223	$ 63,501
Total liabilities	84,223	63,501
Net assets (Note 1):		
Unrestricted	2,537,323	2,251,576
Temporarily restricted (Note 7)	33,000	100,000
Total net assets	2,570,323	2,351,576
Total liabilities and net assets	$ 2,654,546	$ 2,415,077

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

CHARITY NAVIGATOR

STATEMENTS OF ACTIVITIES

	Year ended November 30, 2013			Year ended November 30, 2012		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support (Note 1):						
Contributions:						
Founders and board	$ 284,893	$	$ 284,893	$ 199,486	$	$ 199,486
Individual	871,120	850	871,970	577,606		577,606
Foundation	165,000	70,500	235,500	59,726	291,309	351,035
Total support	1,321,013	71,350	1,392,363	836,818	291,309	1,128,127
Revenue:						
Program service fees:						
Advertising	153,150		153,150	124,459		124,459
Data sale	26,428		26,428	23,747		23,747
Consulting				11,800		11,800
Speaking fee	8,500		8,500	9,500		9,500
Other						
Investment income	51,304		51,304	87,756		87,756
Total revenue	239,382		239,382	257,262		257,262
Net assets released from restrictions	138,350	(138,350)		230,205	(230,205)	
Total support and revenues	1,698,745	(67,000)	1,631,745	1,324,285	61,104	1,385,389
Expenses:						
Charity ratings	1,059,080		1,059,080	897,604		897,604
Total program services	1,059,080		1,059,080	897,604		897,604
Supporting services:						
General and administration	147,275		147,275	142,288		142,288
Development and fundraising	206,643		206,643	150,065		150,065
Total supporting services	353,918		353,918	292,353		292,353
Total expenses	1,412,998		1,412,998	1,189,957		1,189,957
Change in net assets	285,747	(67,000)	218,747	134,328	61,104	195,432
Net assets, beginning of year	2,251,576	100,000	2,351,576	2,117,248	38,896	2,156,144
Net assets, end of year	$ 2,537,323	$ 33,000	$ 2,570,323	$ 2,251,576	$ 100,000	$ 2,351,576

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

CHARITY NAVIGATOR

STATEMENTS OF CASH FLOWS

	Year ended November 30, 2013	Year ended November 30, 2012
Cash flows from operating activities:		
Change in net assets	$ 218,747	$ 195,432
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,761	1,965
Unrealized gain on securities	(11,032)	(53,009)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	22,451	(18,375)
Prepaid expenses	(942)	(2,841)
Security deposits	(5,679)	
Increase in:		
Accounts payable	20,722	13,402
Net cash provided by operating activities	254,028	136,574
Cash flows from investing activities:		
Purchase of securities	(44,653)	(484,302)
Purchase of property and equipment	(53,068)	(13,577)
Net cash used by investing activities	(97,721)	(497,879)
Net increase (decrease) in cash and cash equivalents	156,307	(361,305)
Cash and cash equivalents, beginning	933,174	1,294,479
Cash and cash equivalents, ending	$ 1,089,481	$ 933,174
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The accompanying notes are an integral part of these financial statements.

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 6.8 million visits to its website during the year ended November 30, 2013, 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, 2013 or 2012.

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 balance sheet.

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

Concentrations

The Organization received approximately 21% of its support from two donors for the year ended November 30, 2013 and 15% from a single donor for the year ended November 30, 2012.

1. Summary of significant accounting policies (continued)

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.

Uncertain tax positions

As of November 30, 2013, 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 2010 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 November 30, 2013 and 2012, the Organization determined that an allowance was not necessary.

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.

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, 2013 and 2012:

	2013		2012	
	Cost	Fair value	Cost	Fair value
Mutual funds	$ 845,011	$ 939,947	$ 823,851	$ 847,414
Stocks	516.558	500,125	497,086	536,973
	$ 1,361,569	$ 1,440,072	$ 1,320,937	$ 1,384,387

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended November 30, 2013 and 2012:

	2013	2012
Investments:		
Interest and dividends	$ 40,271	$ 34,709
Net realized and unrealized gain on investments	11,032	53,009
	51,303	87,718
Cash:		
Interest	1	38
	$ 51,304	$ 87,756

4. Furniture and equipment

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

	2013	2012
Furniture	$ 137,709	$ 129,509
Equipment	85,459	60,838
Leasehold improvements	20,246	
	243,414	190,347
Less accumulated depreciation	183,531	173,771
	$ 59,883	$ 16,576

Depreciation expense for the years ended November 30, 2013 and 2012 was $9,761 and $1,965, respectively.

5. 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:	
2014	$ 60,591
2015	59,999
2016	61,199
2017	62,423
Thereafter	95,822
	$ 340,034

Rent expense for the years ended November 30, 2013 and 2012 was $42,058 and $26,221, respectively.

5. Lease commitment (continued)

Copier lease

The Organization entered into a three year lease expiring June 30, 2014. The monthly lease payments are $221. Minimum lease payments for the subsequent years are as follows:

Year ending November 30:	
2014	$ 1,769

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, 2013 and 2012 was $21,357 and $21,802, respectively.

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

Temporarily restricted net assets are available for the following purposes:

	2013	2012
Development of performance management system	$ 18,000	$
Development of CN 3.0 methodology	15,000	100,000
	$ 33,000	$ 100,000

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

	2013	2012
Development of performance management system	$ 7,000	$
Rate new charities	13,850	26,790
Create a business plan		23,896
Development of a three-dimensional rating system		155,000
Perform market tests		2,519
API development		22,000
To fund new analyst	2,500	
Development of CN 3.0 methodology	115,000	
	$ 138,350	$ 230,205

8. Employment agreement

The Organization has an employment agreement with its President and CEO. Employment under this agreement originally was a two-year term from January 1, 2010 through December 31, 2011, and was extended through December 31, 2014. The agreement is automatically extended for additional one year terms unless either party notifies the other in writing 90 days prior to December 31, 2014 or any subsequent anniversary thereof.

9. Unrelated business income taxes

The Organization's newsletter advertising produces minimal amounts of unrelated business income. The Organization incurred $564 and $504 of federal tax liability from unrelated business income for the years ended November 30, 2013 and 2012, respectively.

10. Subsequent events

Subsequent events have been evaluated through April 4, 2014, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CHARITY NAVIGATOR

SCHEDULES OF FUNCTIONAL EXPENSES

Years Ended November 30, 2013 and 2012

	Program services		Supporting services expenses						Total program and supporting services expenses	
	Charity ratings		General and administration		Development and fundraising		Total			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Salaries and wages	$ 707,991	$ 542,893	$ 61,515	$ 57,029	$ 91,587	$ 86,525	$ 153,102	$ 143,554	$ 861,093	$ 686,447
Payroll taxes	60,245	46,914	5,143	4,054	8,082	6,950	13,225	11,004	73,470	57,918
Fringe benefits	113,580	91,324	10,023	8,906	13,593	11,587	23,616	20,493	137,196	111,817
Total personnel costs	881,816	681,131	76,681	69,989	113,262	105,062	189,943	175,051	1,071,759	856,182
Professional fees	21,009	9,453	19,447	24,720			19,447	24,720	40,456	34,173
Bank fees			1,330	1,998	6,016		7,346	1,998	7,346	1,998
Contracted services	58,258	134,833	17,277	26,257	53,919	2,000	71,196	28,257	129,454	163,090
Depreciation			9,761	1,965			9,761	1,965	9,761	1,965
Equipment maintenance			3,029	3,029			3,029	3,029	3,029	3,029
Insurance	13,281	11,700	1,134	1,011	1,782	1,733	2,916	2,744	16,197	14,444
Marketing costs	708		140	771	208		348	771	1,056	771
Meetings and conferences	195		337	499	299		636	499	831	499
Miscellaneous expense			426				426		426	
Occupancy	38,244	23,290	3,265	2,013	5,130	3,450	8,395	5,463	46,639	28,753
Office supplies and expenses	4,000	4,470	9,880	5,847	5,233	11,665	15,113	17,512	19,113	21,982
Postage and shipping	15	18	241	319	6,290	11,045	6,531	11,364	6,546	11,382
Printing and publication			813	484	7,243	9,355	8,056	9,839	8,056	9,839
Staff training and development	89	80				149		149	89	229
Registration fees			229	322	3,176	3,542	3,405	3,864	3,405	3,864
Taxes				397	353		353	397	353	397
Telephone and cable	9,857	8,707	1,096	686	1,322	1,175	2,418	1,861	12,275	10,568
Travel and transportation	8,914	8,619	960	1,151	2,221	593	3,181	1,744	12,095	10,363
Website related costs	22,694	15,303	1,229	830	189	296	1,418	1,126	24,112	16,429
Total expenses	$ 1,059,080	$ 897,604	$ 147,275	$ 142,288	$ 206,643	$ 150,065	$ 353,918	$ 292,353	$ 1,412,998	$ 1,189,957