

***AMERICAN INSTITUTE OF PHILANTHROPY
D/B/A CHARITYWATCH***

***FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021***

AMERICAN INSTITUTE OF PHILANTHROPY
D/B/A CHARITYWATCH

CHICAGO, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT



To the Board of Directors of
***AMERICAN INSTITUTE OF PHILANTHROPY
D/B/A CHARITYWATCH***

Opinion

We have audited the accompanying financial statements of American Institute of Philanthropy d/b/a CharityWatch (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Institute of Philanthropy d/b/a CharityWatch as of December 31, 2022 and 2021, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Institute of Philanthropy d/b/a CharityWatch and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Institute of Philanthropy d/b/a CharityWatch's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

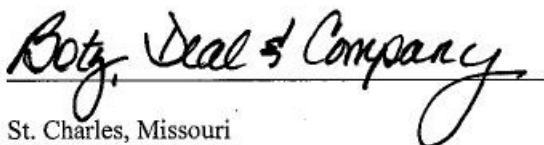
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Institute of Philanthropy d/b/a CharityWatch's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Institute of Philanthropy d/b/a CharityWatch's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.


St. Charles, Missouri

June 28, 2023

AMERICAN INSTITUTE OF PHILANTHROPY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 265,615	\$ 978,976
Accounts receivable	182	124
Contributions receivable	25,782	11,260
Interest receivable	3,800	-
Investments	747,660	-
Prepaid expenses	13,209	12,453
TOTAL CURRENT ASSETS	<u>1,056,248</u>	<u>1,002,813</u>
FIXED ASSETS		
Office furniture and equipment	6,573	6,573
Database and web applications	285,477	285,477
Operating lease right-of-use-asset	107,251	-
Less: accumulated depreciation	280,788	269,557
Total depreciable fixed assets, net	<u>118,513</u>	<u>22,493</u>
OTHER ASSETS		
Deposits	6,400	6,400
TOTAL ASSETS	<u><u>\$ 1,181,161</u></u>	<u><u>\$ 1,031,706</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 8,700	\$ 1,914
Accrued salaries	2,558	16,457
Accrued vacation	8,139	9,595
Operating lease liability - current	31,713	-
TOTAL CURRENT LIABILITIES	<u>51,110</u>	<u>27,966</u>
NONCURRENT LIABILITIES		
Operating lease liability	<u>72,685</u>	<u>-</u>
NET ASSETS		
Without donor restrictions	<u>1,057,366</u>	<u>1,003,740</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,181,161</u></u>	<u><u>\$ 1,031,706</u></u>

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

AMERICAN INSTITUTE OF PHILANTHROPY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
PUBLIC SUPPORT AND OTHER INCOME		
PUBLIC SUPPORT		
Contributions	\$ 544,934	\$ 525,939
Grants	-	10,000
Government grants	-	81,692
Legacies & Bequests	24,590	-
TOTAL PUBLIC SUPPORT	<u>569,524</u>	<u>617,631</u>
OTHER INCOME		
Interest income	8,028	913
Unrealized gain/(loss) on investments	(2,340)	(757)
In-kind software	21,345	16,985
Contributed services	129,645	112,636
Other income	354	682
TOTAL OTHER INCOME	<u>157,032</u>	<u>130,459</u>
TOTAL PUBLIC SUPPORT AND OTHER INCOME	<u>726,556</u>	<u>748,090</u>
EXPENSES		
Program	551,582	527,563
General and administrative	92,012	97,111
Fundraising	29,336	27,911
TOTAL EXPENSES	<u>672,930</u>	<u>652,585</u>
CHANGE IN NET ASSETS	53,626	95,505
NET ASSETS - BEGINNING OF YEAR	<u>1,003,740</u>	<u>908,235</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,057,366</u></u>	<u><u>\$ 1,003,740</u></u>

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

AMERICAN INSTITUTE OF PHILANTHROPY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 284,255	\$ 32,089	\$ 9,323	\$ 325,667
Payroll taxes	23,928	2,701	785	27,414
Advertising	435	-	-	435
Bank charges	-	11,314	-	11,314
Conferences and meetings	365	50	-	415
Depreciation	7,911	84	421	8,416
Dues and subscriptions	1,240	67	63	1,370
General insurance	5,313	1,457	47	6,817
Health insurance	21,419	2,418	703	24,540
In-kind advertising	105,459	11,718	-	117,177
In-kind software	19,036	1,274	1,035	21,345
In-kind professional fees	12,468	-	-	12,468
Mail service	787	305	2,978	4,070
Miscellaneous	-	19	-	19
Occupancy costs	35,332	3,989	1,158	40,479
Office	2,504	260	286	3,050
Online services	1,246	140	41	1,427
Postage and delivery	7,703	3,023	4,326	15,052
Printing	11,368	674	6,698	18,740
Professional fees	8,063	16,046	1,383	25,492
Registrations	-	4,065	-	4,065
Telephone	2,734	309	89	3,132
Travel and meals	16	10	-	26
TOTAL EXPENSES	<u>\$ 551,582</u>	<u>\$ 92,012</u>	<u>\$ 29,336</u>	<u>\$ 672,930</u>

See Independent Auditors' Report.

AMERICAN INSTITUTE OF PHILANTHROPY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 272,629	\$ 32,129	\$ 8,794	\$ 313,552
Payroll taxes	22,481	2,649	725	25,855
Advertising	146	-	-	146
Bank charges	-	12,691	-	12,691
Conferences and meetings	380	1,341	-	1,721
Depreciation	15,853	169	843	16,865
Dues and subscriptions	1,209	63	199	1,471
General insurance	4,846	543	17	5,406
Health insurance	20,328	2,396	656	23,380
In-kind advertising	84,298	9,366	-	93,664
In-kind software	15,014	1,181	790	16,985
In-kind professional fees	18,023	949	-	18,972
Mail service	1,065	323	2,805	4,193
Miscellaneous	1,146	311	20	1,477
Occupancy costs	32,188	3,793	1,038	37,019
Office	7,316	796	221	8,333
Online services	1,002	118	32	1,152
Postage and delivery	6,273	2,871	4,170	13,314
Printing	10,561	773	6,870	18,204
Professional fees	10,257	19,242	650	30,149
Registrations	-	5,083	-	5,083
Telephone	2,509	295	81	2,885
Travel and meals	39	29	-	68
TOTAL EXPENSES	<u>\$ 527,563</u>	<u>\$ 97,111</u>	<u>\$ 27,911</u>	<u>\$ 652,585</u>

See Independent Auditors' Report.

AMERICAN INSTITUTE OF PHILANTHROPY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 555,002	\$ 606,906
Cash paid to suppliers and employees	(522,887)	(519,515)
Miscellaneous income	296	773
Interest received	4,228	5,902
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>36,639</u>	<u>94,066</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments	<u>(750,000)</u>	<u>359,001</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (713,361)	 453,067
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>978,976</u>	 <u>525,909</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 265,615</u></u>	 <u><u>\$ 978,976</u></u>

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

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES**

	<u>2022</u>	<u>2021</u>
CHANGE IN NET ASSETS	<u>\$ 53,626</u>	<u>\$ 95,505</u>
 ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	8,416	16,865
Unrealized (gain) loss on investments	2,340	757
Right of use operating lease	(38)	-
(Increase) decrease in assets:		
Accounts receivable	(58)	91
Contributions receivable	(14,522)	(10,725)
Deposits	-	95
Interest receivable	(3,800)	4,989
Prepaid expenses	(756)	(2,761)
Increase (decrease) in liabilities:		
Accounts payable	6,786	(15,073)
Accrued salaries	(13,899)	4,095
Accrued vacation	(1,456)	228
TOTAL ADJUSTMENTS	<u>(16,987)</u>	<u>(1,439)</u>
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	 <u><u>\$ 36,639</u></u>	 <u><u>\$ 94,066</u></u>
 SUPPLEMENTAL DISCLOSURE OF NON-CASH ITEMS:		
Contributed services	\$ 129,645	\$ 112,636
Donated software	21,345	16,985
Total In-Kind Donations	<u><u>\$ 150,990</u></u>	<u><u>\$ 129,621</u></u>
 Right-of-use asset obtained in exchange for lease liability	 <u><u>\$ 107,251</u></u>	 <u><u>\$ -</u></u>

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

AMERICAN INSTITUTE OF PHILANTHROPY
D/B/A/ CHARITYWATCH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. DESCRIPTION OF OPERATIONS

American Institute of Philanthropy d/b/a CharityWatch (the Organization) aids and advances the non-profit sector by promoting wise charitable giving. This is accomplished by educating the public and the media about the non-profit field and the practices of specific charities through the website www.charitywatch.org, the publication of the Charity Rating Guide & Watchdog Report, and frequent interviews with journalists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no Net Assets with Donor Restrictions for the years ended December 31, 2022 and 2021.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for purposes of the statement of cash flows.

Concentration of Credit Risk - The Organization maintains its cash at one commercial bank and at the bank's affiliated brokerage company. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's uninsured deposits totaled \$160 and \$688,244 at December 31, 2022 and 2021, respectively.

Concentration of Revenue - Contributions and grants comprise approximately 99% and 100% of the Organization's 2022 and 2021 revenue, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions Receivable - Contributions receivable due within the next year are reflected as current contributions receivable and are recorded at their fair value. The Organization expects to collect all contributions receivable within the next year and therefore, has not recorded an allowance for uncollectible contributions.

Investments - The Organization carries market indexed certificates of deposit with readily determinable fair values at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment - All acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated service lives of the asset as follows:

Major Group	Life
Office furniture and equipment	5 years
Database and web applications	5 years

Depreciation expense was \$8,416 and \$16,865 for the years ended December 31, 2022 and 2021, respectively.

Functional Allocation of Expenses - The cost of providing program and other activities have been summarized on a functional basis in the Statements of Activities. The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated on the basis of estimates of time and effort include occupancy, salaries and wages, payroll taxes, office and telephone, and health insurance.

Contributed Services - Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated materials - Donated materials are recorded as support at their estimated values at the date of receipt.

Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Advertising Costs - Advertising costs are deducted in the year in which the costs are incurred. Advertising expense was \$435 and \$146 for the years ending December 31, 2022 and 2021, respectively. In-Kind Advertising expense was \$117,177 and \$93,664 for the years ending December 31, 2022 and 2021, respectively.

3. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	265,615
Investments		747,660
Contributions and accounts receivable		25,964
Interest receivable		3,800
Financial assets available within one year for general expenditure	\$	<u>1,043,039</u>

The Organization expects to collect cash in the near term to meet its cash needs. Cash in excess of its current cash needs is maintained for unexpected expenditures.

4. **INVESTMENTS AND FAIR VALUE**

The Organization's investments at December 31, 2022 and 2021 are stated at fair value and consist of market indexed certifications of deposit with a cost of \$750,000 and \$-0-, respectively. Fair value of the market indexed certifications are \$747,660 and \$-0-. Investment return for these investments consists of interest income of \$8,028 and \$789 and unrealized gains/(loss) of \$(2,340) and \$(757), for the years ended December 31, 2022 and 2021, respectively.

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 and Level 2 are not available. Fair values for all investments of the Organization are valued based upon a matrix or model pricing method (Level 2).

5. LEASE PAYABLE

The Organization leases office space under an operating lease. The rent payments under the lease began October 1, 2020, and the lease had an expiration date of November 30, 2022. Rent expense was \$38,362 and \$35,200 for the years ended December 31, 2022 and 2021, respectively. An amendment to the agreement was signed June 28, 2022 for the period December 1, 2022 through November 30, 2025. The Organization implemented ASU 2016-02, *Leases* during fiscal year 2022. As a result, a lease liability and a right-to-use asset was recorded for \$107,251 at December 1, 2022. As of December 31, 2022, the value of the lease liability was \$104,398. The Organization is required to make monthly payments ranging from \$3,200 to \$3,320. The lease has an implied interest rate of 4%, based on the treasury rate at the time of adoption. The value of the right-to-use asset at December 31, 2022 is \$107,251 less accumulated amortization of \$2,815. The future payments for the years ended December 31, are as follows:

	Year	Payments
	2023	\$ 35,232
	2024	38,872
	2025	36,524
Total		110,628
Less: discounts to net present value		(6,230)
Net operating lease liability		<u>\$ 104,398</u>

6. IN-KIND DONATIONS

Donated materials and services are recorded as support income at their estimated fair market values at the time they are received. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donation to a specific purpose. There were no donor-imposed restrictions associated with the donated services and assets.

The Organization received the following contributions of nonfinancial assets for the year ending December 31:

	2022	2021
Software licenses	\$ 21,345	\$ 16,985
Professional services - advertising	117,177	93,664
Professional services - legal	12,468	18,972
TOTAL	<u>\$ 150,990</u>	<u>\$ 129,621</u>

Donated software licenses were utilized by the Organization's program and supporting services and are valued at the fair value estimate provided by the donor at time of donation.

Donated professional services for advertising were utilized by the Organization's program and supporting services and are valued at the fair value estimate provided by the donor at time of donation.

Donated professional legal services were utilized by the Organization's program services and are valued using the lawyer's standard hourly rates.

7. **INCOME TAX**

FASB Accounting Standards Codification Topic 740, Income Taxes, provides for the recognition of tax benefits related to uncertain tax positions. For the years ended December 31, 2022 and 2021, management believes there are no material uncertain tax positions. The Organization files form 990 Return of Organization Exempt From Income Tax. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2019.

8. **SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

9. **RECENT ACCOUNTING PRONOUNCEMENTS**

The effect on the Organization's financial statements of the following statements is issued, but not yet adopted, has not yet been determined.

ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* - implementation will result in a new accounts receivable loss accounting framework, also known as the current expected credit loss (CECL) model. CECL requires credit losses expected throughout the life of the asset to be recorded at the time of origination. Under the current incurred loss model, losses are recorded when it is probable that a loss event has occurred. The new standards might require significant operational changes, especially in data collection and analysis for some entities. The ASU is effective for interim and annual periods beginning after December 15, 2022. Management is evaluating the effect that ASU 2016-13 will have on the financial statement and the related disclosures.

10. **ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS**

During fiscal year ended December 31, 2022, the Organization adopted the requirements of ASU No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new ASU improves the disclosures related to contributions of nonfinancial assets commonly referred to as in-kind contributions. There was no affect on the amounts reported in the financial statements beginning net assets.

During the fiscal year ended December 31, 2022, the Organization adopted the requirements of ASU 2016-02, *Leases*. This new ASU results in the recognition of the assets and liabilities that arise from leases. There was no affect on the amounts reported in the financial statements beginning net assets.