

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

***FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023***

***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, 2024 and 2023, 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, 2024 and 2023, 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.

Prior Period Financial Statements

The financial statements as of December 31, 2023, were audited by Botz, Deal & Company, P.C., who merged with UHY LLP as of January 1, 2025, and whose report dated July 10, 2024, expressed an unmodified opinion on those statements.

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.

Auditor's 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.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are stylized and cursive.

St. Charles, Missouri
September 8, 2025

AMERICAN INSTITUTE OF PHILANTHROPY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 276,171	\$ 438,503
Accounts receivable	254	228
Contributions receivable	2,234	2,530
Interest receivable	21,110	15,508
Investments - certificates of deposit	819,942	629,919
Prepaid expenses	17,757	16,900
TOTAL CURRENT ASSETS	<u>1,137,468</u>	<u>1,103,588</u>
FIXED ASSETS		
Office furniture and equipment	6,573	6,573
Database and web applications	285,477	285,477
Less: accumulated depreciation	(292,050)	(286,203)
TOTAL DEPRECIABLE FIXED ASSETS, NET	<u>-</u>	<u>5,847</u>
OTHER ASSETS		
Deposits	6,400	6,400
Operating lease right-of-use-asset	263,322	107,251
Less: accumulated amortization	(56,604)	(37,238)
TOTAL OTHER ASSETS, NET	<u>213,118</u>	<u>76,413</u>
TOTAL ASSETS	<u>\$ 1,350,586</u>	<u>\$ 1,185,848</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 2,850	\$ 3,267
Accrued salaries	15,624	18,746
Accrued vacation	11,424	9,217
Operating lease liability - current	23,331	36,762
TOTAL CURRENT LIABILITIES	<u>53,229</u>	<u>67,992</u>
NONCURRENT LIABILITIES		
Operating lease liability	<u>178,883</u>	<u>35,923</u>
NET ASSETS		
Without donor restrictions	<u>1,118,474</u>	<u>1,081,933</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,350,586</u>	<u>\$ 1,185,848</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, 2024 AND 2023

	2024	2023
PUBLIC SUPPORT AND OTHER INCOME		
PUBLIC SUPPORT		
Contributions	\$ 602,286	\$ 581,611
OTHER INCOME		
Interest income	40,978	36,160
Unrealized gain/(loss) on investments	1,023	2,259
Contributions of nonfinancial assets	260,955	206,749
Other income	594	499
TOTAL OTHER INCOME	303,550	245,667
 TOTAL PUBLIC SUPPORT AND OTHER INCOME	 905,836	 827,278
 EXPENSES		
Program	743,958	674,120
General and administrative	94,215	96,079
Fundraising	31,121	32,512
TOTAL EXPENSES	869,295	802,711
 CHANGE IN NET ASSETS	 36,541	 24,567
 NET ASSETS - BEGINNING OF YEAR	 1,081,933	 1,057,366
 NET ASSETS - END OF YEAR	 \$ 1,118,474	 \$ 1,081,933

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, 2024

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 347,010	\$ 30,968	\$ 12,535	\$ 390,513
Payroll taxes	29,176	2,603	1,054	32,833
Advertising	681	-	-	681
Bank charges	-	11,249	-	11,249
Conferences and meetings	810	-	-	810
Contributed nonfinancial assets:				
Advertising	122,342	13,594	-	135,936
Professional fees	120,349	-	-	120,349
Software	3,155	1,259	256	4,670
Depreciation	5,195	464	188	5,847
Dues and subscriptions	1,157	-	-	1,157
General insurance	7,396	2,886	114	10,396
Health benefits	24,608	2,196	889	27,693
Mail service	1,156	-	2,585	3,741
Miscellaneous	75	19	3	97
Occupancy costs	32,980	2,928	1,200	37,108
Office	4,728	564	365	5,657
Online services	1,928	94	80	2,102
Parking	225	13	12	250
Postage and delivery	8,542	2,454	3,671	14,667
Printing	12,615	228	5,795	18,638
Professional fees	13,857	18,893	2,211	34,961
Registrations	-	2,603	-	2,603
Research	13	-	-	13
Telephone	1,867	136	85	2,088
Travel and meals	4,093	1,065	78	5,236
TOTAL EXPENSES	<u>\$ 743,958</u>	<u>\$ 94,215</u>	<u>\$ 31,121</u>	<u>\$ 869,295</u>

See Independent Auditors' Report.

AMERICAN INSTITUTE OF PHILANTHROPY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 318,089	\$ 28,708	\$ 9,965	\$ 356,762
Payroll taxes	26,367	2,380	826	29,573
Advertising	550	16	1	567
Bank charges	34	10,975	-	11,009
Conferences and meetings	400	-	9	409
Contributed nonfinancial assets:				
Advertising	107,700	11,967	-	119,667
Software	19,899	1,357	1,079	22,335
Professional fees	64,747	-	-	64,747
Depreciation	7,337	662	230	8,229
Dues and subscriptions	1,512	15	-	1,527
General insurance	6,101	2,891	91	9,083
Health benefits	22,908	2,068	718	25,694
Mail service	1,202	560	3,091	4,853
Miscellaneous	-	31	-	31
Occupancy costs	35,809	3,232	1,121	40,162
Office	5,398	737	146	6,281
Online services	1,320	81	69	1,470
Parking	207	12	12	231
Postage and delivery	8,603	3,208	3,873	15,684
Printing	13,524	874	7,397	21,795
Professional fees	27,410	19,611	3,785	50,806
Registrations	-	3,634	-	3,634
Telephone	2,213	200	69	2,482
Travel and meals	2,790	2,860	30	5,680
TOTAL EXPENSES	<u>\$ 674,120</u>	<u>\$ 96,079</u>	<u>\$ 32,512</u>	<u>\$ 802,711</u>

See Independent Auditors' Report.

AMERICAN INSTITUTE OF PHILANTHROPY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 602,582	\$ 604,863
Cash paid to suppliers and employees	(611,857)	(576,881)
Miscellaneous income	567	454
Interest received	35,376	24,452
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,668	52,888
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments	(189,000)	120,000
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(162,332)	172,888
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	438,503	265,615
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 276,171	\$ 438,503

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**

	2024	2023
CHANGE IN NET ASSETS	\$ 36,541	\$ 24,567
 ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	5,847	8,229
Unrealized (gain) loss on investments	(1,023)	(2,259)
Right-of-use operating lease	(7,176)	2,710
(Increase) decrease in assets:		
Accounts receivable	(26)	(45)
Contributions receivable	296	23,252
Interest receivable	(5,602)	(11,708)
Prepaid expenses	(857)	(3,691)
Increase (decrease) in liabilities:		
Accounts payable	(417)	(5,433)
Accrued salaries	(3,122)	16,188
Accrued vacation	2,207	1,078
TOTAL ADJUSTMENTS	(9,873)	28,321
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ 26,668	 \$ 52,888
 SUPPLEMENTAL DISCLOSURE OF NON-CASH ITEMS:		
Contributed services	\$ 256,285	\$ 184,414
Donated software	4,670	22,335
Total contributions of nonfinancial assets	\$ 260,955	\$ 206,749
 Right-of-use asset obtained in exchange for lease liability	 \$ 263,322	 \$ -

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, 2024 AND 2023

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 nonprofit 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 in accordance with U.S. generally accepted accounting principles 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, 2024 and 2023.

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 from time to time may have bank balances in excess of its insured limits. Management has deemed this as normal business risk.

Concentration of Revenue - Contributions and grants comprise approximately 95% and 95% of the Organization's 2024 and 2023 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. If necessary, an allowance is estimated considering historical losses, existing economic conditions, and the financial stability of donors. The Organization expects to collect 100% of contributions receivable within the next year and therefore, has not recorded an allowance for uncollectible contributions.

Revenue and Revenue Recognition - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. The Organization records contributions when received as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 and realized 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:

<u>Major Group</u>	<u>Life</u>
Office furniture and equipment	5 years
Database and web applications	5 years

Depreciation expense was \$5,847 and \$8,229 for the years ended December 31, 2024 and 2023, respectively.

Leases - The Organization determines if an arrangement is a lease at inception. Operating lease right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, the Organization uses the risk free borrowing rate, as allowed by the standard, at the commencement date in determining the present value of lease payments. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization elected a short-term lease exception policy, which allows entities to not apply the new standard to short-term leases (i.e. leases with terms of 12 months or less).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions of Nonfinancial Assets - 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 are recorded as support at their estimated values at the date of receipt.

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 benefits.

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).

Advertising Costs - Advertising costs are expensed in the year in which the costs are incurred. Advertising expense was \$681 and \$567 for the years ending December 31, 2024 and 2023, respectively. Contributed advertising expense was \$135,936 and \$119,667 for the years ending December 31, 2024 and 2023, 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:

	2024	2023
Cash and cash equivalents	\$ 276,171	\$ 438,503
Investments	819,942	629,919
Contributions and accounts receivable	2,488	2,758
Interest receivable	21,110	15,508
Financial assets available to meet cash needs for expenditures within one year	\$ <u>1,119,711</u>	\$ <u>1,086,688</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 MEASUREMENTS

The Organization's investments at December 31, 2024 and 2023 are stated at fair value and consist of market indexed certifications of deposit with a cost of \$819,000 and \$630,000, respectively. Fair value of the market indexed certifications are \$819,942 and \$629,919. Investment return for these investments consists of interest income of \$40,978 and \$36,160 and unrealized gains of \$1,023 and \$2,259, for the years ended December 31, 2024 and 2023, 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, with an original expiration date of November 30, 2022. An amendment to the agreement was signed June 28, 2022 for the period December 1, 2022 through November 30, 2025. A second amendment to the agreement was signed May 30, 2025 for the period June 1, 2025 through May 31, 2028, with an option to extend through May 31, 2031. As a result, there was a remeasurement and a lease liability and a right-to-use asset was recorded for \$263,322 at December 1, 2024. As of December 31, 2024, the value of the lease liability was \$202,214. The Organization is required to make monthly payments ranging from \$2,942 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, 2024 is \$263,322 less accumulated amortization of \$56,604. Rent expense was \$35,016 and \$37,942 for the years ended December 31, 2024 and 2023, respectively. The annual undiscounted cash flows for the years ended December 31, are as follows:

<u>Year</u>	<u>Payments</u>
2025	\$ 30,936
2026	35,720
2027	36,434
2028	34,041
2029	37,906
Thereafter	<u>54,907</u>
Total cash flows	229,944
Less: imputed interest	<u>(27,730)</u>
Net operating lease liability	<u><u>\$ 202,214</u></u>

5. **LEASE PAYABLE** - continued

The weighted average remaining lease term and discount rates for leases at December 31 are as follows:

	<u>2024</u>	<u>2023</u>
Weighted average lease term (years)		
Operating leases	7.43	1.94
Weighted average discount rate		
Operating leases	4.0%	4.0%

6. **CONTRIBUTIONS OF NONFINANCIAL ASSETS**

Contributions of nonfinancial assets 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:

	<u>2024</u>	<u>2023</u>
Software licenses	\$ 4,670	\$ 22,335
Professional services - advertising	135,936	119,667
Professional services - legal	120,349	64,747
TOTAL	<u>\$ 260,955</u>	<u>\$ 206,749</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, 2024 and 2023, 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 2021.

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.

In January of 2025, the Organization received notice of a residual bequest they will receive in the amount of \$53,689.

A second amendment to the operating lease agreement was signed May 30, 2025, for the period June 1, 2025 through May 31, 2028, with an option to extend through May 31, 2031. As a result, there was a remeasurement of the lease. See Note 5 for additional detail.