

ADG CPA

ANIMAL CHARITY EVALUATORS
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Animal Charity Evaluators

I have audited the accompanying financial statements of Animal Charity Evaluators (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Charity Evaluators as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Andres D. Garcia, CPA
April 5, 2019

ANIMAL CHARITY EVALUATORS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS:

Cash and Cash Equivalents	\$ 1,600,886
Contributions Receivable	1,546,129
Prepaid Expenses	8,275
Total Current Assets	<u>3,155,290</u>
Investments	<u>519,488</u>
Total Other Assets	<u>519,488</u>
TOTAL ASSETS	\$ <u>3,674,778</u>

LIABILITIES:

Accounts Payable	\$ 12,786
Grants Payable	428,222
Total Current Liabilities	<u>441,008</u>
TOTAL LIABILITIES	\$ <u>441,008</u>

NET ASSETS:

Without Donor Restrictions	\$ 1,228,406
With Donor Restrictions	<u>2,005,364</u>
TOTAL NET ASSETS	<u>3,233,770</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,674,778</u>

The Accompanying Notes are an Integral Part of the Financial Statements

ANIMAL CHARITY EVALUATORS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

SUPPORT AND REVENUE:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions and Grants	\$ 1,114,445	\$ 198,679	\$ 1,313,124
Supported Charity Contributions	-	2,390,560	2,390,560
Other Revenue	9	-	9
Investment Return, net	(25,582)	-	(25,582)
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>788,998</u>	<u>(788,998)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	1,877,870	1,800,241	3,678,111
EXPENSES:			
Program Services	1,363,295	-	1,363,295
Management and General	206,807	-	206,807
Fund-raising	<u>47,791</u>	<u>-</u>	<u>47,791</u>
Total Supporting Services	<u>1,617,893</u>	<u>-</u>	<u>1,617,893</u>
TOTAL EXPENSES	<u>1,617,893</u>	<u>-</u>	<u>1,617,893</u>
CHANGE IN NET ASSETS	259,977	1,800,241	2,060,218
NET ASSETS, BEGINNING OF YEAR	<u>968,429</u>	<u>205,123</u>	<u>1,173,552</u>
NET ASSETS, END OF YEAR	<u>\$ 1,228,406</u>	<u>\$ 2,005,364</u>	<u>\$ 3,233,770</u>

The Accompanying Notes are an Integral Part of the Financial Statements

ANIMAL CHARITY EVALUATORS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

FUNCTIONAL EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Payroll & Related				
Salaries & Wages	\$ 475,040	\$ 126,113	\$ 38,371	\$ 639,524
Payroll Taxes	32,137	8,532	2,596	43,265
Employee Benefits	8,217	2,181	664	11,062
Payroll Processing	-	5,079	-	5,079
Workers Compensation Insurance	-	2,881	-	2,881
Total Payroll & Related	<u>515,394</u>	<u>144,786</u>	<u>41,631</u>	<u>701,811</u>
Other Expenses				
Advertising	7,704	-	-	7,704
Communication	3,662	-	-	3,662
Conferences and Meetings	13,181	27,862	-	41,043
Contract Services	4,000	-	-	4,000
Credit Card Processing Fees	9,484	4,751	3,005	17,240
Grants	756,337	-	-	756,337
Independent Contractors	17,929	-	-	17,929
Insurance	-	7,685	-	7,685
Intern & Fellowship Stipends	32,869	-	-	32,869
Legal and Professional Fees	-	4,275	-	4,275
Miscellaneous	-	13,802	3,155	16,957
Operations	-	1,464	-	1,464
Postage	-	260	-	260
Printing	2,154	174	-	2,328
Software	581	1,748	-	2,329
Total Other Expenses	<u>847,901</u>	<u>62,021</u>	<u>6,160</u>	<u>916,082</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 1,363,295</u></u>	<u><u>\$ 206,807</u></u>	<u><u>\$ 47,791</u></u>	<u><u>\$ 1,617,893</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

ANIMAL CHARITY EVALUATORS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 2,060,218
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Decrease in Market Value of Investments	25,582
(Increase) Decrease in Operating Assets:	
Contributions Receivable	(676,468)
Prepaid Expenses	(5,167)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	5,904
Grants Payable	(1,034,641)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>375,428</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(13,453)
CASH FLOWS (USED) BY INVESTING ACTIVITIES	<u>(13,453)</u>

NET INCREASE IN CASH & CASH EQUIVALENTS 361,975

CASH & CASH EQUIVALENTS, DECEMBER 31, 2017 1,238,911

CASH & CASH EQUIVALENTS, DECEMBER 31, 2018 \$ 1,600,886

The Accompanying Notes are an Integral Part of the Financial Statements

ANIMAL CHARITY EVALUATORS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1. Nature of Organization

Animal Charity Evaluators (ACE) was founded under the name Effective Animal Activism (EAA), a project under the Centre for Effective Altruism in Oxford, England. In November 2013, EAA merged with a US-based nonprofit, Justice For Animals, which allowed EAA to maintain their original mission of providing advice to donors on the most effective animal charities and building a community of effective altruists interested in animal issues. EAA became an official 501(c) (3) in November 2013.

In December 2013, EAA rebranded as Animal Charity Evaluators, and is currently operating as a US-based nonprofit. ACE has narrowed its focus to research and outreach. ACE's mission is to find and advocate the ways to most effectively help animals. ACE's vision is a world free of avoidable suffering where animals are given equal consideration regardless of their species.

ACE researches interventions and organizations to determine the most effective ways to help animals. This includes using rigorous evaluation criteria to evaluate the methods employed by various organizations as well as their own strategy and structure.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles whereby all revenue is recognized when earned and expenses are recognized when incurred.

Fund Accounting: To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of ACE are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

ACE also prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and subsections, as amended by ASU 2016-14. ACE uses the terms *Net Assets Without Donor Restrictions* and *Net Assets With Donor Restrictions* to describe the two required net asset classes.

Net Assets Without Donor Restrictions: net assets not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets With Donor Restrictions: net assets subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

ANIMAL CHARITY EVALUATORS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2. Summary of Significant Accounting Policies, continued

Fund Accounting, continued:

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Cash and Cash Equivalents: ACE has defined cash and cash equivalents as business checking accounts in banks and other financial institutions (PayPal) that provide no interest on account balances.

Concentration of Credit Risks: ACE places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. ACE has not incurred losses related to these investments. Cash in one financial institution at December 31, 2018 was \$1,520,867.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of ACE providing these services.

Donated Materials and Services: Donated materials and services are recognized as contributions if the materials or services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ACE. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Use of Estimates: The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Investments: Investments are stated at fair value. Unrealized and realized gains and losses are included in investment return, net, reported on the statement of activities and changes in net assets.

Investment Risks: Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the accompanying financial statements.

ANIMAL CHARITY EVALUATORS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 3. Income Tax Status

ACE is an Illinois Not-For-Profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Illinois Income Tax Act Section 205(a), respectively, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code is subject to federal income tax. ACE currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

U.S. generally accepted accounting principles require ACE management to evaluate tax positions taken by ACE and recognize a tax liability if ACE has taken uncertain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. Management has analyzed tax positions taken by ACE and has concluded that, as of December 31, 2018, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or that would require disclosure in the financial statements.

ACE is subject to routine audits by taxing jurisdictions. However, currently no audits for any tax periods are in progress.

Note 4. Net Assets with Donor Restrictions

Net assets with donor restriction activities for the year ended December 31, 2018 and balances at December 31, 2018 consist of the following:

<u>Funding Source or Purpose</u>	<u>12/31/17</u>	<u>Additions</u>	<u>(Released)</u>	<u>12/31/18</u>
Effective Animal Advocacy Fund	\$ -	\$1,941,318	\$(-)	\$1,941,318
Animal Advocacy Research Fund	198,190	178,679	(325,119)	51,750
Advertising	6,933	20,000	(14,637)	12,296
Supported Charity Contributions	-	449,242	(449,242)	-
	<u>\$205,123</u>	<u>\$2,589,239</u>	<u>\$(788,998)</u>	<u>\$2,005,364</u>

ANIMAL CHARITY EVALUATORS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 5. Fair Value Measurements

ACE utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. ACE determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs: Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).
- Level 3 Inputs: Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

ACE follows the provisions of Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosure about fair value measurements.

ACE uses appropriate valuation techniques based on the available inputs to measure the fair value of their investments. When available, ACE measures fair value using Level 1 inputs because they generally provided the most reliable evidence of fair value. Mutual funds and money market accounts are measured at quoted market prices for identical assets (Level 1).

The following presents the balances of assets measured at fair value on December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 509,523	\$ -	\$ -	\$ 509,523
Money Market funds	9,965	-	-	9,965
Totals	<u>\$ 519,488</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 519,488</u>

ANIMAL CHARITY EVALUATORS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 6. Liquidity and Availability of Financial Assets

The following reflects ACE's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>12/31/2018</u>
Financial assets at year-end	\$ 3,666,503
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted for grants	1,993,068
Donor-restricted for advertising	<u>12,296</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,661,139</u>

Note 7. Subsequent Events

The management of ACE have reviewed the results of operations and evaluated subsequent events for the period of time from its year end December 31, 2018 through April 5, 2019 the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.