

# ADG CPA

**ANIMAL CHARITY EVALUATORS**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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# ADG CPA

## 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, 2019, and the related statements of activities, 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, 2019, 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  
March 31, 2020

**ANIMAL CHARITY EVALUATORS**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

**ASSETS:**

Cash and Cash Equivalents	\$ 1,586,919
Contributions Receivable	1,357,437
Prepaid Expenses	<u>12,721</u>
Total Current Assets	<u>2,957,077</u>
Investments	<u>278,702</u>
Total Other Assets	<u>278,702</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,235,779</u></b>

**LIABILITIES:**

Accounts Payable	\$ 15,836
Grants Payable	<u>1,042,625</u>
Total Current Liabilities	<u>1,058,461</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>1,058,461</u></b>

**NET ASSETS:**

Without Donor Restrictions	\$ 1,063,659
With Donor Restrictions	<u>1,113,659</u>
<b>TOTAL NET ASSETS</b>	<b><u>2,177,318</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>3,235,779</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements

**ANIMAL CHARITY EVALUATORS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>SUPPORT AND REVENUE:</b>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions and Grants	\$ 644,919	\$ 425,715	\$ 1,070,634
Supported Charity Contributions	-	2,293,933	2,293,933
Other Revenue	2,177	-	2,177
Investment Return, net	72,706	-	72,706
In-Kind Services	72,239	-	72,239
Restricted Net Asset Activity:			
Placed into Program Restrictions	(447)	447	-
Satisfaction of Program Restrictions	<u>3,611,800</u>	<u>(3,611,800)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>4,403,394</b>	<b>(891,705)</b>	<b>3,511,689</b>
<b>EXPENSES:</b>			
Program Services	4,309,370	-	4,309,370
Management and General	227,105	-	227,105
Fund-raising	<u>31,666</u>	<u>-</u>	<u>31,666</u>
<b>TOTAL EXPENSES</b>	<b><u>4,568,141</u></b>	<b><u>-</u></b>	<b><u>4,568,141</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>(164,747)</b>	<b>(891,705)</b>	<b>(1,056,452)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>1,228,406</u></b>	<b><u>2,005,364</u></b>	<b><u>3,233,770</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 1,063,659</u></b>	<b><u>\$ 1,113,659</u></b>	<b><u>\$ 2,177,318</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements



**ANIMAL CHARITY EVALUATORS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>FUNCTIONAL EXPENSES</b>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Payroll & Related				
Salaries & Wages	\$ 527,558	\$ 157,702	\$ 21,923	\$ 707,183
Payroll Taxes	31,025	9,274	1,289	41,588
Employee Benefits	18,175	5,433	755	24,363
Payroll Processing	-	4,207	-	4,207
Workers Compensation Insurance	-	2,509	-	2,509
Total Payroll & Related	<u>576,758</u>	<u>179,125</u>	<u>23,967</u>	<u>779,850</u>
Other Expenses				
Advertising	11,793	-	-	11,793
Communication	3,137	-	-	3,137
Conferences and Meetings	28,295	11,307	-	39,602
Contract Services	16,696	6,163	-	22,859
Credit Card Processing Fees	21,520	3,910	-	25,430
Events	7,434	-	-	7,434
Grants	3,528,266	-	-	3,528,266
Independent Contractors	13,961	-	-	13,961
In-Kind Services	72,239	-	-	72,239
Insurance	-	7,226	-	7,226
Interns' Pay	25,220	-	-	25,220
Legal and Professional Fees	-	8,917	-	8,917
Miscellaneous	721	1,643	5,656	8,020
Operations	1,828	3,895	-	5,723
Postage	-	319	-	319
Printing	854	200	-	1,054
Professional Development	-	2,488	-	2,488
Software	648	1,912	2,043	4,603
Total Other Expenses	<u>3,732,612</u>	<u>47,980</u>	<u>7,699</u>	<u>3,788,291</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ <u>4,309,370</u></b>	<b>\$ <u>227,105</u></b>	<b>\$ <u>31,666</u></b>	<b>\$ <u>4,568,141</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements

**ANIMAL CHARITY EVALUATORS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (1,056,452)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:	
(Increase) in Market Value of Investments	(72,706)
(Increase) Decrease in Operating Assets:	
Contributions Receivable	188,692
Prepaid Expenses	(4,446)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	3,050
Grants Payable	614,403
<b>CASH FLOWS (USED) BY OPERATING ACTIVITIES</b>	<u>(327,459)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Investments	355,517
Purchase of Investments	(42,025)
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>	<u>313,492</u>

**NET (DECREASE) IN CASH & CASH EQUIVALENTS** (13,967)

**CASH & CASH EQUIVALENTS, DECEMBER 31, 2018** 1,600,886

**CASH & CASH EQUIVALENTS, DECEMBER 31, 2019** \$ 1,586,919

The Accompanying Notes are an Integral Part of the Financial Statements

**ANIMAL CHARITY EVALUATORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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.

Net Asset Classification: Net assets, revenue, gains, and losses are classified on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor or grantor restrictions.

With Donor Restrictions: Net assets subject to donor- or 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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, and are reported in the Statement of Activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.



**ANIMAL CHARITY EVALUATORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 2.      Summary of Significant Accounting Policies, continued**

Cash and Cash Equivalents: For purposes of the statement of cash flows, ACE considers business and savings accounts with banks and other financial institutions (PayPal) to be cash equivalents.

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, 2019 was \$1,535,748.

Contributions Receivable: Contributions receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of contributors having outstanding balances and current relationships with them, it has concluded that no allowance for doubtful accounts was considered necessary as of December 31, 2019.

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.

ACE received \$71,239 in donated advertising and \$1,000 in professional consulting services. Total in-kind services of \$72,239 were recognized as both revenue and expenses in these financial statements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses (Investment Return, net) are included in the statement of activities. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of gift.

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, 2019**

**Note 2.      Summary of Significant Accounting Policies, continued**

***Fair Value Measurements:*** The Financial Accounting Standards Board has issued guidance defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. Fair value is 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. ACE utilizes a fair value hierarchy to prioritize 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 or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

***Level 1*** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ACE has the ability to access.

***Level 2*** – Inputs to the valuation methodology include;

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

***Level 3*** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest priority level of any input that is significant to the fair value measurement. Transfers between levels shall occur at the actual date of the event or change in circumstances that caused the transfer. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

**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.

**ANIMAL CHARITY EVALUATORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 3.      Income Tax Status, continued**

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, 2019, 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**

Net assets with donor restrictions at December 31, 2019 comprise the following:

Subject to Purpose Restrictions:

Effective Animal Advocacy Grant Fund (EAAF)	\$ 722,591
Animal Advocacy Research Fund	356,048
EAAF Program Officer Salary	34,450
Advertising	503
Supported Charity Contributions	67
	<u>\$ 1,113,659</u>

**Note 5.      Liquidity and Availability of Financial Assets**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>12/31/2019</u>
Cash and Cash Equivalents	\$ 1,586,919
Contributions Receivable	1,357,437
Investments	<u>278,702</u>
Total Financial assets at year-end	\$ 3,223,058

Donor Imposed Restrictions:

Subject to expenditure for specified purpose	<u>(1,113,659)</u>
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Financial assets available to meet cash needs for general expenditures  
within one year

\$ 2,109,399

**ANIMAL CHARITY EVALUATORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**Note 6.      Fair Value Measurements**

Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in methodologies used during the year ended December 31, 2019.

*Money Market Funds:* Valued at the observable net asset value (NAV) of shares held by ACE at year-end.

*Mutual Funds:* Valued at the observable net asset value (NAV) of shares held by ACE at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ACE believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following presents the balances of assets measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>\$ 278,702</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 278,702</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, 2019 through March 31, 2020, 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.