

# BONK, CUSHMAN, EAGLE & GARCIA

CERTIFIED PUBLIC ACCOUNTANTS

JAMES C. BONK, III C.P.A., C.F.E., C.F.F.  
AN ACCOUNTANCY CORPORATION

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## ANIMAL CHARITY EVALUATORS AUDITED FINANCIAL STATEMENTS DECEMBER 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Animal Charity Evaluators

### *Opinion*

We have audited the accompanying financial statements of Animal Charity Evaluators (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Charity Evaluators as of December 31, 2021, 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.

### *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 Animal Charity Evaluators 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 the 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 Animal Charity Evaluators' 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.

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## ***Auditor's Responsibilities for the Audit of the Financial Statements, continued***

Misstatements 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 the 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 Animal Charity Evaluators' 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 Animal Charity Evaluators' 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.

*Bonk, Cushman, Eagle & Garcia*

Bonk, Cushman, Eagle & Garcia

March 28, 2022



**ANIMAL CHARITY EVALUATORS**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

**ASSETS:**

Cash and Cash Equivalents	\$ 4,393,092
Contributions Receivable	846,442
Total Current Assets	<u>5,239,534</u>
Investments	504,508
Total Other Assets	<u>504,508</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>5,744,042</u></b>

**LIABILITIES:**

Accounts Payable	\$ 19,479
Deferred Revenue	126,500
Accrued Paid Time Off	21,728
Grants Payable	1,695,938
Total Current Liabilities	<u>1,863,645</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>1,863,645</u></b>

**NET ASSETS:**

Without Donor Restrictions	\$ 1,771,767
With Donor Restrictions	2,108,630
<b>TOTAL NET ASSETS</b>	<b><u>3,880,397</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>5,744,042</u></b>

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, 2021**

<b>SUPPORT AND REVENUE:</b>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions and Grants	\$ 1,308,172	\$ 43,560	\$ 1,351,732
Supported Charity Contributions	-	5,377,440	5,377,440
Other Revenue	109,609	-	109,609
Investment Return, net	40,525	-	40,525
In-Kind Advertising	250,976	-	250,976
Restricted Net Asset Activity:			
Satisfaction of Program Restrictions	<u>4,603,911</u>	<u>(4,603,911)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>6,313,193</b>	<b>817,089</b>	<b>7,130,282</b>
<b>EXPENSES:</b>			
Program Services	5,465,153	-	5,465,153
Management and General	301,468	-	301,468
Fund-raising	<u>79,047</u>	<u>-</u>	<u>79,047</u>
Total Supporting Services	<u>5,845,668</u>	<u>-</u>	<u>5,845,668</u>
<b>TOTAL EXPENSES</b>	<b><u>5,845,668</u></b>	<b><u>-</u></b>	<b><u>5,845,668</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>467,525</b>	<b>817,089</b>	<b>1,284,614</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>1,304,242</u></b>	<b><u>1,291,541</u></b>	<b><u>2,595,783</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 1,771,767</u></b>	<b><u>\$ 2,108,630</u></b>	<b><u>\$ 3,880,397</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, 2021**

<b>FUNCTIONAL EXPENSES</b>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Payroll & Related				
Salaries, Wages & Payroll Taxes	\$ 509,500	\$ 210,775	\$ 37,909	\$ 758,184
Interns' Pay	52,903	828	-	53,731
Employee Benefits	10,952	4,530	815	16,297
Payroll Processing	3,136	1,088	278	4,502
Workers Compensation Insurance	2,646	1,095	197	3,938
Total Payroll & Related	<u>579,137</u>	<u>218,316</u>	<u>39,199</u>	<u>836,652</u>
Other Expenses				
Communication	6,131	-	-	6,131
Conferences and Meetings	125	-	-	125
Contract Services	-	8,736	-	8,736
Credit Card Processing Fees	30,683	8,504	-	39,187
Grants	4,472,632	-	-	4,472,632
Independent Contractors & Temps.	121,589	25,796	22,631	170,016
In-Kind Advertising	250,976	-	-	250,976
Insurance	-	7,056	-	7,056
Legal and Professional Fees	-	13,647	-	13,647
Miscellaneous	138	12,318	5,499	17,955
Operations	-	875	-	875
Postage	-	44	-	44
Printing	1,920	48	-	1,968
Professional Development	-	5,546	-	5,546
Software	1,822	582	11,718	14,122
Total Other Expenses	<u>4,886,016</u>	<u>83,152</u>	<u>39,848</u>	<u>5,009,016</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ <u>5,465,153</u></b>	<b>\$ <u>301,468</u></b>	<b>\$ <u>79,047</u></b>	<b>\$ <u>5,845,668</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, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 1,284,614
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
(Increase) in Market Value of Investments	(40,525)
(Increase) Decrease in Operating Assets:	
Contributions Receivable	151,655
Prepaid Expenses	-
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	13,245
Deferred Revenue	39,000
Accrued Paid Time Off	(12,416)
Grants Payable	206,397
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,641,970</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Forgiveness of SBA PPP Loan Payable	(107,598)
<b>CASH FLOWS (USED) BY FINANCING ACTIVITIES</b>	<u>(107,598)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sale of Investments	145,131
Purchases of Investments	(61,737)
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>	<u>83,394</u>

**NET INCREASE IN CASH & CASH EQUIVALENTS** 1,617,766

**CASH & CASH EQUIVALENTS, DECEMBER 31, 2020** 2,775,326

**CASH & CASH EQUIVALENTS, DECEMBER 31, 2021** \$ 4,393,092

The Accompanying Notes are an Integral Part of the Financial Statements



**ANIMAL CHARITY EVALUATORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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 promote the most effective ways to help animals. ACE's vision is a world free of avoidable suffering where animals are given equal consideration regardless of their species.

ACE directs support to some of the most effective organizations that help animals by conducting comprehensive charity reviews to inform key recommendations to our donors and making grants to promising organizations across the globe.

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

*Basis of Accounting:* The financial statements of ACE have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

*Basis of Presentation:* The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. 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 without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations.

*Net assets with donor restrictions* – net assets with donor restrictions are the net assets that are contributions subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire by the passage of time or can be fulfilled and removed by action of ACE pursuant to these stipulations. 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.



**ANIMAL CHARITY EVALUATORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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 and Financial Risks: ACE maintains cash balances with federally insured institutions. Accounts at federally insured institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank at December 31, 2021. At December 31, 2021, ACE held \$3,861,890 in uninsured accounts. ACE has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Revenue Accounted for in Accordance with ASU 2018-08: Contribution revenue – ACE receives support from individuals, foundations, and corporations in support of ACE’s mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, ACE receives promises to give that have certain conditions such as meeting specific performance-related barriers or limit the discretion on ACE’s use of the funds.

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, 2021.

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 \$250,976 in donated advertising. Total in-kind services of \$250,976 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. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures, and reported amounts of revenues and expenses during the reporting period. 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 and changes in net assets. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of gift.

**ANIMAL CHARITY EVALUATORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

*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.

*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.



**ANIMAL CHARITY EVALUATORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**Note 3.      Income Tax Status**

ACE is a Not-For-Profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3), Illinois Income Tax Act Section 205(a) and Section 23701(d) of the California Revenue and Taxation code, 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, 2021, 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.      SBA PPP Loan**

ACE received a promissory note from Bank of America for the Paycheck Protection Program to help ACE through the COVID-19 pandemic. On May 4, 2020, ACE received a promissory note in the amount of \$107,598 with a fixed annual interest rate of 1%.

ACE submitted their forgiveness application on November 27, 2020, and on June 28, 2021, Bank of America informed ACE that all principal and interest was forgiven in full for the PPP Loan.

ACE has reported this forgiven loan of \$107,598 in Other Revenue in the financial statements for the year ended December 31, 2021.

**Note 5.      Net Assets with Donor Restrictions**

Net assets with donor restrictions at December 31, 2021, comprise the following:

Subject to expenditure for a specified purpose:

Recommended Charities Contributions	\$ 1,174,289
Movement Grants Program	860,809
Animal Advocacy Research Fund	<u>73,532</u>
	<u>\$ 2,108,630</u>



**ANIMAL CHARITY EVALUATORS**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021

**Note 6.      Liquidity and Availability of Financial Assets**

ACE's working capital and cash flows are relatively consistently throughout the year due to year-round grant writing and fundraising. To manage liquidity ACE maintains adequate cash balances.

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>12/31/2021</u>
Cash and Cash Equivalents	\$ 4,393,092
Contributions Receivable	846,442
Investments	<u>504,508</u>
Total Financial assets at year-end	5,744,042
Donor Imposed Restrictions:	
Subject to expenditure for specified purpose	( <u>2,108,630</u> )
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,635,412</u>

**Note 7.      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, 2021. For the items below, valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

*Mutual Funds:* ACE's holdings in publicly traded mutual funds consist principally of debt and equity securities carried at their aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily.

*Equity securities:* Equity securities consist of investments in U.S. equity securities.

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 503,427	-	-	\$ 503,427
Equity Securities	<u>1,081</u>	-	-	<u>1,081</u>
Mutual Funds	<u>\$ 504,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,508</u>

**ANIMAL CHARITY EVALUATORS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**Note 8.**      **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, 2021 through March 28, 2022, 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.