

BONK, CUSHMAN, EAGLE & GARCIA

CERTIFIED PUBLIC ACCOUNTANTS

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AN ACCOUNTANCY CORPORATION

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ANIMAL CHARITY EVALUATORS AUDITED FINANCIAL STATEMENTS MARCH 31, 2024

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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 March 31, 2024, 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 March 31, 2024, 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

August 12, 2024

ANIMAL CHARITY EVALUATORS
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2024

ASSETS:

Cash and Cash Equivalents	\$	2,211,400
Contributions Receivable		584,656
Prepaid Expenses		3,701
Total Current Assets		2,799,757
Investments		871,651
Total Other Assets		871,651
TOTAL ASSETS	\$	3,671,408

LIABILITIES:

Accounts Payable	\$	11,723
Accrued Paid Time Off		79,237
Total Current Liabilities		90,960
TOTAL LIABILITIES	\$	90,960

NET ASSETS:

Without Donor Restrictions	\$	1,810,720
With Donor Restrictions		1,769,728
TOTAL NET ASSETS		3,580,448
TOTAL LIABILITIES AND NET ASSETS	\$	3,671,408

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 MARCH 31, 2024

SUPPORT AND REVENUE:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions and Grants	\$ 1,017,376	\$ 514,542	\$ 1,531,918
Supported Charity Contributions	-	4,285,433	4,285,433
Contributions of nonfinancial assets	2,072	60,701	62,773
In-Kind Contributions	137,675	-	137,675
Other Revenue	11,140	-	11,140
Interest	318	-	318
Investment Return, net	101,241	-	101,241
Restricted Net Asset Activity:			
Satisfaction of Program Restrictions	<u>4,668,705</u>	<u>(4,668,705)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	5,938,527	191,971	6,130,498
EXPENSES:			
Program Services	5,485,476	-	5,485,476
Management and General	443,535	-	443,535
Fund-raising	256,320	-	256,320
Total Supporting Services	<u>6,185,331</u>	<u>-</u>	<u>6,185,331</u>
TOTAL EXPENSES	6,185,331	-	6,185,331
CHANGE IN NET ASSETS	(246,804)	191,971	(54,833)
NET ASSETS, BEGINNING OF YEAR	<u>2,057,524</u>	<u>1,577,757</u>	<u>3,635,281</u>
NET ASSETS, END OF YEAR	<u>\$ 1,810,720</u>	<u>\$ 1,769,728</u>	<u>\$ 3,580,448</u>

The Accompanying Notes are an Integral Part of the Financial Statements

ANIMAL CHARITY EVALUATORS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2024

FUNCTIONAL EXPENSES	Program Services			Management and General	Fund- raising	Total
	Charity Evaluations	Grantmaking	Total Program			
Payroll & Related						
Salaries, Wages & Payroll Taxes	\$ 481,461	\$ 331,584	\$ 813,045	\$ 320,973	\$ 192,319	\$ 1,326,337
Employee Benefits	9,060	6,239	15,299	6,040	3,619	24,958
Payroll Processing	4,468	3,077	7,545	2,979	1,785	12,309
Workers Compensation Insurance	3,254	2,241	5,495	2,170	1,300	8,965
Total Payroll & Related	498,243	343,141	841,384	332,162	199,023	1,372,569
Other Expenses						
Advertising	344	689	1,033	-	346	1,379
Communication	90	180	270	45,546	90	45,906
Conferences and Meetings	3,260	3,560	6,820	26,964	3,047	36,831
Credit Card / Transfer Fees	8,310	34,200	42,510	-	9,999	52,509
Equipment & Work Environment	5,854	4,032	9,886	3,903	2,338	16,127
Events	-	-	-	161	-	161
Grants	1,174,862	3,274,947	4,449,809	-	-	4,449,809
Independent Contractors & Temps.	14,348	9,882	24,230	9,565	5,732	39,527
In-Kind Advertising	31,494	62,987	94,481	-	31,493	125,974
Insurance	-	-	-	9,071	-	9,071
Legal and Professional Fees	-	-	-	9,098	-	9,098
Miscellaneous	5,205	2,481	7,686	797	2,344	10,827
Operations	-	-	-	4,216	-	4,216
Postage	-	-	-	671	160	831
Professional Development	374	258	632	249	149	1,030
Software	2,343	4,392	6,735	1,132	1,599	9,466
Total Other Expenses	1,246,484	3,397,608	4,644,092	111,373	57,297	4,812,762
TOTAL FUNCTIONAL EXPENSES	\$ 1,744,727	3,740,749	5,485,476	\$ 443,535	\$ 256,320	\$ 6,185,331

The Accompanying Notes are an Integral Part of the Financial Statements

ANIMAL CHARITY EVALUATORS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (54,833)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:	
(Increase) in Market Value of Investments	(101,241)
(Increase) Decrease in Operating Assets:	
Contributions Receivable	(379,628)
Prepaid Expenses	(3,162)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(15,962)
Deferred Revenue	(29,500)
Accrued Paid Time Off	17,597
Grants Payable	(407,071)
CASH FLOWS (USED) BY OPERATING ACTIVITIES	<u>(973,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments, net	<u>(12,176)</u>
CASH FLOWS (USED) BY INVESTING ACTIVITIES	<u>(12,176)</u>
NET (DECREASE) IN CASH & CASH EQUIVALENTS	(985,976)
CASH & CASH EQUIVALENTS, MARCH 31, 2023	<u>3,197,376</u>
CASH & CASH EQUIVALENTS, MARCH 31, 2024	<u>\$ 2,211,400</u>

The Accompanying Notes are an Integral Part of the Financial Statements

ANIMAL CHARITY EVALUATORS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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 with a globally distributed team. ACE has narrowed its focus to charity evaluations and grantmaking. ACE's mission is to find and promote the most effective ways to help animals. ACE's vision is a world in which no individual is given less than full moral consideration on the basis of any morally irrelevant feature of their identity; including species membership.

ACE directs support to some of the most effective organizations that help animals by conducting comprehensive charity evaluations to inform recommendations to donors. ACE also awards grants from both our Recommended Charity Fund and our Movement Grants program, which funds various approaches to animal advocacy to build and strengthen the global movement.

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
MARCH 31, 2024

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 March 31, 2024. At March 31, 2024, ACE held \$1,951,829 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 receivable 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 March 31, 2024.

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 nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

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.

Contributed Nonfinancial Assets: Contributed nonfinancial assets of stock and cryptocurrencies are valued at fair market value at date of contribution.

ANIMAL CHARITY EVALUATORS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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
MARCH 31, 2024

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 March 31, 2024, 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. In-Kind Contributions

ACE received in-kind contributions for the year ending March 31, 2024:

Advertising	\$ 125,974
Professional services	7,164
Expenses paid by staff	4,277
Donated candidate payments	<u>260</u>
	<u>\$ 137,675</u>

ACE's policy related to in-kind contributions is to utilize the assets to carry out the mission of ACE. In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specific how donated assets must be used.

ACE benefitted from donated advertising which was valued by Google at \$125,974 in the year ended March 31, 2024. This amount has been reported as both in-kind contribution revenue on the statement of activities and in-kind advertising expense on the statement of functional expenses. In-kind advertising valuation is estimated based on current market rates of similar services provided by Google.

ACE benefitted from donated professional services which was valued by actual wages foregone by an employee of ACE in the year ended March 31, 2024. This amount has been reported as both in-kind contribution revenue on the statement of activities and is included in salaries, wages and payroll taxes on the statement of functional expenses.

ANIMAL CHARITY EVALUATORS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

Note 5. Liquidity and Availability of Financial Assets

ACE’s working capital and cash flows are relatively consistent 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>03/31/2024</u>
Cash and Cash Equivalents	\$ 2,211,400
Contributions Receivable	584,656
Investments	<u>871,651</u>
Total Financial assets at year-end	3,667,707
Donor Imposed Restrictions:	
Subject to expenditure for specified purpose	<u>(1,769,728)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,897,979</u>

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 March 31, 2024. For the items below, valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

Mutual Funds, Exchange-Traded Funds & Common Stock: ACE’s holdings in publicly traded mutual funds, exchange-traded funds and common stock 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.

Cash Balances: Funds held in standard bank deposit accounts.

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 March 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$857,944	\$	\$	\$757,188
Exchange-Traded Funds	10,397			10,397
Common Stock	3,304			3,304
Cash Balances	<u>6</u>			<u>6</u>
Total	<u>\$871,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$871,651</u>

ANIMAL CHARITY EVALUATORS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions at March 31, 2024, comprise the following:

<u>Subject to expenditure for a specified purpose:</u>	
Movement Grants & Related Expenses	\$ 984,401
Recommended Charities Contributions	610,272
Movement Grants Program	88,970
Giving What We Can Impact Assessment	66,085
Impact Assessment Consultant	<u>20,000</u>
	<u>\$ 1,769,728</u>

Note 8. Contributed Nonfinancial Assets

Revenues from contributions of nonfinancial assets recognized within the statement of activities were as follows for the year ended March 31, 2024.

	<u>Usage in programs or activities</u>	<u>Donor imposed Restrictions</u>	<u>Fair value techniques and inputs</u>
Cryptocurrencies \$24,685	Programs	Movement Grants & Rec. Charities	Fair value at date of donation
Stocks \$38,088	Programs	Movement Grants & Rec. Charities	Fair value at date of donation

All gifts were recognized in accordance with donor restrictions, where applicable. ACE's general rule is to convert gifts of cryptocurrency into US dollars (USD) as soon as reasonably possible to minimize exposure to price volatility. The board must approve any decision to hold a cryptocurrency for a longer period.

Note 9. Subsequent Events

The management of ACE have reviewed the results of operations and evaluated subsequent events for the period of time from the year ended March 31, 2024 through August 12, 2024, 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.