

**GUARDIAN.ORG FOUNDATION**

**AUDITED FINANCIAL STATEMENTS**

**For the Years Ended March 31, 2018  
and 2017**

# GUARDIAN.ORG FOUNDATION

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Guardian.Org Foundation

We have audited the accompanying financial statements of Guardian.org Foundation (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, and cash flows for the years 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**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guardian.org Foundation, as of March 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**UHY** LLP

New York, New York  
July 24, 2018

**FINANCIAL STATEMENTS**

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**GUARDIAN.ORG FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**

	<u>March 31,</u>	
	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 682,503	\$ 1,166
Total current assets	<u>682,503</u>	<u>1,166</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accrued expenses	\$ 1,589	\$ -
Due to related party	110,000	-
Deferred grant revenue	<u>415,033</u>	-
Total current liabilities	<u>526,622</u>	-
NET ASSETS		
Unrestricted net assets	<u>155,881</u>	<u>1,166</u>
Total net assets	<u>\$ 155,881</u>	<u>\$ 1,166</u>

**GUARDIAN.ORG FOUNDATION**  
**STATEMENTS OF ACTIVITIES**

	<u>Years Ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
<b>SUPPORT AND REVENUE</b>		
Grants	\$ 1,025,267	\$ 550,000
Individual contributions	156,535	2,000
Contributions in Kind	<u>159,363</u>	<u>41,000</u>
Total support and revenue	<u>1,341,165</u>	<u>593,000</u>
<b>FUNCTIONAL EXPENSES</b>		
Program expenses	1,025,267	550,000
Administrative expenses	<u>161,183</u>	<u>41,834</u>
Total functional expenses	<u>1,186,450</u>	<u>591,834</u>
<b>CHANGE IN NET ASSETS</b>	154,715	1,166
<b>NET ASSETS, Beginning</b>	<u>1,166</u>	<u>-</u>
<b>NET ASSETS, Ending</b>	<u>\$ 155,881</u>	<u>\$ 1,166</u>

**GUARDIAN.ORG FOUNDATION**  
**STATEMENTS OF CASH FLOWS**

	<u>Years Ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 154,715	\$ 1,166
Adjustments to reconcile change in net assets to net cash		
provided by operating activities:		
Changes in:		
Increase in accrued expenses	1,589	
Increase in due to related party	110,000	-
Increase in deferred revenue	415,033	-
Net cash provided by operating activities	<u>681,337</u>	<u>1,166</u>
 NET INCREASE IN CASH	 681,337	 1,166
 CASH, Beginning	 <u>1,166</u>	 <u>-</u>
CASH, End	<u>\$ 682,503</u>	<u>\$ 1,166</u>

**GUARDIAN.ORG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

**NOTE 1 — ORGANIZATION**

Guardian.Org Foundation (the "Organization"), incorporated on January 26, 2016, is a not-for-profit corporation organized under the Not-For-Profit Corporation Law of the State of Delaware, and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is organized and operated to educate, advance, and inform public disclosure and citizen participation around the most pressing issues of the time through the support and advancement of independent journalism.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and income, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed restrictions. None of the Organization's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

**Cash and Cash Equivalents**

Cash and cash equivalents includes investments in highly liquid investments with original maturities of three months or less. The Organization maintains cash balances in one financial institution. At times during the year balances may exceed Federal Deposit Insurance Corporation ("FDIC") insured limits. As of March 31, 2018, the Company had deposits at financial institutions in excess of FDIC insured limits of \$432,503.

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor or depend on the incurrence of qualifying program expenses, are recognized when the conditions on which they depend are substantially met or to the extent that the expenses are incurred, that is, when the conditional promise becomes unconditional. Grant revenue is recognized as earned.

**Income Tax Status**

The Organization is exempt from taxation under Code Section 501(c)(3) of the Internal Revenue Code. The Organization follows guidance issued by the Financial Accounting Standards Board ("FASB") regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before

**GUARDIAN.ORG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

The income tax position taken by the Organization for any years open under the various statutes of limitations are that the Organization continues to be exempt from income taxes and that the Organization does not have unrelated business income that would be subject to income taxes.

The Organization believes that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within 12 months of the reporting date.

None of the Organization's federal or state information returns are currently under examination by the Internal Revenue Service ("IRS") or state authorities.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

For purposes of preparing these financial statements, the Organization considered events through July 24, 2018, the date the financial statements were available to be issued.

**NOTE 3 – GRANT REVENUE**

Certain grants become unconditional when the Organization timely submits progress reports to donors by milestone and the grants are used exclusively for the purposes specified in grant award letters. As of March 31, 2018 and 2017, \$1,028,333 and \$350,000 of conditional grants were not reflected in the Organization's statements of activities as the conditions of the grant were not achieved.

**GUARDIAN.ORG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

**NOTE 4– CONTRIBUTIONS IN KIND**

The Contributions in kind were \$159,363 and \$41,000, respectively, for the years ended March 31, 2018 and 2017. The Organization records contributions and corresponding expenses for donated salaries, professional expenses. The amount recorded is the estimated fair value of the donated expenses. For the years ended March 31, 2018 and March 31, 2017, the Organization recognized revenue and related expenses of \$121,908 and \$41,000, respectively, for contributed services received from personnel of its affiliate, Guardian News & Media Ltd. (the “Limited company”).

Guardian News & Media LLC (the “LLC”, an affiliate of the Organization) paid \$37,455 and \$0, respectively, for the professional fees on behalf of the Organization for the year ended March 31, 2018 and 2017.

**NOTE 5 – RELATED PARTIES TRANSACTIONS AND COMMITMENTS**

During the year ended March 31, 2018, the Organization entered into several conditional grant agreements with the Limited company. The Organization paid \$809,150 during the year ended March 31, 2018, and \$110,000 was payable as of March 31, 2018. The Organization did not reflect \$716,450 in its financial statements as the conditions of the grant were not yet achieved, the Organization is expected to grant the Limited Company \$514,300 and 202,150, respectively, during the years ended March 31, 2019 and 2020.

During the year ended March 31, 2018, the Organization entered into a conditional grant agreement with the LLC. The Organization paid \$85,000 to the LLC during the year ended March 31, 2018. The Organization did not reflect \$255,000 in its financial statements as the conditions of the grant were not yet achieved, the Organization is expected to grant the LLC \$170,000 and 85,000, respectively, during the years ended March 31, 2019 and 2020.

During the year ended March 31, 2017, the Organization entered into a grant agreement in the amount of \$800,000 with the Limited company, and \$100,000 with the LLC. The Organization paid \$550,000 during year ended March 31, 2017. The Organization did not reflect \$350,000 in its financial statements as the conditions were not yet achieved during the year ended March 31, 2017.

Program expenses with related parties for the years ended March 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Guardian News & Media Ltd.	\$ 919,150	\$ 450,000
Guardian News & Media LLC	85,000	100,000
	<u>\$ 1,004,150</u>	<u>\$ 550,000</u>