

**GUARDIAN.ORG FOUNDATION**

**AUDITED FINANCIAL STATEMENTS**

**For the Years Ended March 31, 2019  
and 2018**

# 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, 2019 and 2018, 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, 2019 and 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.

**UHY** LLP

New York, New York  
July 24, 2019

**FINANCIAL STATEMENTS**

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

	<u>March 31,</u>	
	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 895,031	\$ 682,503
Prepaid expenses	698	-
Total current assets	<u>\$ 895,729</u>	<u>\$ 682,503</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,203	\$ 1,589
Due to related party	10,025	110,000
Deferred grant revenue	742,150	415,033
Total current liabilities	<u>754,378</u>	<u>526,622</u>
 <b>NET ASSETS</b>		
Net assets without donor restriction	141,351	155,881
Total net assets	<u>\$ 141,351</u>	<u>\$ 155,881</u>

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

	<b>Years Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>SUPPORT AND REVENUE</b>		
Grants	\$ 1,501,183	\$ 1,025,267
Individual contributions	169,292	156,535
Contributions in Kind	<u>150,652</u>	<u>159,363</u>
Total support and revenue	<u>1,821,127</u>	<u>1,341,165</u>
<b>FUNCTIONAL EXPENSES</b>		
Program expenses	1,674,813	1,025,267
Administrative expenses	<u>160,844</u>	<u>161,183</u>
Total functional expenses	<u>1,835,657</u>	<u>1,186,450</u>
<b>CHANGE IN NET ASSETS</b>	(14,530)	154,715
<b>NET ASSETS, Beginning</b>	<u>155,881</u>	<u>1,166</u>
<b>NET ASSETS, Ending</b>	<u>\$ 141,351</u>	<u>\$ 155,881</u>

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

	<b>Years Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (14,530)	\$ 154,715
Adjustments to reconcile change in net assets to net provided by operating activities:		
Changes in:		
Prepaid expenses	(698)	-
Accrued expenses	614	1,589
Due to related party	(99,975)	110,000
Deferred revenue	327,117	415,033
Net cash provided by operating activities	<u>212,528</u>	<u>681,337</u>
 NET INCREASE IN CASH	 212,528	 681,337
 CASH, Beginning	 <u>682,503</u>	 <u>1,166</u>
CASH, End	<u>\$ 895,031</u>	<u>\$ 682,503</u>

**GUARDIAN.ORG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2019 and 2018**

**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:

Net assets without donor restriction: 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 net asset without donor restriction.

**Recently Adopted Accounting Standard**

In August 2016, the Financial Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit (Topic 958), Presentation and Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). ASU 2016-14 is effective for annual financial statements issued for the fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization adopted ASU 2016-14 for the year ended March 31, 2019. Adoption of this ASU did not have a material impact on the financial statements.

**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, 2019, the Company had deposits at financial institutions in excess of FDIC insured limits of \$645,031.

**Revenue Recognition**

Contributions received are recorded as with donor restriction or without donor restriction, 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 incurrance 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 and deferred revenue is recognized based on the cash received upfront.

**GUARDIAN.ORG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2019 and 2018**

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

**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 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, 2019, 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, 2019 and 2018, \$1,267,150 and \$1,028,333 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, 2019 and 2018**

**NOTE 4– CONTRIBUTIONS IN KIND**

The Contributions in kind were \$150,652 and \$159,363, respectively, for the years ended March 31, 2019 and 2018. 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, 2019 and March 31, 2018, the Organization recognized revenue and related expenses of \$109,456 and \$121,908, 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 \$41,196 and \$37,455, respectively, for the professional fees and insurance expense on behalf of the Organization for the year ended March 31, 2019 and 2018.

**NOTE 5 — LIQUIDITY AND AVAILABILITY**

The Organization’s financial assets available within one year of the balance sheet date for general expenditures are as follow:

	<b>March 31,</b> <b>2019</b>
Cash and cash equivalents, unrestricted	<u>\$ 895,031</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 895,031</u>

The Organization’s liquidity mainly relies on cash receipts from revenue earned by receiving grant and providing sub-grant, and receiving individual donation and contribution in-kind. The Organization believes it has adequate cash and therefore has no liquidity concern.

**NOTE 6 – RELATED PARTIES TRANSACTIONS AND COMMITMENTS**

During the year ended March 31, 2019, the Organization entered into several new conditional grant agreements with the Limited company in amount of \$1,060,000. The Organization paid \$1,059,300 during the year ended March 31, 2019. The Organization did not reflect \$827,150 in its financial statements as the conditions of the grant were not yet achieved, the Organization is expected to grant the Limited Company \$602,150 and \$225,000, respectively, during the years ended March 31, 2020 and 2021.

During the year ended March 31, 2019, the Organization entered into several new conditional grant agreements with the LLC in amount of \$606,000. The Organization paid \$651,000 to the LLC during the year ended March 31, 2019. The Organization did not reflect \$210,000 in its financial statements as the conditions of the grant were not yet achieved, the Organization is expected to grant the LLC \$210,000, during the year ended March 31, 2020.

During the year ended March 31, 2018, the Organization entered into several grant agreements in the amount of \$1,285,600 with the Limited company, and \$340,000 with the LLC. The Organization paid \$544,150 during year ended March 31, 2018. The Organization did not reflect \$1,081,450 in its financial statements as the conditions were not yet achieved during the year ended March 31, 2018.

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**NOTE 6 – RELATED PARTIES TRANSACTIONS AND COMMITMENTS (Continued)**

Program expenses with related parties for the years ended March 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Guardian News & Media Ltd.	\$ 949,300	\$ 919,150
Guardian News & Media LLC	651,000	85,000
	<u>\$ 1,600,300</u>	<u>\$ 1,004,150</u>

**NOTE 7 — FUNCTIONAL EXPENSES**

Expenses are reported to each program and support function based on actual expense incurred, and are as follows for the year ended March 31, 2019:

	<b>Years Ended March 31,</b>					
	<u>2019</u>			<u>2018</u>		
	<b>Program and Other Direct Expenses</b>	<b>General and Administrative Expenses</b>	<b>Total Expenses</b>	<b>Program and Other Direct Expenses</b>	<b>General and Administrative Expenses</b>	<b>Total Expenses</b>
Program	\$ 1,674,813	\$ -	\$ 1,674,813	\$ 1,025,267	\$ -	\$ 1,025,267
Salaries and fringe benefits	-	109,456	109,456	-	121,908	121,908
Accounting	-	27,675	27,675	-	29,643	29,643
Legal	-	22,448	22,448	-	9,401	9,401
Other expenses	-	1,265	1,265	-	231	231
	<u>\$ 1,674,813</u>	<u>\$ 160,844</u>	<u>\$ 1,835,657</u>	<u>\$ 1,025,267</u>	<u>\$ 161,183</u>	<u>\$ 1,186,450</u>

Management utilizes certain methods to allocate expenses to the various functional categories. The direct allocation is the preferred method when it is reasonable efficient and management assigns each expense to a functional category based on actual usage.