

GUARDIAN.ORG FOUNDATION

AUDITED FINANCIAL STATEMENTS

**For the Years Ended March 31, 2020
and 2019**

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, 2020 and 2019, 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 audits. We conducted our audits 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, 2020 and 2019, 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 23, 2020

FINANCIAL STATEMENTS

GUARDIAN.ORG FOUNDATION
STATEMENTS OF FINANCIAL POSITION

| | <u>March 31,</u> | |
|---------------------------------------|---------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,662,215 | \$ 895,031 |
| Prepaid expenses | - | 698 |
| Total current assets | <u>\$ 1,662,215</u> | <u>\$ 895,729</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ - | \$ 2,203 |
| Due to related party | - | 10,025 |
| Deferred grant revenue | 1,595,000 | 742,150 |
| Total current liabilities | <u>1,595,000</u> | <u>754,378</u> |
| NET ASSETS | | |
| Net assets without donor restriction | 67,215 | 141,351 |
| Total net assets | <u>\$ 67,215</u> | <u>\$ 141,351</u> |

See notes to financial statements

GUARDIAN.ORG FOUNDATION
STATEMENTS OF ACTIVITIES

| | Years Ended March 31, | |
|------------------------------|------------------------------|-------------------|
| | 2020 | 2019 |
| SUPPORT AND REVENUE | | |
| Grants | \$ 3,410,391 | \$ 1,501,183 |
| Individual contributions | 39,330 | 169,292 |
| Contributions in Kind | 161,023 | 150,652 |
| Total support and revenue | <u>3,610,744</u> | <u>1,821,127</u> |
| FUNCTIONAL EXPENSES | | |
| Program expenses | 3,535,150 | 1,674,813 |
| Administrative expenses | 149,730 | 160,844 |
| Total functional expenses | <u>3,684,880</u> | <u>1,835,657</u> |
| CHANGE IN NET ASSETS | (74,136) | (14,530) |
| NET ASSETS, Beginning | <u>141,351</u> | <u>155,881</u> |
| NET ASSETS, Ending | <u>\$ 67,215</u> | <u>\$ 141,351</u> |

See notes to financial statements

GUARDIAN.ORG FOUNDATION
STATEMENTS OF CASH FLOWS

| | <u>Years Ended March 31,</u> | |
|--|------------------------------|--------------------|
| | <u>2020</u> | <u>2019</u> |
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ (74,136) | \$ (14,530) |
| Adjustments to reconcile change in net assets to net provided by operating activities: | | |
| Forgiveness of related party payable | (11,530) | - |
| Changes in: | | |
| Prepaid expenses | 698 | (698) |
| Accrued expenses | (698) | 614 |
| Due to related party | - | (99,975) |
| Deferred revenue | 852,850 | 327,117 |
| Net cash provided by operating activities | <u>767,184</u> | <u>212,528</u> |
| NET INCREASE IN CASH | 767,184 | 212,528 |
| CASH, Beginning | <u>895,031</u> | <u>682,503</u> |
| CASH, End | <u>\$ 1,662,215</u> | <u>\$ 895,031</u> |

See notes to financial statements

GUARDIAN.ORG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 1 — ORGANIZATION

Guardian.Org Foundation (the "Organization"), incorporated on January 26, 2016, is a not-for-profit corporation organized owned by Scott Trust Limited 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

On January 1, 2019, the FASB issued ASU 2018-08, Not-for-Profit Entities ("Topic 958"): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update provide a framework for evaluating whether a transfer of assets is a contribution or an exchange transaction as well as to provide a more robust framework for determining whether a contribution is conditional or unconditional. The Organization adopted this ASU for the year ended March 31, 2020 on a modified prospective basis and has determined there is no material impact on the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include 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, 2020, the Company had deposits at financial institutions in excess of FDIC insured limits of approximately \$1,412,000.

GUARDIAN.ORG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions received are recorded 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 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. Deferred revenue is recognized when grant is received and has not been 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 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 23, 2020, the date the financial statements were available to be issued.

GUARDIAN.ORG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

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, 2020 and 2019, \$2,123,000 and \$1,267,150 of conditional grants were not reflected in the Organization’s statements of activities as the conditions of the grant were not achieved.

The revenue recognized in years ended March 31, 2020 and 2019 that was in the beginning of the year of deferred grant revenue were \$ 742,150 and \$ 415,033, respectively.

NOTE 4 – CONCENTRATION OF CREDIT RISK

For the year ended March 31, 2020, the Company had three grantors that comprised 15%, 12% and 10% of the total grant revenue. For the year ended March 31, 2019, the Company had five grantors, that comprised 31%, 17%,13%, 12% and 11% of the total grant revenue.

NOTE 5 – CONTRIBUTIONS IN KIND

The Contributions in kind were \$161,023 and \$150,652, for the years ended March 31, 2020 and 2019 respectively. The Organization records contributions and corresponding expenses for donated salaries and professional expenses. The amount recorded is the estimated fair value of the donated expenses. For the years ended March 31, 2020 and March 31, 2019, the Organization recognized revenue and related expenses of \$114,469 and \$109,456, respectively, for contributed services received from personnel of its affiliate, Guardian News & Media Ltd. (the “Limited company”).

For the years ended March 31, 2020 and 2019, the Organization recognized revenue and professional expenses of \$43,418 and \$41,196, respectively, which were paid by Guardian News & Media LLC (the “LLC”, an affiliate of the Organization) on behalf of the Organization.

NOTE 6 — LIQUIDITY AND AVAILABILITY

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

| | |
|---|------------------------------|
| | March 31, |
| | 2020 |
| | <hr/> |
| Cash and cash equivalents, unrestricted | \$ 1,662,215 |
| Less: Deferred Grant Revenue | (1,595,000) |
| Total financial assets available to meet general expenditures within one year | <hr/> <u>\$ 67,215</u> <hr/> |

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

GUARDIAN.ORG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 7 – RELATED PARTIES TRANSACTIONS AND COMMITMENTS

During the year ended March 31, 2020, the Organization entered into several new conditional grant agreements with the Limited company in amount of \$2,778,000. The Organization paid \$2,305,150 during the year ended March 31, 2020. The organization did not reflect \$1,300,000 in its financial statements as the conditions of the grant were not yet achieved, the organization is expected to grant the Limited company \$1,075,000 and \$225,000, respectively, during the years ended March 31, 2021 and 2022. As of March 31, 2020, due to related party in an amount of \$11,530 was forgiven by Limited company and debt forgiveness income of \$11,530 was recorded under administrative expense in the statement of activities.

During the year ended March 31, 2020, the Organization entered into several new conditional grant agreements with the LLC in the amount of \$1,765,000. The Organization paid \$1,230,000 to the LLC during the year ended March 31, 2020. The Organization did not reflect \$745,000 in its financial statements as the conditions of the grant were not yet achieved, the Organization is expected to grant the LLC \$745,000, during the year ended March 31, 2021.

During the year ended March 31, 2019, the Organization entered into several grant agreements in the amount of \$1,060,000 with the Limited company, and \$606,000 with the LLC. The Organization paid \$1,710,300 during the year ended March 31, 2019. The organization did not reflect \$1,037,150 in its financial statements as the conditions were not yet achieved during the year ended March 31, 2019.

Program expenses with related parties for the years ended March 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------------|---------------------|---------------------|
| Guardian News & Media Ltd. | \$ 2,305,150 | \$ 949,300 |
| Guardian News & Media LLC | <u>1,230,000</u> | <u>651,000</u> |
| | <u>\$ 3,535,150</u> | <u>\$ 1,600,300</u> |

GUARDIAN.ORG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 8 — FUNCTIONAL EXPENSES

Expenses are reported to each program and support function based on actual expense incurred, and are as follows for the years ended March 31, 2020 and 2019:

| | Years Ended March 31, | | | | | |
|------------------------------|--|---|---------------------|--|---|---------------------|
| | 2020 | | | 2019 | | |
| | Program and Other Direct Expenses | General and Administrative Expenses | Total Expenses | Program and Other Direct Expenses | General and Administrative Expenses | Total Expenses |
| Program | \$ 3,535,150 | \$ - | \$ 3,535,150 | \$ 1,674,813 | \$ - | \$ 1,674,813 |
| Salaries and fringe benefits | - | 114,469 | 114,469 | - | 109,456 | 109,456 |
| Accounting | - | 28,676 | 28,676 | - | 27,675 | 27,675 |
| Legal | - | 15,398 | 15,398 | - | 22,448 | 22,448 |
| Other expenses(Income) | - | (8,813) | (8,813) | - | 1,265 | 1,265 |
| | \$ 3,535,150 | \$ 149,730 | \$ 3,684,880 | \$ 1,674,813 | \$ 160,844 | \$ 1,835,657 |

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.

NOTE 9 — SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. As a result, the Organization's activities may be negatively impacted. The extent of the impact of COVID-19 on the Organization's activities is currently uncertain and cannot be predicted. The Organization continues to actively monitor and assesses the effect of this outbreak.