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INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
MuckRock Foundation, Inc.
Somerville, Massachusetts

We have audited the accompanying financial statements of MuckRock Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year 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.

Auditors’ 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 the 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 qualified audit opinion.
Basis for Qualified Opinion

As explained in Note 1 to the financial statements, intangible assets that were assigned to MuckRock Foundation, Inc. during the year ended December 31, 2018 are not recorded in the financial statements. Accounting principles generally accepted in the United States of America require contributions of long-lived assets to be recorded at their fair value at the date of receipt. The effects on the accompanying financial statements for the omission to record the assignment of the intangible assets have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of MuckRock Foundation, Inc. as of December 31, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, MuckRock Foundation, Inc. adopted new accounting guidance ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities and applied the new guidance retrospectively to 2017. Our opinion is not modified with respect to this matter.

Damiano, Burk & Nuttall, P.C.

Damiano, Burk & Nuttall, P.C.
Lincoln, Rhode Island
August 29, 2019
MUCKROCK FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current assets:
Cash and cash equivalents $ 167,029
Grants receivable 125,000
Prepaid expenses 6,894
TOTAL CURRENT ASSETS 298,923

Property and equipment:
Furniture and equipment 6,082
Less accumulated depreciation (1,510)
PROPERTY AND EQUIPMENT, NET 4,572

Other assets:
Deposits 1,700

TOTAL ASSETS $ 305,195

LIABILITIES AND NET ASSETS

Current liabilities:
Accounts payable and accrued expenses $ 1,443
Accrued salaries and payroll taxes 23,034
TOTAL LIABILITIES 24,477

Net assets:
Without donor restrictions (29,098)
With donor restrictions 309,816
TOTAL NET ASSETS 280,718

TOTAL LIABILITIES AND NET ASSETS $ 305,195

The accompanying notes are an integral part of these financial statements
MUCKROCK FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and support:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$28,152 $</td>
<td>- $</td>
<td>$28,152</td>
</tr>
<tr>
<td>Grants</td>
<td>10,000 $</td>
<td>430,000 $</td>
<td>440,000</td>
</tr>
<tr>
<td>Reporting projects and memberships</td>
<td>109,321 $</td>
<td>- $</td>
<td>109,321</td>
</tr>
<tr>
<td>Assignment of DocumentCloud (Note 1)</td>
<td>132,400 $</td>
<td>- $</td>
<td>132,400</td>
</tr>
<tr>
<td>Non-refundable book advance</td>
<td>42,000 $</td>
<td>- $</td>
<td>42,000</td>
</tr>
<tr>
<td>Other income</td>
<td>25,610 $</td>
<td>- $</td>
<td>25,610</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>239,307 $</td>
<td>(239,307) $</td>
<td>- $</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE AND SUPPORT</strong></td>
<td><strong>586,790 $</strong></td>
<td><strong>190,693 $</strong></td>
<td><strong>777,483 $</strong></td>
</tr>
</tbody>
</table>

| **Expenses**              |                           |                         |       |
| Program expenses          | 583,496 $                 | - $                    | 583,496 |
| Supporting services       | 43,231 $                  | - $                    | 43,231 |
| **TOTAL EXPENSES**        | **626,727 $**             | - $                    | **626,727 $** |

| **CHANGE IN NET ASSETS** | (39,937) $               | 190,693 $              | 150,756 |

| Net assets, beginning of year | 10,839 $                | 119,123 $             | 129,962 $ |

| **NET ASSETS, END OF YEAR** | $ (29,098) $            | $ 309,816 $           | $ 280,718 $ |

*The accompanying notes are an integral part of these financial statements*
# Muckrock Foundation, Inc.

## Statement of Functional Expenses

For the Year Ended December 31, 2018

The accompanying notes are an integral part of these financial statements.

<table>
<thead>
<tr>
<th></th>
<th>Program Expenses</th>
<th>Supporting Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payroll and related:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>$384,179</td>
<td>$-</td>
<td>$384,179</td>
</tr>
<tr>
<td>Payroll taxes and benefits</td>
<td>64,208</td>
<td>-</td>
<td>64,208</td>
</tr>
<tr>
<td>Contract labor</td>
<td>28,631</td>
<td>-</td>
<td>28,631</td>
</tr>
<tr>
<td><strong>TOTAL PAYROLL AND RELATED</strong></td>
<td><strong>477,018</strong></td>
<td>-</td>
<td><strong>477,018</strong></td>
</tr>
<tr>
<td><strong>Other expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office expenses</td>
<td>60,725</td>
<td>-</td>
<td>60,725</td>
</tr>
<tr>
<td>FOI fees</td>
<td>25,039</td>
<td>-</td>
<td>25,039</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>-</td>
<td>22,687</td>
<td>22,687</td>
</tr>
<tr>
<td>Travel</td>
<td>17,546</td>
<td>-</td>
<td>17,546</td>
</tr>
<tr>
<td>Professional fees</td>
<td>-</td>
<td>16,246</td>
<td>16,246</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>1,523</td>
<td>1,523</td>
</tr>
<tr>
<td>Cost of merchandise sold</td>
<td>3,002</td>
<td>-</td>
<td>3,002</td>
</tr>
<tr>
<td>Advertising</td>
<td>-</td>
<td>1,631</td>
<td>1,631</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>1,144</td>
<td>1,144</td>
</tr>
<tr>
<td>Contributions</td>
<td>166</td>
<td>-</td>
<td>166</td>
</tr>
<tr>
<td><strong>TOTAL OTHER EXPENSES</strong></td>
<td><strong>106,478</strong></td>
<td><strong>43,231</strong></td>
<td><strong>149,709</strong></td>
</tr>
</tbody>
</table>

**TOTAL EXPENSES**

$583,496 $43,231 $626,727
MUCKROCK FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:
Change in net assets $ 150,756
Adjustments to reconcile change in net assets to net cash provided by operating activities
Depreciation 1,144
Changes in operating assets and liabilities
Grants receivable (125,000)
Prepaid expenses (5,194)
Accounts payable and accrued expenses 762
Accrued salaries and payroll taxes 15,188
NET CASH PROVIDED BY OPERATING ACTIVITIES 37,656

Cash flows from investing activities:
Purchases of property and equipment (3,816)
NET CASH USED IN INVESTING ACTIVITIES (3,816)

NET INCREASE IN CASH AND CASH EQUIVALENTS 33,840

Cash and cash equivalents, beginning 133,189

CASH AND CASH EQUIVALENTS, ENDING $ 167,029

The accompanying notes are an integral part of these financial statements
1. ORGANIZATION

MuckRock Foundation, Inc. (the “Foundation”) is a national non-profit organization and collaborative news site that brings together journalists, researchers, activists, and ordinary citizens to request, analyze, and share government documents, thereby making politics more transparent and democracies more informed.

The Foundation provides a repository of hundreds of thousands of pages of original government materials, information on how to file requests, and tools to make the requesting process easier. In addition, Foundation staff and outside contributors use these source documents received through the Foundation’s website to create original investigative reporting and analysis.

On August 1, 2018, the Foundation entered into an agreement accepting an assignment of intellectual property rights (the “Agreement”) from Philadelphia Public Interest Network, Inc. Pursuant to the Agreement, the Foundation was assigned all rights, title, and interest in and to DocumentCloud, a cloud-based internet search platform designed to encourage investigative journalism and the exchange of public information. The assignment includes all copyrights, patents, trademarks, trade secrets, moral rights and all other intellectual property rights associated with DocumentCloud. The Foundation also received $132,400 pursuant to the Agreement.

Accounting principles generally accepted in the United States of America (“U.S. GAAP”) require that the acquisition of long-lived assets by assignment be recorded in the financial statements at their fair value as of the date of assignment and be amortized over their estimated useful lives. Management has not determined the fair value of the assigned intellectual property rights. Accordingly, the financial statements do not reflect the carrying value of the intellectual property, income derived from the assignment of the intellectual property, nor amortization of the intellectual property which is a departure from U.S. GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with U.S. GAAP.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, (“ASU 2016-14”) which simplifies and improves how a not-for-profit entity classifies its net assets, as well as the information it presents in financial statements and discloses about its liquidity, financial performance, and cash flows. Among other changes, ASU 2016-14 replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions” and expands disclosures about the nature and amount of any donor restrictions. The Foundation adopted ASU 2016-14 during the year ended December 31, 2018 and applied it retrospectively to its 2017 financial statements.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Contributions to the Foundation are recorded either as with or without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. In-kind contributions of property, goods and/or professional services received are recognized at their respective fair values at the date the contribution was made.

All donor-restricted support is reported as an increase to net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (either when a stipulated time restriction elapses or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restriction.

The Foundation recognizes fees for services and contract revenues when such services have been rendered and/or contractual obligations have been met.

The Foundation received a non-refundable advance of book royalties during the year ended December 31, 2018 which is included in other income. Future royalties resulting from book sales, if any, will be recognized in the period earned.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments, such as money markets and treasury bills, with maturities of six months or less to be cash equivalents.

Grants and Accounts Receivable

The Foundation reports grants and accounts receivable at net realizable value. The Foundation does not accrue interest on past-due receivable balances. Balances are considered past-due if not received within the stated terms. An allowance for uncollectible accounts is recorded based on historical collection experience and specific circumstances with respect to outstanding balances. As of December 31, 2018, management has determined that all outstanding balances will be collected and, accordingly, no allowance for uncollectible accounts has been recorded. Grants receivable are expected to collected in full within one year.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost if purchased or fair value if donated, less accumulated depreciation. All expenditures for property and equipment in excess of $1,000 are capitalized. Maintenance and minor repairs are charged to operations in the period incurred. When assets are retired or sold, the related costs and accumulated depreciation are removed and any gain or loss from the disposition are reflected as a change in net assets without donor restrictions.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The Foundation’s property and equipment consists solely of computer equipment which management estimates has a useful life of three years.

Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and change in net assets. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses such as occupancy and related costs are allocated based on relative square footage used whereas salaries and related costs are allocated based on estimates of time and effort.

Income Taxes

The Foundation is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. Management believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect to the Foundation’s financial condition, results of operations, or cash flows. Accordingly, the Foundation has not recorded any reserves or related accruals for penalties and interest for uncertain income tax positions at December 31, 2018. If the Foundation were to incur interest and penalties related to tax positions, they would be reflected as income taxes in the statement of activities and changes in net assets.
3. NET ASSETS

Net assets with donor restrictions comprise the following grants restricted for capacity building:

Program restrictions:
- Knight Foundation $18,879
- Democracy Fund 100,000
- CUNY Foundation 190,937

**TOTAL NET ASSETS WITH DONOR RESTRICTIONS** $309,816

4. CONCENTRATIONS

The Foundation received $420,000 of grant revenue (47% of total revenue and support) from three donors during the year ended December 31, 2018.

5. COMMITMENTS

The Foundation entered into a lease agreement for its primary operating facility on January 1, 2019. The lease has a term of one year. The minimum lease obligation for the year ending December 31, 2019 is $26,550.

6. LIQUIDITY AND FINANCIAL RESOURCES

The Foundation has financial assets of approximately $292,000, comprising cash and grants receivable, as of December 31, 2018 which are available to meet cash needs for general expenditure within one year. As part of the Foundation’s liquidity management, cash may be held in traditional bank accounts, money market accounts, or other highly liquid investment as the Board of Directors and management deem appropriate.

7. SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed or occurred after the balance sheet date require disclosure in the notes accompanying the financial statements. Management evaluated events occurring between January 1, 2019 and August 29, 2019 (the date the financial statements were available to be issued) and concluded that no events have occurred which would require adjustment to or disclosure in the financial statements, with the exception of the lease extension discussed in Note 5.